



Convenience Retail Asia Limited

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)



A member of the Li & Fung Retailing Group



Placing and Public Offer

Global Coordinator, Lead Manager and Sponsor

BNP PARIBAS PEREGRINE

IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.



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(incorporated in the Cayman Islands with limited liability)

**Listing on the Growth Enterprise Market of
The Stock Exchange of Hong Kong Limited**

BY WAY OF PLACING AND PUBLIC OFFER

Number of Shares under the Share Offer	:	163,900,000 (subject to Over-allotment Option)
Number of Placing Shares	:	131,120,000 (subject to reallocation)
Number of Public Offer Shares	:	32,780,000 (subject to reallocation)
Offer Price	:	not more than HK\$1.15 per Offer Share (payable in full on application and subject to refund)
Nominal value	:	HK\$0.10 each
GEM stock code	:	8052

Global Coordinator, Sponsor and Bookrunner

BNP PARIBAS PEREGRINE

Lead Manager

BNP PARIBAS PEREGRINE

Co-Lead Managers

INDOSUEZ W.I. CARR SECURITIES

BOCI ASIA LIMITED

Co-Managers

ABN AMRO Rothschild DBS ASIA CAPITAL LIMITED KA WAH CAPITAL LIMITED

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between BNP Paribas Peregrine Securities (on behalf of the Underwriters) and the Company at or before the Price Determination Time and will be not more than HK\$1.15 per Share and is expected to be not less than HK\$1.05 per Share, although the Company and BNP Paribas Peregrine Securities (on behalf of the Underwriters) may agree on a lower price. The Price Determination Time is currently scheduled at 1:00 a.m. on Saturday, 13th January, 2001. If BNP Paribas Peregrine Securities (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price or a postponement of the Price Determination Time by 11:30 p.m. on Tuesday, 16th January, 2001, the Share Offer will not become unconditional and will lapse.

Investors applying for Public Offer Shares must pay the maximum Offer Price of HK\$1.15 per Share, together with a brokerage fee of 1% and the Stock Exchange transaction levy of 0.01%. If, for any reason, the Offer Price is not agreed between the Company and BNP Paribas Peregrine Securities (on behalf of the Underwriters), the Share Offer will not proceed. BNP Paribas Peregrine Securities (on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus (which is HK\$1.05 to HK\$1.15 per Share) at any time prior to the morning of the latest day for lodging applications under the Public Offer. In such case, notices of the reduction in the indicative Offer Price range will be published in the South China Morning Post and Hong Kong Economic Times and the GEM website (www.hkgem.com) not later than the morning of the business day following the latest day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day on which the indicative Offer Price range is reduced, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

9th January, 2001

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

2001

Latest time for applicants to:

- lodge **WHITE** and **YELLOW**
Application Forms and payment 12:00 noon, Friday, 12th January
- give instructions to an ESP to
apply for Public Offer Shares
on your behalf and effect payment 12:00 noon, Friday, 12th January
- give electronic application instructions
to Hongkong Clearing 12:00 noon, Friday, 12th January
- Application lists open 11:45 a.m., Friday, 12th January
- Application lists close 12:00 noon, Friday, 12th January

Latest time for ESPs to submit Preliminary

ESP Application (*Note 3*) 1:00 p.m., Friday, 12th January

Latest time for ESPs to submit Final ESP

Application (*Note 3*) 3:00 p.m., Friday, 12th January

Expected Price Determination Time 1:00 a.m., Saturday, 13th January

Announcement of the Offer Price and the

indication of the level of interest in the Placing,

the results of applications in respect of

the Public Offer and basis of allotment of

the Public Offer Shares (with successful applicants'

identification document numbers) to be published

in the South China Morning Post (in English),

the Hong Kong Economic Times (in Chinese)

and on the GEM website at www.hkgem.com Wednesday, 17th January

Despatch of share certificates and refund cheques

in respect of wholly or partially unsuccessful

applications on or before (*Note 4*) Wednesday, 17th January

Dealings in the Shares on GEM to commence on Thursday, 18th January

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

EXPECTED TIMETABLE

- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 12th January, 2001, the application lists will not open on that day. Further information is set out in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” under the section headed “How to apply for the Public Offer Shares” in this prospectus.
- (3) Submission of the Preliminary ESP Application is required only if the Final ESP Application is to be submitted after 1:00 p.m. Further details are contained in the section headed “How to apply for the Public Offer Shares”.
- (4) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

Applicants who apply on **WHITE** Application Forms or through ESPs for 500,000 Shares or more under the Public Offer and have indicated in their Application Forms or the applications submitted by their ESPs that they wish to collect refund cheques and (where applicable) share certificates in person from the Company’s branch share registrar may collect refund cheques and (where applicable) share certificates in person from the Company’s branch share registrar, Abacus Share Registrars Limited, 2401 Prince’s Building, Central, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 17th January, 2001. Identification and (where applicable) authorisation documents acceptable to Abacus Share Registrars Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms or through ESPs for 500,000 Shares or more under the Public Offer and have indicated in their Application Forms or the applications submitted by their ESPs that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants.

Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed “Refund of your money – additional information” under the section headed “Terms and conditions of the Public Offer” in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from the information contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Underwriters, their respective directors or any other person involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There is greater risk associated with investment in companies listed on GEM. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors". You should read that section carefully before you decide to invest in the Offer Shares.

INTRODUCTION

The CRA Group is principally engaged in the operation of one of the leading convenience store chains in Hong Kong under the tradename of . As at 31st December, 2000, its Circle K store chain comprised 123 stores in Hong Kong. About 50.4%, 37.4% and 12.2% of the Circle K stores were located in the New Territories, Kowloon, and Hong Kong Island respectively as at 31st December, 2000. Circle K stores offer a broad selection of food and non-food merchandise as well as certain ancillary services designed to appeal to the convenient needs of its customers. The operation of Circle K stores in Hong Kong is carried out by Circle K (HK), the Company's wholly-owned subsidiary. The CRA Group has a solid operating history in Hong Kong and its revenue and net profit after taxation and minority interests but before extraordinary items for the year ended 31st December, 2000 are estimated to be over HK\$1 billion and not less than HK\$45 million respectively. Please refer to the paragraph headed "Profit Estimate" in the "Financial Information" section and appendix II to this prospectus for further details on the profit estimate.



In addition to its operations in Hong Kong, the CRA Group has identified the PRC as its first targeted market for expansion outside Hong Kong. Under the licence agreement with Circle K (US), Circle K (HK) has the exclusive right to use the  tradename for its future expansion in Hong Kong, Macau and the Southern PRC until 31st March, 2025. The licence agreement has also recently been amended by the extension of its geographical scope to include the Eastern PRC and the Northern PRC. As a condition of such extension, the CRA Group is obliged to establish and operate not less than 100 Circle K stores in the Eastern PRC and not less than 50 Circle K stores in the Northern PRC respectively by 31st December, 2005, and to agree and meet corresponding targets for subsequent periods.

The CRA Group submitted an enquiry in October 2000 to the relevant central governmental authority of the PRC as a preliminary step towards seeking endorsement to operate Circle K stores in the PRC. The CRA Group has been negotiating with an entity with a PRC background with a view to establishing a Sino-foreign joint venture which will be owned as to up to 65% by the CRA Group and as to the remaining balance by the proposed joint venture partner. After the joint venture is formally established, the joint venture will apply for a licence from the relevant government authorities including the State Economic & Trade Commission of the PRC. The CRA Group currently does not foresee any difficulties in obtaining such licence. Subject to obtaining such licence, the CRA Group intends to open its first Circle K store in Guangzhou in the third quarter of 2001 and plans to build a network of up to 100 Circle K stores in Guangzhou and the Pearl River Delta Area by the end of 2003. The CRA Group will then use Guangzhou as its headquarters for its PRC operations and for expansion into other regions of the PRC.

SUMMARY

The Company also provides e-fulfilment and logistics services through its subsidiary Web-Logistic (HK). The e-fulfilment and logistics services aim to facilitate the fulfilment logistics of e-retailers and e-wholesalers which do not have existing outlets and ancillary facilities to settle the delivery and other settlement logistics in respect of products purchased on-line by their customers. The CRA Group's e-fulfilment and logistics business is still at the early business development stage.

Licence


The  tradename and its related trademarks were licensed to the CRA Group under a licence agreement dated 20th March, 1985 between Circle K (US) as licensor, and Circle K (HK) as licensee. Under the licence agreement (as amended), the CRA Group has the exclusive right to use the  tradename and its related trademarks in Hong Kong and Macau, in each case as their political boundaries existed on 1st July, 2000, and the Southern PRC. The term of the licence agreement has recently been extended to 31st March, 2025, with provision for automatic annual renewal thereafter on an annual basis unless either party gives a termination notice. The licence agreement has also recently been amended by the extension of its geographical scope to include the Eastern PRC and the Northern PRC. As a condition of such extension, the CRA Group is obliged to establish and operate not less than 100 Circle K stores in the Eastern PRC and not less than 50 Circle K stores in the Northern PRC respectively by 31st December, 2005, and to agree and meet corresponding targets for subsequent periods. The licence agreement also envisages that the CRA Group's convenience store business may be expanded, by mutual agreement of the CRA Group and Circle K (US), into the Philippines, Thailand, Malaysia and Singapore, although no binding agreement for this has been reached.

Under the licence agreement, the CRA Group pays a monthly royalty to Circle K (US) calculated as a percentage of gross sales from the Circle K stores in operation. The licence agreement imposes on the CRA Group obligations relating to operational standards and other matters.

KEY STRENGTHS

The Directors believe that the CRA Group has significant advantages and key strengths in the following areas:

- **Market recognition of the CRA Group's convenience store business**

The CRA Group has a well-established network of convenience stores in Hong Kong and is licensed to use a well-recognised  tradename exclusively in Hong Kong, Macau, the Southern PRC, the Eastern PRC and the Northern PRC. According to A.C. Nielsen's August 1999 Shoppers' Habit Survey market research, Circle K enjoys a brand awareness of 79% in the Hong Kong market and Circle K stores are one of the top ten most visited retail chains in Hong Kong.

- **Profitability and resulting cashflow for expansion**

The CRA Group's convenience store business has been profitable since 1999 and the resulting positive cashflow can be used to finance partially further expansion of the CRA Group in Hong Kong, the PRC and other potential markets.

SUMMARY

- **Strong management team with SCM expertise**

The CRA Group has a strong management team from diverse backgrounds with substantial experience and expertise in the convenience store business and supply chain management in Hong Kong and the PRC, and in the Hong Kong convenience store industry.

- **Company operated stores (instead of franchised stores)**

It is the policy of the CRA Group to directly manage, instead of franchising to third party franchisees, the operations of all Circle K stores. This policy enables the CRA Group to put forward and implement effectively and consistently all policies and guidelines in relation to the Circle K store operations and to co-ordinate smoothly all marketing and promotion activities.

- **Sophisticated EPOS System and IT System**

The CRA Group also uses the sophisticated EPOS and Supply Chain Management Systems to manage the flow of information and products. This enables it to maintain a reduced but effective level of inventory for all items of merchandise.


- **Efficient organisation structure**

The CRA Group has developed an efficient and balanced managerial structure and an advanced computerised information system to ensure focused control and development of all areas of the business.

- **Strong controlling shareholder support**

Strong shareholder support, especially from Li & Fung, is expected to assist the development of the CRA Group's business, including its expansion into other geographical markets, particularly by providing contacts which may promote or facilitate the building of future strategic alliances.

- **Effective marketing strategies and ability in execution**

The CRA Group has implemented aggressive marketing campaigns to promote sales, establish customer preference, and project a distinctive image for  in Hong Kong. Non-stop round-the-year promotions are run to promote value, fun and an enjoyable shopping experience at Circle K stores.

- **Established strategic relationships with suppliers through Partnership Supplier Programme**

Since the first quarter of 1999, the CRA Group has introduced the Partnership Supplier Programme (PSP) for establishing and securing long-term strategic relationships with most of its key suppliers.

SUMMARY

- **High quality of service and highly motivated staff**

The CRA Group has adopted the goal of achieving excellence in speed, tidiness and friendliness. A comprehensive programme known as the “Service Excellence Programme” has been developed for training all its staff, and for measuring and recognition of customer service performance at all Circle K stores.

- **Prime store locations**

The management of the CRA Group exercises care in selecting sites for its Circle K stores, using the services of researchers and an elaborate matrix of measurements to calculate the suitability of the potential Circle K stores sites.

- **Quality product offerings at competitive unit prices**

The CRA Group has formed Category Management Teams which specialise in the selection of merchandise which will meet the demands of customers of Circle K stores but at competitive unit prices.

- **Advantages of economies of scale**

The CRA Group’s existing directly-owned and managed retailing infrastructure and related investments in its distribution network in Hong Kong provide a sound foundation for the expansion of the Circle K store network and for the development of its e-fulfilment and logistics business.

FUTURE PLANS AND PROSPECTS

Mission Statement

The CRA Group is determined to become the **fastest-growing** and **preferred** convenience store chain in Hong Kong and the PRC.

Growth Strategy

For the Hong Kong market, the CRA Group plans to continue its strategy of expanding its high quality and profitable Circle K store network.


The Directors believe that the Southern PRC market especially is a potential market with high disposable income, high-density population and an increasing pace of life which are favourable for the development of convenience store chains.

For the PRC market, the CRA Group intends (subject to compliance with applicable approval procedures) to set up joint ventures with local partners to penetrate the promising markets and will be aiming for more accelerated growth. The CRA Group intends to open its first Circle K store in Guangzhou in the third quarter of 2001 and aims to build a network of up to 100 Circle K stores in the Pearl River Delta Area by the end of 2003.

SUMMARY

Brand preference strategy

The CRA Group has adopted a customer-driven business philosophy in running its business.

The CRA Group is committed in continuing to invest and improve in its core competencies for achieving customer preference and hence, enhancing the competitive edge of the CRA Group's convenience store business and widening the differential gap between  and other convenience store brands.

E-business strategy

The Directors believe that the rapid development of the internet will impact the convenience store business, and the CRA Group sees the need to commence development of its e-business core competency. Developments in Japan indicate that convenience store chains are taking on the important role of order fulfilment service providers for e-retailers. The Directors believe that this trend will eventually be seen, to a certain extent, in Hong Kong and the PRC.

Web-Logistic (HK) was formed in March 2000 to prepare the CRA Group for such future opportunities. Due to the leverage of the CRA Group's existing infrastructure of the Circle K store network, distribution centre and linked information systems, investment for this e-fulfilment and logistics business was made on an incremental basis. As at 31st August, 2000, about HK\$3.2 million in capital expenditure through Web-Logistic (HK). The commercial operation of Web-Logistic (HK) has commenced in May 2000 and the whole operation system has been fully implemented in August, 2000. For the near future, profit contribution from the operation of the CRA Group's e-fulfilment and logistics business is not expected to be significant but the Directors believe that this business will become an important ancillary service for its core convenience store business.

STATEMENT OF BUSINESS OBJECTIVES


In light of the future plans of the CRA Group as outlined above, the CRA Group intends to achieve the following objectives up to the year ending 31st December, 2002.

Circle K store operations in Hong Kong

Business Objectives

The CRA Group aims to be the **fastest-growing** and **preferred** convenience store chain in Hong Kong, excelling in speedy, tidy and friendly services, in providing a convenient shopping experience, in offering the right product category selections at the right prices, and the most innovative and creative promotions.

Through the concerted efforts of the CRA Group's management team at all levels, the Directors believe that the CRA Group's retail chain had been transformed into an entrepreneurial customer-driven organisation with strong convenience retailing core competencies.

To take advantage of the momentum, the CRA Group aims to continue its sales and profitability growth in the Hong Kong market and to position  as the customers' preferred brand of convenience store.

SUMMARY

These two goals are supported by five strategic initiatives which can be summarised as follows:

- Marketing & Brand Building Programmes
- Store Expansion Programme
- Service Excellence Programme
- Category Excellence Programme
- Supply Chain Management & Logistics Services

Circle K store operations in the PRC

Business Objectives

The CRA Group's vision is to become the **fastest-growing** and **preferred** convenience store chain in the PRC market, by taking advantage of the anticipated de-regulation of relevant laws in the PRC following its entry into the WTO. The CRA Group intends to establish a firm presence in the PRC, capturing a significant share of its convenience store market.

The Directors believe that in view of the huge geographical spread of the PRC, a practical and properly planned penetration approach is needed to ensure the CRA Group's successful entry and subsequent expansion into the PRC market. To achieve this, the CRA Group will adopt the following goals:

- Use a phased expansion strategy to penetrate the PRC market. Phase 1 of the CRA Group's PRC expansion plan will be to establish a solid business base and adequate Circle K store network coverage during 2001 and 2003 in Guangzhou and the Pearl River Delta Area.
- Establish STF operating culture as a matter of key competitive strength and differentiating strategy.
- Achieve strong yearly sales turnover to produce positive store contribution.
- Achieve healthy operating pre-tax results to sustain fast growth.
- Once a solid base in Guangzhou and the Pearl River Delta Area is established, commence Phase 2 of the CRA Group's expansion plan by expanding into the Eastern PRC, and thereafter carrying out Phase 3 of the CRA Group's expansion plan in the Northern PRC.

SUMMARY

E-business

Business Objectives

The CRA Group aims to be one of the most customer-friendly, convenient, integrated and effective order fulfilment service providers to e-retailers and e-wholesalers in Hong Kong.

By leveraging the CRA Group's existing information systems for its Circle K operations, distribution centre, network of conveniently located Circle K stores, and logistics expertise, the Directors believe that the CRA Group is ready to provide a reliable, responsive and flexible e-fulfilment and logistics solution to various types of e-retailers and e-wholesalers by using an incremental cost approach.

In 2001, the CRA Group will be focusing on building brand awareness for its e-fulfilment and logistics operations in Hong Kong, on promoting the use of convenience store pick-up services, and on the pro-active development of new customer accounts.

By 2002, the CRA Group aims to have built a sound and solid customer base for its e-fulfilment and logistics business.

The key strategic initiatives which the CRA Group plans to pursue are summarised as follows:

- Development of New Customer Accounts
- Brand Building
- Developing Operation Excellence

SHAREHOLDERS' INTERESTS

The CRA Group's reorganisation process is detailed in appendix V to this prospectus. As a result of the Reorganisation, the Share Offer and the Capitalisation Issue, the shareholders' interests in the Company immediately after listing (assuming the Over-allotment Option is not exercised) may be summarised as follows:

Name of Shareholder	Date of entry	Number of Shares immediately after the Reorganisation, the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately after the Reorganisation, the Capitalisation Issue and the Share Offer	Cost per Share	Total cost
LFR	(Note 1)	467,114,000	71.25% (if the Over-allotment Option is not exercised) 68.67% (if the Over-allotment Option is fully exercised)	n/a	n/a

SUMMARY

Name of Shareholder	Date of entry	Number of Shares immediately after the Reorganisation, the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately after the Reorganisation, the Capitalisation Issue and the Share Offer	Cost per Share	Total cost
Mr. Yeung Lap Bun, Richard (Note 2)	31 st October, 2000	17,896,000	2.73% (if the Over-allotment Option is not exercised) 2.63% (if the Over-allotment Option is fully exercised)	HK\$0.1121 (Note 3)	HK\$2,006,400 (Note 3)
Mr. Li Kwok Ho, Bruno (Note 2)	31 st October, 2000	2,676,000	0.41% (if the Over-allotment Option is not exercised) 0.39% (if the Over-allotment Option is fully exercised)	HK\$0.1121 (Note 3)	HK\$300,000 (Note 3)
Mr. Lau Butt Farn (Note 2)	31 st October, 2000	2,676,000	0.41% (if the Over-allotment Option is not exercised) 0.39%(if the Over-allotment Option is fully exercised)	HK\$0.1121 (Note 3)	HK\$300,000 (Note 3)
Ms. Wong Yuk Nor, Louisa (Note 2)	31 st October, 2000	1,338,000	0.20% (if the Over-allotment Option is not exercised) 0.19% (if the Over-allotment Option is fully exercised)	HK\$0.1121 (Note 3)	HK\$150,000 (Note 3)

Notes:–

1. LFR is wholly-owned by LF(1937) and is the founding shareholder of each of Circle K (HK) and Web-Logistic (HK). Please refer to the paragraphs headed "Corporate reorganisation" and "Summary of material contracts" in appendix V to this prospectus for further details.
2. On 31st October, 2000 LFR sold to each of Messrs. Yeung Lap Bun, Richard, Li Kwok Ho, Bruno, Lau Butt Farn and Ms. Wong Yuk Nor, Louisa 6,688 shares, 1,000 shares, 1,000 shares and 500 shares respectively in Circle K (HK) at the consideration of HK\$300 per share, details of which are set out in the paragraph headed "Corporate reorganisation" in appendix V to this prospectus. Pursuant to and as a result of the Reorganisation, each of Messrs. Yeung Lap Bun, Richard, Li Kwok Ho, Bruno, Lau Butt Farn and Ms. Wong Yuk Nor, Louisa became shareholders of the Company holding 2,464,000 Shares, 368,000 Shares, 368,000 Shares and 184,000 Shares immediately prior to the Capitalisation Issue and the Share Offer. Please refer to the paragraph headed "Corporate reorganisation" in appendix V to this prospectus for further details. Each of the Designated Directors has undertaken to the Sponsor, the Company and the Stock Exchange that he/she will not dispose of any of his/her interest in the Relevant Securities (as such term is defined in Rule 13.15(4) of the GEM Listing Rules) in the Company for a period of 2 years commencing from the date of listing, save as described in the paragraph headed "Initial Management Shareholders and Significant Shareholders" in the section headed "Substantial, Significant and Initial Management Shareholders" in this prospectus.
3. The cost per Share and the total costs were determined by reference to the consideration paid by the Designated Directors to LFR for the shares of Circle K (HK) as referred to in note 2 above.

SUMMARY

RESTRICTION ON DISPOSAL OF SHARES

Name of the initial management shareholder having direct controlling interest in the Company	Note	Number of Shares subject to the 2 year lock-up period after listing	Percentage of shareholding subject to the 2 year lock-up period after listing (%)
LFR	1	467,114,000	71.25

Notes:

- LFR is the registered and beneficial owner of 467,114,000 Shares, and is a company wholly-owned by LF(1937). By reason of its control of LFR, LF(1937) is deemed to be an initial management shareholder. The percentage of shareholding does not take into account the exercise of the Over-allotment Option.
- LF(1937) is a company wholly-owned by King Lun Holdings Limited. By reason of its direct control of LF(1937) and indirect control of LFR, King Lun Holdings Limited is deemed to be an initial management shareholder.
- King Lun Holdings Limited is a company owned as to 50% by Chase Bank & Trust Company (CI) Limited, the trustee of a discretionary trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. Dr. Fung Kwok King, Victor and Chase Bank & Trust Company (CI) Limited are deemed to be initial management shareholders by reason of their direct control of King Lun Holdings Limited and indirect control of LFR.
- King Lun Holdings Limited is a company owned as to 50% by Dr. Fung Kwok Lun, William. By reason of his direct control of King Lun Holdings Limited and indirect control of LFR, Dr. Fung Kwok Lun, William is deemed to be an initial management shareholder.

Name of other initial management shareholders	Number of Shares held immediately after the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately after the Capitalisation Issue and the Share Offer (Note 1) (%)	Lock-up period commencing from the date of listing
Mr. Yeung Lap Bun, Richard	17,896,000	2.73	2 years
Mr. Li Kwok Ho, Bruno	2,676,000	0.41	2 years
Mr. Lau Butt Farn	2,676,000	0.41	2 years
Ms. Wong Yuk Nor, Louisa	1,338,000	0.20	2 years

Note:

- Assuming the Over-allotment Option is not exercised.

Each of the initial management shareholders has undertaken to the Stock Exchange, the Company and the Sponsor that he/she/it will not dispose of any of his/her/its respective direct or indirect interests in its Relevant Securities (as such term is defined in Rule 13.15(4) of the GEM Listing Rules) in the Company during the 2 years commencing from the date of listing (expected to be on 18th January, 2001), save as described in the paragraph headed “Initial Management Shareholders and Significant Shareholders” in the section headed “Substantial, Significant and Initial Management Shareholders” in this prospectus.

SUMMARY

TRADING RECORD

The table below sets out a summary of the audited results of the CRA Group for each of the two years ended 31st December, 1999 and eight months ended 31st August, 2000 (the “Relevant Periods”) which should be read in conjunction with the accountants’ report set out in appendix I to this prospectus. The combined results are prepared on the basis of presentation set out in the accountants’ report.

	Year ended		Eight months
	31 st December,		31 st August,
	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000
Turnover (<i>Note a</i>)			
Merchandise sales revenue	917,991	924,370	710,271
Video rental income	5,567	–	–
Bakery sales revenue	56,651	48,551	29,691
E-fulfilment service income	–	–	311
	980,209	972,921	740,273
Cost of sales	(743,219)	(736,290)	(553,931)
Gross profit	236,990	236,631	186,342
Other revenues	58,341	59,371	41,582
Store expenses	(261,130)	(236,055)	(161,638)
Distribution costs	(11,753)	(12,214)	(9,988)
Administrative expenses	(28,416)	(32,150)	(23,957)
Other operating expenses	(4,868)	–	–
Operating profit/(loss)	(10,836)	15,583	32,341
Finance costs	(12,146)	(8,980)	(4,102)
Profit/(loss) attributable to shareholders	(22,982)	6,603	28,239
Dividend	–	–	–
Earnings/(loss) per Share (<i>Note (b)</i>)	(4.7 cents)	1.3 cents	5.7 cents

Notes:

- (a) Turnover represents the invoiced retail sales, video rental and e-fulfilment services to third parties.
- (b) The calculation of earnings/(loss) per Share is based on the CRA Group's profit/(loss) attributable to shareholders for the Relevant Periods and the 491,700,000 Shares deemed to be in issue throughout the Relevant Periods.

SUMMARY

Other information

- (i) Pursuant to paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance, the Company is required to include in this prospectus a statement as the gross trading income or sales turnover and an accountants' report covering at least three financial years immediately preceding the issue of this prospectus.

As a result of an application made by the Company, the SFC has granted a waiver from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance such that the statement as to the gross trading income or sales turnover and the accountants' report covers only the period from 1st January, 1998 to 31st August, 2000.

- (ii) Pursuant to Rule 7.03(1) and Rule 11.10 of the GEM Listing Rules, a new applicant to GEM is required to include in its prospectus an accountants' report covering the "2 financial years immediately preceding the issue of the listing document".

As a result of an application made by the Company, the Stock Exchange has granted a waiver from strict compliance with Rule 7.03(1) and Rule 11.10 of the GEM Listing Rules such that the accountants' report covers only the period from 1st January, 1998 to 31st August, 2000.

PROFIT ESTIMATE FOR THE YEAR ENDED 31ST DECEMBER, 2000

Estimated combined profit after taxation and minority interests but before extraordinary items of the CRA Group (*Note 1*) Not less than HK\$45 million

Pro forma estimated fully diluted earnings per Share (*Note 2*) HK\$0.08

Notes:

- (1) The bases on which the estimated combined profit after taxation and minority interests but before extraordinary items of the CRA Group for the year ended 31st December, 2000 has been prepared are set out in appendix II to this prospectus.
- (2) The calculation of the estimated earnings per Share on a fully diluted basis is based on the estimated combined profit after taxation and minority interests but before extraordinary items of the CRA Group for the year ended 31st December, 2000 assuming that the Company had been listed since 1st January, 2000 and a total of 655,600,000 Shares had been in issue during the year, but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or which may fall to be allotted and issued pursuant to the exercise of any options which have been granted pursuant to the Pre-IPO Share Option Plan or any options which may be granted pursuant to the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "Shareholders' resolutions of the Company passed on 6th January, 2001" in appendix V to this prospectus, or otherwise.

The estimated combined profit after taxation and minority interests but before extraordinary items for the year ended 31st December, 2000 has been adjusted to take into account the interest income (net of tax) that would have been earned if the net proceeds of the Share Offer based on an Offer Price of HK\$1.10 per Share (being the mid-point of the Offer Price range) were received on 1st January, 2000 assuming an interest rate of 5% per annum. If the Over-allotment Option is exercised in full, the pro forma fully diluted number of Shares assumed to have been in issue would be 680,184,000 and the estimated earnings per Share on the pro forma fully diluted basis mentioned above would be HK\$0.08. The above mentioned calculation basis is applicable to the pro forma estimated fully diluted earnings per Share only.

SUMMARY

ADJUSTED NET TANGIBLE ASSET VALUE PER SHARE

	Based on an Offer Price of HK\$1.05 per Share	Based on an Offer Price of HK\$1.15 per Share
Offer Price	HK\$1.05	HK\$1.15
Market capitalisation (<i>Note 1</i>)	HK\$688.4 million	HK\$753.9 million
Proforma estimated fully diluted price/earnings multiple (<i>Note 2</i>)	13.09 times	14.13 times
Adjusted net tangible asset value per Share (<i>Note 3</i>)	HK\$0.28	HK\$0.30

Notes:

1. The calculation of market capitalisation of the Shares is based on Shares in issue immediately after the completion of the Share Offer but takes no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option or which may fall to be allotted and issued pursuant to the exercise of any options which have been granted pursuant to the Pre-IPO Share Option Plan or any options which may be granted pursuant to the Share Option Scheme. If the Over-allotment Option is exercised in full, the market capitalisation of the Shares at the Offer Price would be about HK\$714.2 million based on an Offer Price of HK\$1.05 per Share and about HK\$782.2 million based on an Offer Price of HK\$1.15 per Share.

2. The calculation of the price/earnings multiples on a pro forma fully diluted basis is based on the estimated earnings per Share on a pro forma fully diluted basis assuming that the Over-allotment Option is not exercised and that the Shares were issued on 1st January, 2000 at the Offer Price of HK\$1.05 and HK\$1.15 respectively per Share. It takes no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the pro forma fully diluted number of Shares assumed to have been in issue would be 680,184,000 Shares and the estimated earnings per Share on the pro forma fully diluted basis mentioned above would be HK\$0.08 based on the Offer Price of HK\$1.10 per Share (being the mid-point of the Offer Price range).

3. The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the paragraph headed "Adjusted net tangible assets" under the section headed "Financial information" of this prospectus and on the basis of a total of 655,600,000 Shares in issue and to be issued immediately following the completion of the Share Offer and the Capitalisation Issue but takes no account of (i) the Over-allotment Option, (ii) any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Plan or any options which may be granted under the Share Option Scheme, or (iii) any Shares which may be issued or repurchased by the Company pursuant to the mandates referred to in appendix V to this prospectus.

SUMMARY

USE OF PROCEEDS

The net proceeds of the Share Offer after deducting related expenses, and assuming an Offer Price of HK\$1.10 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.05 and HK\$1.15 per Share), are estimated to amount to about HK\$159.6 million. It is presently intended that the net proceeds will be mainly applied by the CRA Group for its expansion into the PRC as follows:

- as to about HK\$94.3 million, for the establishment of a convenience store chain comprising up to 100 new Circle K stores in Guangzhou and the Pearl River Delta Area;
- as to about HK\$5.2 million, for the establishment of the infrastructure of a distribution centre and administrative office in the Pearl River Delta Area;
- as to about HK\$4.2 million, for the acquisition and development of a computer system for the Group's operation in the PRC; and
- as to about HK\$55.9 million, for the opening of additional Circle K stores in the Eastern PRC and/or the Northern PRC.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of about HK\$26.0 million (assuming the Offer Price is determined at the mid-point of the stated range) which together with the net proceeds from the Share Offer, after deducting related expenses, will amount to about HK\$185.6 million. The Directors intend to use the additional proceeds raised from any exercise of the Over-allotment Option as additional general working capital.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term interest-bearing deposits with financial institutions in Hong Kong.

The Directors believe that, based on the CRA Group's present business plans, the net proceeds to be received by the Company from the Share Offer will be sufficient to finance substantially the CRA Group's expansion plan of building up in Guangzhou and the Pearl River Delta Area a network of up to 100 Circle K stores as described in the paragraph headed "Statement of business objectives" under the section headed "Business" in this prospectus. As regards the CRA Group's proposed expansion in Hong Kong, the source of funds for the expansion will mainly come from the CRA Group's positive cashflow and existing bank balances. For the CRA Group's proposed expansion into the Eastern PRC and the Northern PRC and in the event that the CRA Group pursues new projects, it may need to raise capital in the future. Depending on the CRA Group's capital requirements, market conditions and other factors, the CRA Group may raise additional funds through debt or equity offerings.

SUMMARY

PREFERENCE TO CERTAIN EMPLOYEES OF THE LFR GROUP AND AN INDEPENDENT NON-EXECUTIVE DIRECTOR UNDER THE PLACING

A maximum of 11,000,000 Placing Shares, being about 8.39% of the total number of the Placing Shares (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option), are available for subscription by an independent non-executive Director, Dr. Ch'ien Kuo-Fung, Raymond (as to 1,000,000 Placing Shares) and the full-time employees of the respective members of the LFR Group, including the directors of the respective members of the LFR Group but excluding the directors of the CRA Group except Dr. Ch'ien Kuo-Fung, Raymond (as to 10,000,000 Placing Shares) under the Placing on a preferential basis at the Offer Price.

RISK FACTORS

The operations of the CRA Group involve certain risks, a summary of which is set out in the section headed "Risk factors" of this prospectus. These risks can be classified as (i) risks relating to the CRA Group; (ii) risks relating to doing business in Hong Kong and the PRC; (iii) risks relating to the Shares and application using an ESP; and (iv) miscellaneous risks; and are listed below:

Risks relating to the CRA Group

- Potential termination of licence agreement with Circle K (US)
- Location of stores, rental exposure and renewal of tenancies
- Intensified competition from a major competitor and other potential operators
- The CRA Group may not be able to successfully implement its strategy for future growth
- The CRA Group may not be able to obtain the relevant PRC municipal and state approvals to establish an operation in the PRC
- The CRA Group's strategy of expansion into the PRC may expose the businesses of the CRA Group to further risks
- The CRA Group may not be able to establish and/or retain strategic partnerships and/or other joint ventures
- The CRA Group is entering new markets and developing e-fulfilment and logistics business
- The CRA Group relies on software and hardware systems that are susceptible to failure
- Use of proceeds from the Share Offer
- Inability to obtain all requisite licences on time

SUMMARY

- The CRA Group may encounter problems associated with the uncertain protection and possible infringement of the CRA Group's intellectual property rights
- Inability to pay dividend in the near future
- Press reports on the CRA Group: no investor should rely on any press reports when making an investment decision

Risks relating to doing business in Hong Kong and the PRC

- The state of Hong Kong's economy may affect the CRA Group's performance and financial condition
- Devaluation of the Renminbi and restrictions on currency conversion in the PRC could adversely affect the CRA Group's financial results and positions
- The Chinese legal system embodies uncertainties that could limit the legal protections available to foreign investors

Risks relating to the Shares and application using an ESP

- An active trading market for the Shares may not develop and their trading prices may fluctuate significantly
- Possible volatility of share price
- Shareholders' interests in the Company may be diluted in the future through the exercise of share options
- Applications using an ESP are still at the early development stage in Hong Kong and there can be no assurance that applications made for Offer Shares using an ESP will result in all or any such applications being validly submitted


Miscellaneous Risks

- Forward-looking statements contained in this prospectus may not be accurate
- Certain statistics are derived from unofficial publications

DEFINITIONS

“AC Nielsen”	AC Nielsen (China) Limited, a company incorporated in the United States and a member of the A.C. Nielsen Group, a professional market research group
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and ESP Application Form(s) or, where the context requires, any of them
“Associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“BNP Paribas Peregrine”	BNP Paribas Peregrine Capital or BNP Paribas Peregrine Securities, as the context so requires
“BNP Paribas Peregrine Capital”	BNP Paribas Peregrine Capital Limited acting as the Sponsor of the Share Offer, an investment adviser registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong
“BNP Paribas Peregrine Securities” or “Global Coordinator”	BNP Paribas Peregrine Securities Limited acting as the global coordinator and lead manager of the Share Offer, a securities dealer registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company, as referred to in paragraph (d) of the paragraph headed “Shareholders’ resolutions of the Company passed on 6 th January, 2001” in appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant


DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Circle K stores”	Circle K convenience stores operated by the CRA Group
“Circle K (HK)”	Circle K Convenience Stores (HK) Limited, a company incorporated in Hong Kong and wholly-owned by the Company
“Circle K (US)”	Circle K Stores Inc. (formerly known as Circle K Corporation), a company incorporated in Texas, the United States and the owner of the  tradename, trade marks and service marks
“Companies Law”	the Companies Law (2000 Revision) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended)
“Company”	Convenience Retail Asia Limited, an exempted company incorporated on 23 rd October, 2000 in the Cayman Islands with limited liabilities
“CRA(BVI)”	Convenience Retail Asia (BVI) Limited, formerly known as Bricks & Clicks (Retailing) Limited, a company incorporated in the BVI
“CRA Group”	the Company and its subsidiaries, and where the context so requires in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company
“Designated Directors”	Messrs. Yeung Lap Bun, Richard, Li Kwok Ho, Bruno, Lau Butt Farn and Ms. Wong Yuk Nor, Louisa

DEFINITIONS

“Designated Director Shares”	24,586,000 Shares, representing 3.75% of the entire issued share capital of the Company immediately after the completion of the Capitalisation Issue and the Share Offer but without taking into account the exercise of the Over-allotment Option, legally and beneficially owned by the Designated Directors which are subject to lock-up restrictions as set out in the section headed “Substantial, Significant and Initial Management Shareholders” of this prospectus
“Director(s)”	the director(s) of the Company
“Eastern PRC”	for the purposes of this prospectus, means the municipalities of Shanghai, Hangzhou, Ningbo, Suzhou and Nanjing, in each case as their administrative boundaries existed on 1 st December, 2000
“eMarketer”	eMarketer, Inc., a company incorporated in US which provides information technology market research
“ESPs” or “eIPO Service Providers”	registered dealer or exempt dealers as defined under the Securities Ordinance or a recognised clearing house as defined under the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), who are providing services to applicants to act as their agents to apply for Public Offer Shares using the ESP Application Form
“ESP Application Form”	the form of application for use by ESPs in making a bulk share application for Public Offer Shares as agent on behalf of applicants
“EU”	the European Union
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GDP”	gross domestic product
“GEM Listing Division”	the Listing Division of GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HKHA”	The Hong Kong Housing Authority

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of Hongkong Clearing
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a person who is independent of the chief executive, director, management shareholder or substantial shareholder of the Company and its subsidiaries or their respective Associates
“  ”	the tradename and related trademarks of Circle K
“Latest Practicable Date”	2 nd January, 2001, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“LF(1937)”	Li & Fung (1937) Limited, a company incorporated in Hong Kong
“LFR”	Li & Fung (Retailing) Limited, a company incorporated in Hong Kong
“LFR Group”	LFR and its subsidiaries
“Li & Fung”	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
“Mr. Yeung”	Mr Yeung Lap Bun, Richard, an executive Director and the Chief Executive Officer of the Company
“Northern PRC”	for the purposes of this prospectus, means the municipalities of Beijing, Tianjin and the province of Hebei, in each case as their administrative boundaries existed on 1 st December, 2000
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage and Stock Exchange transaction levy) of not more than HK\$1.15 and expected to be not less than HK\$1.05, such price to be agreed upon by the Company and BNP Paribas Peregrine Securities (on behalf of the Underwriters) on or before the Price Determination Time

DEFINITIONS

“Offer Shares”	the Public Offer Shares and the Placing Shares, where relevant, including any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option intended to be granted by the Company to the Placing Underwriters under the Placing Underwriting Agreement, exercisable by BNP Paribas Peregrine Securities (on behalf of the Placing Underwriters) pursuant to the Placing Underwriting Agreement to require the Company to issue an aggregate of up to 24,584,000 new Shares at the Offer Price to cover over-allocations in the Placing
“Pearl River Delta Area”	for the purposes of this prospectus, means the central and southern part of Guangdong province, ending in the West at Saushui, in the East at Shilong and in the South at Yamen, with an approximately area of 11,000 square kilometres
“Placing”	the conditional placing of the Placing Shares at the Offer Price, as further described in the section headed “Structure of the Share Offer” of this prospectus
“Placing Shares”	the 131,120,000 new Shares (including the Shares which may be allotted on a preferential basis as stated in the paragraph headed “Preference to certain employees of the LFR Group and an independent non-executive Director under the Placing” in the section headed “Structure of the Share Offer” in this prospectus) being offered pursuant to the Placing together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option, the number of Placing Shares is further subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	BNP Paribas Peregrine Securities, Indosuez W.I. Carr Securities Limited, BOCI Asia Limited, ABN AMRO Rothschild, DBS Asia Capital Limited and Ka Wah Capital Limited

DEFINITIONS

“Placing Underwriting Agreement”	the placing underwriting agreement to be dated on or about the date of the Price Determination Agreement relating to the Placing and to be entered into between, among others, the Company and the Placing Underwriters
“PRC” or “China”	the People’s Republic of China, for the purposes of this prospectus, excluding Hong Kong, Macau and Taiwan
“Pre-IPO Share Option Plan”	the share option plan conditionally approved and adopted by the Company on 27 th December, 2000, the principal terms of which are summarised in the paragraph headed “Share options” in appendix V to this prospectus
“Price Determination Agreement”	the agreement to be entered into between the Company and BNP Paribas Peregrine Securities (on behalf of the Underwriters) at or before the Price Determination Time to record the Offer Price
“Price Determination Time”	1:00 a.m. on 13 th January, 2001 (Hong Kong time) on which the Offer Price is determined, or such later time as the Company and BNP Paribas Peregrine Securities (on behalf of the Underwriters) may agree, but in any event not later than 11:30 p.m. on 16 th January, 2001
“Public Offer”	the offer of the Public Offer Shares at the Offer Price for subscription by the public, on and subject to the terms and conditions stated in this prospectus and in the related Application Forms
“Public Offer Shares”	the 32,780,000 new Shares (subject to reallocation as described in the section headed “Structure of the Share Offer – The Share Offer”) being initially offered by the Company for subscription under the Public Offer
“Public Offer Underwriters”	BNP Paribas Peregrine Securities, Indosuez W.I. Carr Securities Limited, BOCI Asia Limited, ABN AMRO Rothschild, DBS Asia Capital Limited and Ka Wah Capital Limited
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 8 th January, 2001 relating to the Public Offer entered into between, among others, the Company and the Public Offer Underwriters

DEFINITIONS

“Reorganisation”	the reorganisation of the CRA Group in preparation for the listing of the Shares on GEM, details of which are set out under the paragraph headed “Corporate reorganisation” in appendix V to this prospectus
“SRCG”	Space Retail Consulting Group
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong (as amended)
“Securities Ordinance”	the Securities Ordinance, Chapter 333 of the Laws of Hong Kong (as amended)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 6 th January, 2001, the principal terms of which are summarised in the paragraph headed “Share options” in appendix V to this prospectus
“Share Registrar”	Abacus Share Registrars Limited
“Southern PRC”	for the purposes of this prospectus, including all areas of the PRC south of the Yangtze River, excluding Shanghai, Hong Kong and Macau
“Sponsor”	BNP Paribas Peregrine Capital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“UK”	the United Kingdom
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“US Securities Act”	the US Securities Act of 1933, as amended

DEFINITIONS

“Web-Logistic (AP)”	Web-Logistic.com (Asia Pacific) Limited, a company incorporated in the BVI
“Web-Logistic (HK)”	Web-Logistic (HK) Limited, a company incorporated in Hong Kong
“WTO”	World Trade Organisation
“HK\$” and “cents”	Hong Kong dollars and cents respectively
“sq.ft.”	square feet
“sq.m.”	square metre(s)
“U.S.” or “United States”	United States of America
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the U.S.

Unless otherwise specified in this prospectus, amounts denominated in US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars as follows:

HK\$7.80 = US\$1.00

No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at the above rate or at any other rates or at all.

GLOSSARY

The glossary contains explanations of certain terms used in this prospectus in connection with the CRA Group and its business. The terms and their meaning may not correspond to standard industry meaning or usage of these terms.

“B2B”	business to business
“B2C”	business to customers
“CRA Group Server”	the central host computer system of the CRA Group
“DSS”	an Internet-based, monitoring and analytical system provided by Radiant Systems. Users can receive alert through the Internet or e-mail when their preset criteria match and can drill down to any discovered or monitored area for better understanding and make decision and correction
“e-retailer”	vendor engaging in electronic retailing which is carried out through or facilitated by the Internet
“e-wholesaler”	vendor engaging in electronic wholesaling which is carried out through or facilitated by the Internet
“EDP”	electronic data processing
“EPOS System”	electronic point-of-sale system
“IT”	information technology
“Planogram Data System”	a system that helps to layout products on the shelf to maximise sales and profit
“PSP”	partnership supplier programme
“SCM”	Supply Chain Management
“SCML”	Supply Chain Management & Logistics
“SKU”	stock keeping units
“STF”	Speed Tidiness Friendliness
“Store Density”	the ratio of average store number per population
“5-Easy”	easy to enter, easy to find, easy to decide, easy to pay and easy to check-out

RISK FACTORS

RISKS RELATING TO THE CRA GROUP

Potential termination of licence agreement with Circle K (US)

The  tradename and its related trademarks were licensed to the CRA Group under an agreement dated 20th March, 1985 between Circle K (US) and Circle K (HK) as amended on 1st July, 2000 and 1st December, 2000. Under the licence agreement, the CRA Group may enjoy the benefits and exclusive right to use the  tradename and its related trademarks in Hong Kong and Macau, in each case as their political boundaries existed on 1st July, 2000, and the Southern PRC. The CRA Group's convenience store business is dependent on its ability to retain the benefits of and the exclusive right to use the  tradename and its related trademarks. Although the duration of such benefits and exclusive rights have recently been extended to March 2025, there is no assurance that this licence will not be terminated in accordance with the terms thereof prior to its expiry in March 2025 or that the duration of this licence could be further extended beyond March 2025 or that the licence could be renewed on favourable terms to the CRA Group.

The licence agreement has also recently been amended by the extension of geographical scope to include the Eastern PRC and the Northern PRC. As a condition of such extension, the CRA Group is obliged to establish and operate not less than 100 Circle K stores in the Eastern PRC and not less than 50 Circle K stores in the Northern PRC respectively by 31st December, 2005, and to agree and meet corresponding targets for subsequent periods. The licence agreement also envisages the future expansion of the CRA Group's convenience store business into the Philippines, Thailand, Malaysia and Singapore, though no binding agreement for this has been reached. There is no assurance that the CRA Group could meet the provisions contained in the licence agreement for its planned expansion into the Eastern PRC and/or the Northern PRC in time or at all, nor could there be any assurance that the CRA Group could successfully negotiate with Circle K (US) for further extension of term for such exclusive rights in the Eastern PRC and/or the Northern PRC. There is also no assurance that any negotiation between the CRA Group and Circle K (US) for future expansion of the CRA Group's convenience store business into other regions would materialise.

Any material breach of the licence agreement by Circle K (HK) is an event of default thereunder which entitles Circle K (US) to terminate the licence agreement. The licence agreement provides (among other things) that Circle K (HK) shall comply with all applicable laws and regulations relating to the ownership and operation of Circle K stores. Any failure to obtain all the relevant licences before the opening of a Circle K store, as described in the paragraph below headed "Licences", is accordingly a breach of the licence agreement.

RISK FACTORS

Location of stores, rental exposure and renewal of tenancies

The CRA Group's convenience store business significantly depends on its ability to deploy retail outlets at prime and convenient locations where there is a high density of pedestrian traffic. Given the scarcity of these prime and convenient locations, particularly in Hong Kong, and their related high rental, there is no assurance that the CRA Group could secure or obtain such locations or do so on favourable terms to the CRA Group for deployment of its retail outlets. Failure to successfully deploy the CRA Group's retail outlets at such prime and convenient locations may lead to reduced sales, increased costs and hence, may have an adverse effect on the CRA Group's financial position and its future growth.

At present, all Circle K store sites are leased or licensed by the CRA Group. The CRA Group has a significant exposure to the retail rental market. For the two years ended 31st December, 1998 and 31st December, 1999 and the eight months ended 31st August, 2000, the total of rental, rates and management fees of the CRA Group in respect of its stores amounted to about HK\$82,013,900, HK\$74,227,400 and HK\$51,797,000 respectively, representing about 8.37%, 7.63% and 7.00% respectively of the CRA Group's turnover for those periods. Given the signs of economic recovery in Hong Kong generally, the Hong Kong property market is also expected to recover. As a result, the profitability of the CRA Group may be affected by fluctuations in the rental market.

Most retail tenancies of Circle K stores are negotiated on a short term basis of typically up to 3 years. On expiry of the lease agreement for each of the Circle K stores, the CRA Group has to negotiate the terms and conditions on which the lease agreement may be renewed. There is no assurance that the CRA Group will be able to renew such lease agreements on terms and conditions, in particular on rental charges, which are favourable to the CRA Group. In that case, the CRA Group may have to seek an alternative site and the existing Circle K store may need to be relocated. In addition, there is no assurance that such alternative site will be leased on comparable terms.

Consents are required under certain of the CRA Group's tenancies and/or may be required by the relevant landlords and/or mortgagees in respect of the changes in the CRA Group shareholding structure pursuant to the Reorganisation as described in the "Statutory and General Information" section of the prospectus. The Directors believe that the risk of such landlords and mortgagees challenging the validity of the tenancies is small and disproportionate to the labour of obtaining such consents. Nevertheless, there can be no assurance that such landlords and mortgagees would not raise challenges to the validity of the tenancies.

Intensified competition from a major competitor and other potential operators

The CRA Group's convenience store business currently faces intense competition from another convenience store chain, namely 7-Eleven, and to a much lesser extent, from large supermarket chains. The CRA Group's direct and indirect competitors may have certain competitive advantages over the CRA Group in their respective businesses in terms of geographic coverage, financial resources and brand recognition. Intensified competition from these competitors may lead to lower profit margins due to price wars, loss of customers and slow growth, and thus affect the CRA Group's profitability.

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There can be no assurance that new industry players will not enter into the Hong Kong market and, in particular, the PRC market. These international competitors may form alliances with or acquire companies to set up convenience store businesses in Hong Kong and/or the PRC, or may do so themselves.

The CRA Group may not be able to successfully implement its strategy for future growth

The Directors believe that the success of the CRA Group in the future will substantially depend on, among other things, the CRA Group's success in expanding its convenience store business in Hong Kong in the near term and its ability to successfully replicate and modify such business model in the PRC in the near to medium term, as well as successfully developing its e-fulfilment and logistics business in the medium to long term.

The CRA Group has commenced expanding its Circle K retailing operations in Hong Kong and expects to expand such operations into the PRC, which is considered to have a much larger market size, in the foreseeable future in order to enhance the CRA Group's revenue growth, operations and profitability. The CRA Group has also commenced its development of e-fulfilment and logistics business. The growth of the CRA Group will mainly derive from the organic growth of its Circle K retailing business in Hong Kong and the expansion of its Circle K retailing business into the PRC. The CRA Group's e-fulfilment and logistics infrastructure will be ready if and when the market for e-retailing matures in the future.

It should be stressed that the CRA Group's expansion plan into the PRC is subject to much greater risk and uncertainties than its operation and expansion plan in Hong Kong, as the CRA Group does not currently have any presence in the PRC or any licence to operate in the PRC. The business prospects as stated in the paragraph headed "Circle K store operations in the PRC" under the section headed "Statement of business objectives" in the Business section of this prospectus are based on the existing plans and intentions of the CRA Group. As such intentions and plans are based on assumptions of future events which by their nature are subject to uncertainty, the CRA Group's course of action and its implementation plan, in particular the expansion into the PRC market, may need to be constantly revised and adjusted in accordance with the then market conditions and applicable regulatory restrictions.

The CRA Group plans to use all of the net proceeds from the Share Offer for its initial expansion into the PRC convenience store market. Upon the completion of the initial expansion into the Guangzhou and the Pearl River Delta Area, the CRA Group aims to expand its convenience store operation further into the Eastern PRC, and thereafter into the Northern PRC. If further financing is required, there can be no assurance that additional financing will be available on terms favourable to the CRA Group or at all. If adequate funds are not available or are not available on acceptable terms, the CRA Group may not be able to fund its expansion. Such inability could have a material adverse effect on the CRA Group's business, results of operations and financial condition.

Other factors that restrain the CRA Group to implement its future growth strategy include the market demand for convenience stores in the PRC and the prosperity of e-retailing.

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The CRA Group may not be able to obtain the relevant PRC municipal and state approvals to establish an operation in the PRC

The CRA Group intends to expand its Circle K store operations into the PRC market in the future. For such operations in the PRC, the CRA Group will need to obtain the relevant governmental approvals and licences both at the municipal level and at the national level to invest in, or establish joint ventures with, PRC domestic commercial or retailing enterprises. Under the present government policies and regulations, in order to apply for such national approvals and licences, the CRA Group must, in addition to other relevant requirements, have an average yearly product sales value of above US\$2 billion in the three preceding years and the value of the total assets of the CRA Group must exceed US\$200 million. Although the Directors believe that the CRA Group will be able to satisfy such requirements by reference to (among others) the relevant values attributable to Li & Fung Limited (a sister company of the Company), there can be no assurance that the CRA Group will be granted the necessary national and municipal approvals and licences in a timely manner or at all.

There can also be no assurance that the relevant legal requirements will not change or be tightened in the future. An application to the relevant PRC government authorities for a business license regarding its operation in the PRC is expected to be made by the CRA Group immediately after a joint venture agreement is finalised between the CRA Group and a local partner, which is expected to be submitted in the first quarter of 2001. The CRA Group intends to hold an interest of up to 65% in the capital of the proposed joint venture. **A failure to timely obtain such approvals and licences may adversely affect the CRA Group's business plan and strategy as well as its operating results, prospects and financial condition.**

The CRA Group's strategy of expansion into the PRC may expose the businesses of the CRA Group to further risks

The planned expansion of the CRA Group into the PRC market could also expose the businesses of the CRA Group to a number of risks including unexpected changes in regulatory requirements, potentially adverse tax and regulatory consequences, tariffs and other trade barriers and political instability and fluctuations in currency exchange rates. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the CRA Group's future PRC operations and, consequently, on the CRA Group's business, results of operations and financial condition.

Following the successful negotiations with WTO member countries and the award of the Permanent Normal Trading Relations by the United States, the PRC is expected to be able to join the WTO in early 2001. Upon the PRC's entry into the WTO, certain of the PRC markets will be deregulated to allow foreign competition. The Directors anticipate that the convenience store market will also be subject to such deregulation. The progress of any such deregulation will affect the CRA Group's business plans in the PRC and their implementation. Following any such deregulation, the CRA Group may face further intensive competition from other existing or new operators in the PRC market.

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The CRA Group may not be able to establish and/or retain strategic partnerships and/or other joint ventures

The CRA Group plans to enter into various agreements with strategic partners as part of the CRA Group's business plans and strategies, particularly in its proposed entry in the PRC market and in its e-fulfilment and logistics business. For planned partnership agreements and/or joint ventures, there can be no assurance that these partnerships and joint ventures will be set up, that they will be set up in a timely manner or that they will receive all the necessary approvals for their establishment. Risks such as possible disagreements or disputes between the CRA Group and its strategic and/or joint venture partners will also be relevant. A failure to retain or establish such partnerships or joint ventures may adversely affect the CRA Group's business plans and strategies as well as its operating results, prospects and financial condition.

The CRA Group is entering new markets and developing e-fulfilment and logistics business

As a result of the CRA Group's proposed expansion into the PRC, its historical financial data may not provide a meaningful basis for investors to evaluate the CRA Group and its prospects. The CRA Group currently has no operations outside of Hong Kong. The CRA Group's e-fulfilment and logistics business is at an early stage of implementation, and the revenue, potential income and cashflow from this new business are uncertain. The success of the CRA Group's e-fulfilment and logistics strategies will also depend on many factors outside its control, including a rapid, substantial and sustained growth of e-commerce activities in Hong Kong and elsewhere in Asia. The success of the CRA Group's proposed expansion into other markets will similarly depend on many factors outside its control, including the prevailing market conditions, and the laws and regulations of the relevant jurisdictions. Accordingly, evaluation of the CRA Group's businesses and its prospects may be difficult, and there can be no assurance that the CRA Group will succeed in new markets or its new line of business.

The CRA Group relies on software and hardware systems that are susceptible to failure

Any system failure or inadequacy that causes interruptions to the availability of the CRA Group's services, or increases the response time of the CRA Group's services could reduce user satisfaction and thus, future growth and the CRA Group's attractiveness to business customers. The CRA Group is also dependent upon software and hardware systems developed by third parties, the design of which the CRA Group could not control.

Although the CRA Group has not experienced any major system failure and electronic outages in the past, there is a possibility that the CRA Group may experience minor system failures and electrical outages from time to time, which may disrupt the CRA Group's operations. The CRA Group does not presently have a disaster recovery plan in the event of damage from disasters such as fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins and similar events. If any of the foregoing occurs, the CRA Group may experience a serious system shut-down. Although the CRA Group currently has back-up procedures and off-site storage of back-up tapes, the CRA Group may have to make substantial investments to deploy additional servers. Furthermore, though the CRA Group carries property insurance with low coverage limits, the CRA Group's coverage may not be adequate to compensate for

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all losses that may occur. To the extent that the CRA Group does not address the capacity restraints and possible interruptions described above, such constraints could have a material adverse effect on the CRA Group's business, results of operations and financial condition.

Use of proceeds from the Share Offer

The business plan of the CRA Group as described in the section headed "Statement of Business Objectives" is based on assumptions of future events which by their nature are subject to uncertainty and there is no assurance that the plans of the CRA Group will materialise as intended. As a result of unforeseeable events, the proceeds of the Share Offer may not be utilised as described above in the section headed "Use of Proceeds" and the Directors may need to re-allocate the intended part of the net proceeds of the Share Offer to other business plans or new projects of the CRA Group or hold such funds in bank accounts or short term securities for so long as the Directors consider this to be in the best interests of the CRA Group.

Inability to obtain all requisite licences on time

Each Circle K store is required to obtain certain licences and/or permits from the relevant governmental authorities of Hong Kong which are issued upon satisfactory compliance with, amongst others, safety, hygiene, fire services and building requirements. Examples are as follows:

Licences and Permits

- Bakery licences
- Frozen confection factory licences
- Licences for listed sellers of poisons
- Milk permits

Licence period

- one year (renewable annually)
- one year (renewable annually)
- one year (renewable annually)
- one year (renewable annually)

As obtaining or renewing such licences and permits may be a lengthy process, there is no assurance that the CRA Group will be able to obtain all requisite licences and permits for a particular Circle K store before that store commences business. It is an offence to manufacture or sell certain products without the relevant licences and permits and in such cases the operator is liable to (i) a fine at level 5 (the maximum amount is HK\$50,000 at present), a maximum daily penalty of HK\$900 and imprisonment for 6 months, for failure to obtain the relevant licences/permits under the Food Business Regulation or the Frozen Confections Regulation made under of the Public Health and Municipal Services Ordinance; or (ii) a fine of HK\$100,000 and imprisonment for 2 years for failure to obtain the relevant licences under the Pharmacy and Poisons Ordinance. The relevant governmental authorities may also order that the relevant Circle K store be closed. In addition, the categorisation of products and services under the relevant legislation is in some cases unclear, and accordingly there is a risk that the relevant authorities may adopt different interpretations from those of the CRA Group, resulting in proceedings being initiated against the CRA Group. The CRA Group has on various occasions failed to comply fully with the licensing requirements and was fined for such non-compliance, but the amounts of the fines were not substantial. For each of the two years ended 31st December, 1999 and the eight months ended 31st August, 2000, the total amounts of fines imposed on the CRA Group in connection with such non-compliance were about HK\$121,000 HK\$40,000 and HK\$38,000 respectively. There can be no assurance that the CRA Group will be able to comply fully with the licensing requirements at all times in the future and that any future sanctions for non-compliance will not be more substantial than in the past.

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The CRA Group may encounter problems associated with the uncertain protection and possible infringement of the CRA Group's intellectual property rights

Uncertain protection

The CRA Group's trademarks and other intellectual property rights are important to its success. Should it fail or be unable to assert its rights to these trademarks and intellectual properties, there might be an adverse impact on its marketing plan and business.

Intellectual property rights

Applications have been made by the CRA Group for the registration of the trademarks/service marks referred to in the section headed "Intellectual Property" of appendix V to this prospectus.

Although steps have been taken to ensure that the CRA Group's intellectual property rights are protected, it is not possible for the CRA Group to comply fully with, and seek every clearance under, the relevant laws of all possible jurisdictions for the protection and enforceability of its intellectual property rights. Such enforcement is made even more difficult by the global nature of the Internet and telecommunications businesses.

Infringement

It may be possible for a third party to copy or otherwise obtain and use the CRA Group's intellectual property rights without authorisation. In addition, there are countries where protection of trademarks and other intellectual property rights may not be effective or may be limited. There can be no assurance that any steps taken by the CRA Group will successfully prevent misappropriation or infringement of its intellectual property rights.

It is possible that the CRA Group may inadvertently infringe the intellectual property rights of others and face liabilities for such infringements in the course of carrying on its businesses. The CRA Group, in the ordinary course of its retail business, sells products supplied by various suppliers and it is possible that some of such suppliers' products may themselves infringe the intellectual property rights of third parties. The CRA Group, in its capacity as a retailer, may attract liability for such infringement, and it is common for the proprietary intellectual property owner to first take action against retailers (rather than manufacturers) in order to stop the retailers from further selling the relevant infringing products.

Inability to pay dividend in the near future

As the CRA Group currently has an accumulated retained loss, which amounted to HK\$177.7 million as at 31st August, 2000, the Company does not anticipate that it will pay dividends in the near future. The Directors currently anticipate that most of the CRA Group's surplus income received from operations will be re-invested and devoted to the CRA Group's future operations and expansion. There can be no assurance that the Company will have sufficient distributable profits and cashflow to pay dividends in the near future.

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Press reports on the CRA Group: no investor should rely on any press reports when making an investment decision

Prior to the issue of this prospectus, certain research reports on the CRA Group prepared by certain research houses, which are independent of the CRA Group, were quoted and published in certain newspapers in Hong Kong. Information published in those research reports or quoted in such newspapers, including profit projections in respect of the CRA Group, have not been reviewed or verified by the Company, the Company's auditors, the Sponsor or the Underwriters. Neither the Company nor the Sponsor has authorised, participated or been involved in any way in the preparation or release of such newspaper articles and/or research reports. **The Company strongly cautions prospective investors not to place any reliance on any of the information contained therein, including any profit projections in respect of the CRA Group.** The Company, the Company's auditors, the Sponsor and the Underwriters cannot ensure that such information (including the profit projections) were prepared and presented in accordance with the relevant GEM Listing Rules. To the extent that such information contained in the relevant newspapers or research reports is inconsistent with, or conflicts with, the information contained in this prospectus, or is not contained in this prospectus, they are disclaimed by the Company and the Underwriters in their entirety and should be totally disregarded by prospective investors when making any investment decision regarding the Shares. **Accordingly, prospective investors should not rely on such newspapers or research reports.**

Investors should read this entire prospectus carefully and should not consider any particular statement in this prospectus or in published news reports or any published financial projections without carefully considering the risk factors and other information contained in this prospectus.

RISKS RELATING TO DOING BUSINESS IN HONG KONG AND THE PRC

The state of Hong Kong's economy may affect the CRA Group's performance and financial condition

The Hong Kong economy has experienced considerable volatility since the second half of 1997. Hong Kong's primary economic sectors, such as real estate, retail and finance, have generally declined and recovery is uncertain, although the economies of both Hong Kong and the PRC grew in the first and second quarters of 2000. As the CRA Group's existing operations are conducted in Hong Kong, its financial position and the results of its operations are and will be affected by a number of factors, including:

- the condition of the Hong Kong economy and its retail industry
- any decrease in consumer spending
- currency fluctuations

The Hong Kong economy is significantly affected by developments in the PRC and elsewhere in the Asia-Pacific region and the United States. The PRC economy may experience adverse economic developments, and other regional or local economies may deteriorate further which,

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in turn, would have an adverse impact on the Hong Kong economy. Any resulting poor economic operating environment would have further adverse impact upon the factors listed above and hence the CRA Group's operating results, financial condition, business and prospects.

The US dollar: Hong Kong dollar exchange rate has remained stable since 1983 due to the US dollar peg and currency board system that has been in effect in Hong Kong. As a result of the Asian crisis in 1997, interest rates in Hong Kong rose significantly, real estate values and retail sales declined and the Hong Kong economy went into recession until the second quarter of 1999. Also, Hong Kong is suffering deflation. The Hong Kong dollar was subject to currency speculation in 1998 and the Hong Kong government supported the market for the Hong Kong dollar, both directly and indirectly through the purchase of securities listed on the Stock Exchange in 1998. There can be no assurance that such economic factors will not recur or that the currency peg of the Hong Kong dollar to the US dollar will be maintained. Recurrence of recession in Hong Kong, deflation or the discontinuation of the currency peg could materially and adversely affect the business, financial condition and results of operations of the CRA Group.

Devaluation of the Renminbi and restrictions on currency conversion in the PRC could adversely affect the CRA Group's financial results and positions

Although the official exchange rate for the conversion of Renminbi to U.S. dollars has been stable, with the Renminbi appreciating slightly against the U.S. dollar in recent years, the exchange rate of the Renminbi may become volatile against the U.S. dollar or other currencies in the future.

Substantially all of the CRA Group's anticipated revenues and operating expenses in the PRC will be denominated in Renminbi, while some of the CRA Group's expenses may be denominated in foreign currencies. Any future Renminbi devaluations would affect the CRA Group's planned revenue when translating into Hong Kong dollars and hence might have a negative impact on the financial condition of the CRA Group and its planned operation in the PRC. In addition, the ability of the relevant member(s) of the CRA Group operating in the PRC to pay foreign exchange (including dividends) will depend on the foreign exchange control regulations in the PRC. Currently a foreign investment enterprise status allows a foreign investment enterprise to purchase foreign exchange at designated foreign exchange banks for settlement of current account transactions including payment of dividends without the approval of the State Administration of Foreign Exchange. However, there is no assurance that the relevant PRC authorities will not in future limit or eliminate the authorisations for a foreign investment enterprise to retain or purchase foreign exchange to satisfy its foreign exchange obligations or to pay dividends, and the ability of the CRA Group's PRC operating member(s) to transfer profits outside the PRC could be affected.

The Chinese legal system embodies uncertainties that could limit the legal protections available to foreign investors

The legal system of the PRC is a civil law system which is based on written statutes and in which decided legal cases have little precedential value. The PRC is still in the process of developing a comprehensive system of laws and its legal system may be considered to be underdeveloped in comparison with the legal systems of some western countries. Since 1979,

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many laws and regulations dealing with economic matters and foreign investment in particular have been promulgated in the PRC. In December 1982, the National People's Congress amended the Constitution of the PRC to authorise foreign investment and to guarantee the "lawful rights and interests" of foreign investors in the PRC. Since then, the trend of legislation has significantly enhanced the protection afforded to foreign investment and allowed for more active control by foreign parties of foreign investment enterprises in the PRC. Despite significant improvements in its developing legal system, however, the PRC does not have a comprehensive system of laws. In addition, enforcement of existing laws can be uncertain and unpredictable, and implementation and interpretation thereof can be inconsistent. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws could have a material adverse effect upon the business and prospects of the CRA Group. Any future joint ventures or subsidiaries of the CRA Group in the PRC shall generally be subject to laws and regulations applicable to foreign investments. These laws, regulations and legal requirements are relatively recent. These uncertainties could limit the legal protections available to Hong Kong and foreign investors.

RISKS RELATING TO THE SHARES AND APPLICATIONS USING AN ESP

An active trading market for the Shares may not develop and their trading prices may fluctuate significantly

If an active public market for the CRA Group's Shares does not develop after the Share Offer, the market price and liquidity of the CRA Group's Shares may be adversely affected. Prior to the Share Offer, there has been no public market for the CRA Group's Shares. Although applicable stock exchange rules may require underwriters or other brokers to make a market for the Shares for a limited period following the Share Offer, a liquid public market for the Shares may not develop or be sustained.

Possible volatility of share price

Following the Share Offer, the trading price of the Shares could be subject to significant volatility and may fluctuate substantially in response to, among other factors:

- fluctuations in the CRA Group's quarterly or annual results of operations
- changes in financial estimates by securities analysts
- announcements made by the CRA Group or its competitors
- investor perceptions of the CRA Group and the investment environment in Asia, including Hong Kong and the PRC
- developments in the convenience store, retail, e-fulfilment and logistics and general Internet industries
- changes in pricing made by the CRA Group, its competitors or providers of alternative services

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- the depth and liquidity of the market for the Shares
- general economic and other factors

Moreover, in recent years, stock markets in general, and the shares of technology companies in particular, have experienced increasing price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performances of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

Shareholders' interests in the Company may be diluted in the future through the exercise of share options

The CRA Group has in place the Pre-IPO Share Option Plan, the total number of Shares subject to which is 19,930,000 Shares (representing about 3.04% of the enlarged issued share capital of the Company), and the Share Option Scheme. As at the Latest Practicable Date, options for 19,930,000 Shares have been conditionally granted under the Pre-IPO Share Option Plan and no options have been granted under the Share Option Scheme. Details of the Pre-IPO Share Option Plan and the Share Option Scheme are set out in the section headed "Share Options" in appendix V to this prospectus.

The full exercise of all of the options under the Pre-IPO Share Option Plan and Share Option Scheme would result in the issue of 65,560,000 Shares, representing 10% of the issued share capital of the Company immediately following the Capitalisation Issue and the Share Offer (and before the issue of Shares pursuant to any exercise of the Over-allotment Option). This would result in a reduction in the percentage ownership of the shareholders of the Company and may result in dilution in the assets and earnings per Share of the Company.

Applications using an ESP are still at the early development stage in Hong Kong and there can be no assurance that applications made for Offer Shares using an ESP will result in all or any such applications being validly submitted

Applications using an ESP have been available for only a few times in Hong Kong. None of the Company, the Underwriters nor any of their respective directors, officers, employees, partners, agents or advisers could guarantee the effectiveness or soundness of such a method of application. There can be no assurance that applications using an ESP will result in all or any of such applications for the Offer Shares being validly submitted on behalf of the persons using this application method. Persons applying for Offer Shares using an ESP which offers Internet-based share applications bear the risks associated with conducting transactions through the Internet including: (i) interruption, transmission blackout or delayed transmission due to Internet traffic; (ii) incorrect data transmission due to the public nature of the Internet; (iii) that information downloaded from the Internet may be incomplete, altered or tampered with and may not present complete and accurate information; and (iv) that there may be damage caused to the computer software or hardware of users or visitors to ESPs' websites caused by virus transmission from, or technical defects of, these websites. If applications using an ESP do not result in application(s) for the Public Offer Shares being validly submitted on behalf of the persons using this application method, the Public Offer could be materially affected.

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MISCELLANEOUS RISKS

Forward-looking statements contained in this prospectus may not be accurate

Included in this prospectus are various forward-looking statements which include the use of forward-looking terminologies such as “may”, “will”, “expects”, “anticipates”, “estimates”, “continues”, “believes”, or similar words. The CRA Group has made forward-looking statements with respect to, among other things:

- its goals and strategies
- the importance and expected growth of the convenience store industry and e-fulfilment and logistics technologies
- the demand for e-fulfilment and logistics services

These statements are forward-looking and reflect its current expectations. They are subject to a number of risks and uncertainties, including but not limited to, changes in the economic and political environments in the Asian region, changes in technology and changes in the marketplace. In light of the many risks and uncertainties surrounding the CRA Group, prospective purchasers of the Shares should keep in mind that the Company cannot guarantee that the forward-looking statements described in this prospectus will prove to be well-founded.

Certain statistics are derived from unofficial publications

Certain statistics in this prospectus relating to the convenience store and e-fulfilment and logistics industries, such as statistics relating to current and projected numbers of convenience stores in various jurisdictions, as well as statistics regarding consumer preferences, are derived from various unofficial publications including, for example, those produced by eMarketer, AC Nielsen (China) Limited and Market Statistical Yearbook of China. Such information has not been independently verified by the Company and may be inaccurate, incomplete or out-of-date. The Company makes no representation as to the correctness or accuracy of such statements and, accordingly, such information should not be unduly relied upon.

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

For the purpose of the listing of the Shares on GEM, the Company has sought a number of waivers from the GEM Listing Division and the Securities and Futures Commission in relation to certain requirements under the GEM Listing Rules and the Companies Ordinance. Details of such waivers are described below.

MORATORIUM PERIOD

Waiver I

In order to enhance the CRA Group's flexibility in raising funds by way of a placing and top-up transaction after 6 months of listing, the Company has applied for a waiver from strict compliance with Rule 13.16(2) of the GEM Listing Rules to allow its initial management shareholders to first dispose any of their Shares subject to the moratorium period prior to the subsequent top-up by way of a subscription for new Shares. The initial management shareholders have undertaken that (1) they will apply the whole of the sale proceeds received from such a placing to subscribe for new Shares in order to maintain the interest of the initial management shareholders and their associates in the same number of Shares they had held in the Company prior to such placing; (2) such newly subscribed Shares will also be subject to the lock-up provision of Rule 13.16(2) of the GEM Listing Rules unless they are subsequently disposed of pursuant to another placing and top-up transaction; and (3) they will collectively maintain an interest in the Company of not less than 35% of the enlarged share capital of the Company pursuant to and as a result of any such placing and top-up transaction during the second 6-month period after listing. In addition, in the event of any such placing and top-up transaction, the Company will make appropriate announcement disclosing the information pursuant to and in accordance with Rule 17.30 of the GEM Listing Rules.

Waiver II

BNP Paribas Peregrine Securities and LFR have entered into a stock borrowing agreement pursuant to which LFR has agreed to lend up to 24,584,000 Shares, representing 15% of the Offer Shares and about 3.75% of the enlarged issued share capital of the Company after completion of the Share Offer and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised, held by it to BNP Paribas Peregrine Securities. The stock borrowing agreement entered into between BNP Paribas Peregrine Securities and LFR is to facilitate settlement of over-allocations in connection with the Placing pending exercise of the Over-allotment Option and/or acquisition of Shares in the secondary market. The stock borrowing agreement would result in non-compliance with Rule 13.16(2) of the GEM Listing Rules.

The Over-allotment Option, together with the stock borrowing agreement, is adopted by BNP Paribas Peregrine Securities to facilitate the distribution of Shares under the Placing. A waiver application has been made on the basis that (1) such stock borrowing from LFR will only be effected by BNP Paribas Peregrine Securities for settlement of over-allocations in connection with the Placing; (2) the maximum number of Shares borrowed from LFR will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option; (3) the same number of Shares will be returned to LFR no later than three business days following the earlier of (i) the last day on which the Over-allotment Option may be exercised or

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

(ii) the day on which the Over-allotment Option is exercised in full; (4) that the returned Shares will be placed in escrow as soon as practicable with an escrow agent acceptable to the Stock Exchange; (5) LFR will not receive any payment or benefit in respect of the stock borrowing agreement; and (6) the stock borrowing will be conducted in accordance with all applicable laws and regulatory requirements.

PRE-IPO SHARE OPTION PLAN

Under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, this prospectus is required to include details of the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for the Shares subscribed for under it, the consideration (if any) given or to be given for it and the name and address of the person to whom it was given. As at the date of this prospectus, the Company has granted to 228 senior employees of the CRA Group (excluding Directors) options to subscribe for a total of 19,930,000 Shares (representing about 3.04% of the enlarged issued share capital of the Company after the completion of the Share Offer and the Capitalisation Issue, but excluding the Shares resulting from the exercise of options and assuming that the Over-allotment Option is not exercised) on the terms set out in the paragraphs headed “A summary of the principal terms of the Pre-IPO Share Option Plan” and “Outstanding Options under the Pre-IPO Share Option Plan” in appendix V to this prospectus.

The Company has applied for a waiver from the Securities and Futures Commission in relation to full compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in relation to the Pre-IPO Share Option Plan grantees who have been granted options in respect of less than 200,000 Shares. The application has been made on the grounds that, given the large number of grantees, full compliance with these disclosure requirements would be unduly burdensome for the Company. The Securities and Futures Commission has granted such waiver to the Company pursuant to Section 342A of the Companies Ordinance on the conditions that:

- (a) full details of all the options granted by the Company under the Pre-IPO Share Option Plan to grantees who hold options in respect of 200,000 Shares or more are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of the Third Schedule to the Companies Ordinance; and
- (b) a full list of all the grantees who have been conditionally granted options to subscribe for shares under the Pre-IPO Share Option Plan containing all the relevant particulars required under paragraph 10 of the Third Schedule to the Companies Ordinance, as referred to in the paragraphs headed “A summary of the principal terms of the Pre-IPO Share Option Plan” and “Outstanding Options under the Pre-IPO Share Option Plan” in appendix V to this prospectus will be made available for public inspection in accordance with the paragraph headed “Documents available for inspection” in appendix VI to this prospectus.

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

Further details of the options under the Pre-IPO Share Option Plan are set out in the paragraphs “A summary of the principal terms of the Pre-IPO Share Option Plan” and “Outstanding options under the Pre-IPO Share Option Plan” in appendix V to this prospectus.

MATERIAL CONTRACTS

Pursuant to paragraph 17 of the Third Schedule to the Companies Ordinance, the Company is required to include in this prospectus (among other things) a statement that a copy of every material contract (not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the Company or a contract entered into more than two years before the date of issue of this prospectus) has been delivered to the Registrar of Companies for registration. In addition, pursuant to paragraph 52(2) of Appendix 1a to the GEM Listing Rules, a copy of every material contract disclosed in this prospectus must be made available for public inspection during a reasonable period of time at a place in Hong Kong. The Company has applied to the Securities and Futures Commission and the Stock Exchange for a certificate of exemption and a waiver from strict compliance with the requirements of paragraph 17 of the Third Schedule to the Companies Ordinance and paragraph 52(2) in Appendix 1a to the GEM Listing Rules respectively, so that the percentage of gross sales for calculating the monthly royalty payable by the CRA Group to Circle K (US) can be omitted from the copy of the Amendment Agreement, referred to in sub-paragraph (A) of the section headed “Summary of material contracts” in appendix V to this prospectus, which is to be made available for inspection and delivered to the Registrar of Companies, on the ground that strict compliance would be irrelevant and unduly burdensome for the Company. The Securities and Futures Commission and the Stock Exchange have granted such exemption and waiver respectively.

ACCOUNTANTS’ REPORT

According to paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance, the Company is required to include a statement of the gross trading income or sales turnover of the CRA Group and the CRA Group’s audited financial results for each of the three financial years ended 31st December, 2000 in the accountants’ report. The Securities and Futures Commission has granted waivers in relation to the strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance.

According to Rule 7.03(1) and Rule 11.10 of the GEM Listing Rules (financial period reported thereon), a new applicant to GEM is required to include in its prospectus an accountants’ report covering the “2 financial years immediately preceding the issue of the listing document”. The Stock Exchange has granted a waiver from strict compliance with Rule 7.03(1) and Rule 11.10 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Members of the CRA Group are parties to certain transactions that will, upon the listing of the Company, constitute continuing connected transactions for the purposes of the GEM Listing Rules. These transactions can be broadly categorised as exempt continuing connected transactions and non-exempt continuing connected transactions, which are subject to waivers.

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

The exempt continuing connected transactions are:

- *purchase of staff uniforms from Li & Fung (Trading) Limited*
- *photocopying services from Fotomax (F.E.) Limited*
- *licensing of premises to Fotomax Limited*
- *licensing of premises from Albinina Limited*
- *provision of management and administrative services by LFR*
- *use of auditorium and training room*
- *licensing of premises from LFR*

The non-exempt continuing connected transactions are:

- *services agreement with LFR*
- *purchase of products from JDH (Hong Kong) Ltd.*
- *provision of photofinishing services by Nice Image Limited*
- *leasing of premises from Bomaron Limited*

The Stock Exchange has indicated that it will grant waivers in relation to full compliance with the requirements of the GEM Listing Rules in connection with the non-exempt continuing connected transactions as further described in the paragraph headed “Connected transactions” in the “Business” section of this prospectus, and conditionally upon various matters.

Such waivers would include a waiver of the requirement, in respect of each of the non-exempt continuing connected transactions referred to above, to subject the transactions and the respective caps for review and re-approval by independent shareholders at general meetings in respect of any of the years to 31st December, 2002 if their respective amounts exceed the higher of HK\$10 million and 3% of the Company’s then consolidated net tangible assets.

Further details of the continuing connected transactions and the waivers are set out in the paragraph headed “Connected transactions” in the section headed “Business” of this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors 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 CRA Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related application forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer. Without taking into account the Shares to be issued upon the exercise of the Over-allotment Option, the Share Offer comprises the Public Offer of initially 32,780,000 Public Offer Shares and the placing of initially 131,120,000 Placing Shares (subject, in each case, to re-allocation on the basis described under the section headed "Structure of the Share Offer" in this prospectus), in each case, at the Offer Price. For applications under the Public Offer, this prospectus and the **WHITE, YELLOW** and ESP Application Forms set out the terms and the conditions of the Public Offer. Please refer to the section headed "Structure of the Share Offer" in this prospectus for further information.

Fully Underwritten

The Share Offer is sponsored by BNP Paribas Peregrine Capital and fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For further information relating to the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

Determination of the Offer Price

The Offer Shares are being offered at the Offer Price which will be determined by BNP Paribas Peregrine Securities (on behalf of the Underwriters) and the Company on or before 1:00 a.m. on 13th January, 2001, or such later date as may be agreed by BNP Paribas Peregrine Securities and the Company but in any event no later than 11:30 p.m. on 16th January, 2001.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

If BNP Paribas Peregrine Securities (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price by 1:00 a.m. on 13th January, 2001, or such later date as may be agreed by BNP Paribas Peregrine Securities (on behalf of the Underwriters) and the Company but no later than 11:30 p.m. on 16th January, 2001, the Share Offer will not become unconditional and will lapse.

Restrictions on offering of the Offer Shares

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

Pursuant to the Share Offer, it is expected that the Underwriters or selling agents nominated by the Underwriters will conditionally place and/or sell the Offer Shares on behalf of the Company at the Offer Price with investors in Hong Kong and in certain other jurisdictions.

The Share Offer is subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" under the section headed "Structure of the Share Offer" in this prospectus.

The distribution of this prospectus and the offering or sale of the Offer Shares in certain jurisdictions are restricted by law and in particular, but without limitation, to the foregoing:

United States

The Offer Shares have not been and will not be registered under the US Securities Act, and may not be offered or sold within the United States, or to, or for the account or benefit of, US persons except in certain transactions exempt from, or not subject to, the registration requirements of the US Securities Act. Terms used in this section have the meanings given to them by Regulation S under the US Securities Act.

The Offer Shares are being offered and sold outside of the United States to non-US persons in reliance on Regulation S. The Placing Underwriting Agreement provides that only those Placing Underwriters approved by BNP Paribas Peregrine Securities may, through their respective US broker dealer affiliates, arrange for the offer and sale of the Offer Shares within the United States only to qualified institutional buyers (as defined in Rule 144A of the US Securities Act) in reliance on an exemption from the registration requirements of the US Securities Act.

In addition, until 40 days after the latest of the commencement of the Share Offer, the closing date of the Share Offer and the closing date of any exercise of the Over-allotment Option, an offer or sale by any dealer of Shares within the United States (whether or not as part of the Share Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from the registration requirements under the US Securities Act.

United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Offer Shares may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended. In addition, no person may issue or pass on to any person in the United Kingdom any document received by him in connection with the issue or sale of the Offer Shares unless that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

Singapore

This prospectus has not been and will not be registered with the Registrar of Companies and Businesses in Singapore and the Offer Shares will be offered in Singapore pursuant to exemptions invoked under Division 5A of Part IV of the Companies Act, Chapter 50, of Singapore (the “Singapore Companies Act”). Accordingly, this prospectus and any other document or materials relating to the Offer Shares may not be issued, circulated or distributed in Singapore, nor may any of the Offer Shares be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for or purchase any Offer Shares be made, directly or indirectly, to the public or any member of the public in Singapore other than (i) pursuant to, and in accordance with the conditions of, an exemption invoked under Division 5A of Part IV of the Singapore Companies Act and to persons to whom the Offer Shares may be offered or sold under such exemption; or (ii) otherwise pursuant to, and in accordance with the conditions of, any other provisions of the Singapore Companies Act.

Japan

The Share Offer has not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). The Offer Shares which are being offered hereby may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to the applicable exemption from the registration requirements of the Securities and Exchange Law and in compliance with any other applicable requirements of Japanese law.

Italy

The Placing Shares may not be offered, sold or delivered, and copies of this prospectus or any other document relating to the Placing Shares may not be distributed in Italy except to Professional Investors, as defined by CONSOB, the local stock market regulator in Italy, in Art. 31.2 of CONSOB Regulation no. 11522 of 1st July, 1998, pursuant to Art. 30.2 and Art. 100 of Legislative Decree no. 58 of 24th February, 1998 (or the Finance

Law) or in any other circumstance where an express exemption to comply with the solicitation restrictions provided by the Finance Law or CONSOB Regulation no. 11971 of 14th May, 1999 (or the Issuers Regulation) applies, including those provided for under Art. 100 of the Finance Law and Art. 33 of the Issuers Regulation, and provided, however, that any such offer, sale, or delivery of the Placing Shares or distribution of copies of this prospectus or any other document relating to the Placing Shares in Italy must be made (i) by investment firms, banks or financial intermediaries authorised to carry out such activities in Italy in accordance with the Finance Law, Legislative Decree no. 385 of 1st September, 1993 (or the Banking Law), CONSOB Regulation no. 11522 of 1st July, 1998 and any other applicable laws and regulations; (ii) in compliance with Art. 129 of the Banking Law, as supplemented by Bank of Italy's instructions, under which the issue or placement of securities in Italy is subject to a prior notification, unless an exemption, depending, among others on the amount of the issue or placement applies; and (iii) in compliance with any other applicable notification requirement or limitation which may, from time to time, be imposed by CONSOB or the Bank of Italy.

Australia

The Offer Shares may not be directly or indirectly offered for subscription, issue or sale in Australia. No invitations for applications for the issue or subscription of the Shares or offers to purchase the Shares may be made if the offer or invitation is received anywhere in Australia. These restrictions do not apply if and only if the offer or invitation is made in a manner specifically exempted under chapter 6d of the Corporations Law of Australia from the need for disclosure by way of a prospectus or offer information statement lodged with the Australian Securities and Investments Commission.

Cayman Islands

No offer of the Offer Shares may be made to the public in the Cayman Islands.

Each person acquiring the Offer Shares will be required to confirm, or deemed by its acquisition of the Offer Shares to have confirmed, that it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE GEM

Application has been made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, and the Shares which are to be issued pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option, the Pre-IPO Share Option Plan and the Share Option Scheme and as otherwise described in this prospectus, on GEM.

No part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and as at the date of this prospectus no such listing or permission to deal is being or is proposed to be sought as at the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Pursuant to Rule 11.23 (1) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 20% of the issued share capital of the Company in the hands of the public. Upon listing and assuming that the Over-allotment Option is not exercised, 25% of the issued share capital of the Company is in the hands of the public.

Any allotment made in respect of any application will be invalid if the listing of, or permission to deal in, the Shares on GEM has been refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about 18th January, 2001. Shares will be traded in board lots of 2,000 Shares each.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date as Hongkong Clearing chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult an expert.

The Company, the Directors, the Sponsor, the Underwriters and any other person involved in the Share Offer do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, or purchase, holding or disposal of, or dealing in or the exercise of any rights in relation to, the Offer Shares.

STAMP DUTY

Dealings in Shares registered on the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

HONG KONG BRANCH REGISTER

All Offer Shares to be issued pursuant to applications made in the Share Offer will be registered on the Company's branch register of members to be maintained by the Share Registrar in Hong Kong. The Company's principal register of members is maintained by Bank of Butterfield International (Cayman) Ltd. in the Cayman Islands.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Directors

Name	Address	Nationality
<i>Executive Directors</i>		
Yeung Lap Bun, Richard <i>(Chief Executive Officer)</i>	B9 Cypresswaver Villas 32 Cape Road Chung Hom Kok Hong Kong	Australian
Li Kwok Ho, Bruno <i>(Chief Financial Officer)</i>	Flat 3H, Pine Mansion Taikoo Shing Hong Kong	British
<i>Non-executive Directors</i>		
Dr. Fung Kwok King, Victor <i>(Chairman)</i>	32A, The Harbourview 11 Magazine Gap Road Hong Kong	American
Dr. Fung Kwok Lun, William	30A & B, The Harbourview 11 Magazine Gap Road Hong Kong	British
Lau Butt Farn	Flat A, 14th Floor 144 Austin Road Tsimshatsui, Kowloon Hong Kong	British
Wong Yuk Nor, Louisa	Flat 26B, Block 1 Cavendish Height No. 33 Perkin's Road Jardine Lookout Hong Kong	British
<i>Independent non-executive Directors</i>		
Dr. Ch'ien Kuo-Fung, Raymond	11A, Braga Circuit Kowloon Hong Kong	Chinese
Au Man Chung, Malcolm	Suite 2203 Parkside Pacific Place 88 Queensway Hong Kong	Canadian

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	BNP Paribas Peregrine Capital Limited 36th Floor, Asia Pacific Finance Tower 3 Garden Road, Central Hong Kong
Global coordinator and Bookrunner	BNP Paribas Peregrine Securities Limited 36th Floor, Asia Pacific Finance Tower 3 Garden Road, Central Hong Kong
Lead manager	BNP Paribas Peregrine Securities Limited 36th Floor, Asia Pacific Finance Tower 3 Garden Road, Central Hong Kong
Placing Underwriters and the Public Offer Underwriters	BNP Paribas Peregrine Securities Limited 36th Floor, Asia Pacific Finance Tower 3 Garden Road, Central Hong Kong Indosuez W.I. Carr Securities Limited 43rd Floor, One Exchange Square 8 Connaught Place, Central Hong Kong BOCI Asia Limited 35th Floor, Bank of China Tower 1 Garden Road Central Hong Kong ABN AMRO Rothschild 40th Floor, Cheung Kong Centre 2 Queen's Road Central Hong Kong DBS Asia Capital Limited 16th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong Ka Wah Capital Limited Unit 6310-6312, The Center 99 Queen's Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Company

As to Hong Kong Law:
Johnson Stokes & Master
16th-19th Floors
Prince's Building
10 Chater Road
Central
Hong Kong

As to Cayman Islands Law:
Conyers Dill & Pearman, Cayman
Zephyr House
Mary Street
George Town
Grand Cayman
British West Indies

Legal adviser to the Underwriters

Deacons
3rd-7th and 18th Floors
Alexandra House
16-20 Chater Road
Central
Hong Kong

Auditors and reporting accountants

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

Property valuer

Greater China Appraisal Limited
Room 2407
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Receiving bank

Standard Chartered Bank
8th Floor
Edinburgh Tower
The Landmark
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Zephyr House Mary Street George Town Grand Cayman British West Indies
Head office and principal place of business	12th Floor, LiFung Centre 2 On Ping Street Siu Lek Yuen Shatin New Territories Hong Kong
Company's website address	www.cr-asia.com
Company secretary	Wong Wing Ha (FCIS)
Compliance officer	Li Kwok Ho, Bruno
Qualified accountant	Lam Siu Tak, Jimmy (FHKSA, FCPA)
Audit committee	Dr. Ch'ien Kuo-Fung, Raymond Au Man Chung, Malcolm Lau Butt Farn
Authorised representatives	Li Kwok Ho, Bruno Wong Wing Ha
Authorised persons to accept service of process and notices	Li Kwok Ho, Bruno
Principal share registrar and transfer office	Bank of Butterfield International (Cayman) Ltd. P.O. Box 705 Butterfield House Fort Street George Town Grand Cayman Cayman Islands
Hong Kong share registrar and transfer office	Abacus Share Registrars Limited 2401 Prince's Building Central Hong Kong
Principal bankers	The Hongkong & Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

Retail industry in Hong Kong

Consumer retailing is generally affected by the size and purchasing power of the local population and the general state of economies in the region. As the standard of living in Hong Kong improved from 1995 to 1997 as illustrated by the annual growth in GDP per capita of Hong Kong for the same period, the value of retail sales also increased from HK\$211 billion in 1995 to HK\$235 billion in 1997. In late 1997, most of the business sectors of Asian countries suffered negative growth as a result of the financial crisis in the region. In 1999, the value of retail sales in Hong Kong declined as compared to 1998 due to a weak domestic consumer sentiment and a decline in the number of tourist arrivals. However, with a more stable economic environment and a revival of tourists arrivals, the value of retail sales grew significantly in the second half of 1999.

The table below shows the population, the GDP per capita and annual growth in GDP per capita in Hong Kong during the period from 1995 to 1999:

	For the year ended				
	1995	1996	1997	1998	1999
Population (million)	6.3	6.4	6.6	6.8	6.9
GDP per capita (HK\$)	176,117	189,985	203,605	189,443	180,073
Annual growth in GDP per capita (%)	5.1	7.9	7.2	(6.9)	(4.9)

Source: Hong Kong Monthly Digest of Statistics, 1995-1999

Hong Kong's GDP per capita grew from about HK\$176,117 in 1995 to about HK\$180,073 in 1999, represented a growth rate of 2.2% during the five year period, while population increased to over 6.9 million in 1999. Though the GDP of Hong Kong had been decreasing in 1998 and 1999 as mainly triggered by the Asian financial crisis, the general economy of Hong Kong started to improve in the fourth quarter of 1999. The table below shows the GDP, retail sales and retail sales as a percentage of GDP in Hong Kong during the period from 1995 to 1999:

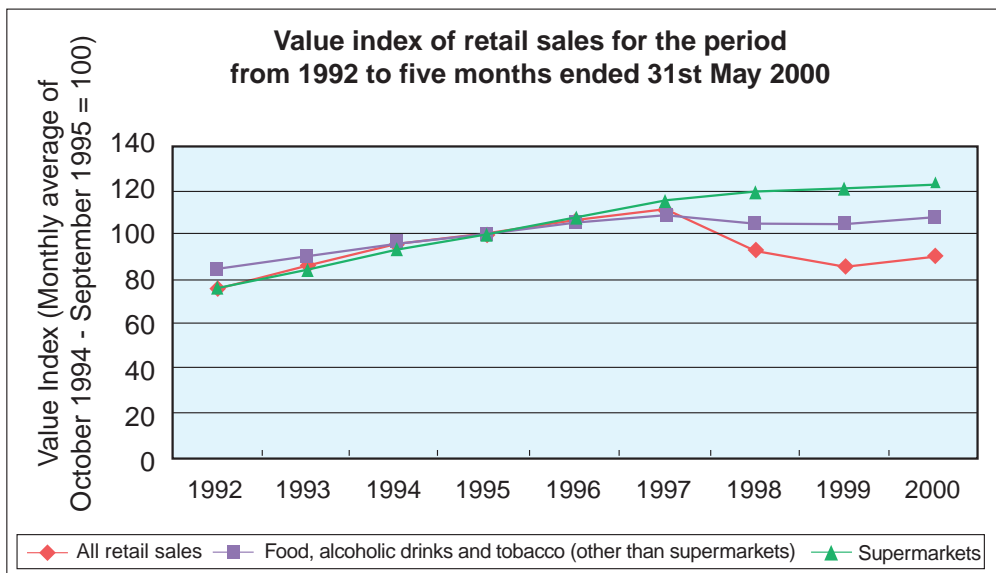
	For the year ended				
	1995	1996	1997	1998	1999
GDP (HK\$ billion)	1,084	1,199	1,324	1,267	1,232
Retail sales (HK\$ billion)	211	224	235	196	180
Retail sales as a % of GDP	19.5	18.7	17.7	15.5	14.6

Source: Hong Kong Monthly Digest of Statistics, 1995-1999

During the period, overall retail sales dropped from about HK\$211 billion in 1995 to about HK\$180 billion in 1999, representing a decrease of about 14.6% during the period. However, the value of sales of food, alcoholic drinks and tobacco (other than supermarkets) and the value of sales by supermarkets increased by 4.7% and 21.0% respectively from 1995 to 1999.

INDUSTRY OVERVIEW

The chart below shows the trend of overall value of retail sales, the value of sales of food, alcoholic drinks and tobacco (other than supermarkets) and the value of sales by supermarkets, in Hong Kong for the period from 1992 to five months ended 31st May, 2000:



Source: Hong Kong Monthly Digest of Statistics, 1995-2000

As the elasticity for demand of food, alcoholic drinks and tobacco is relatively lower than luxury products, to a large extent, the sales of food, alcoholic drinks and tobacco products were not affected by the state of the economy to the same degree as the luxury products. According to the figures from Hong Kong Monthly Digest of Statistics, retail sales in Hong Kong showed a decline of about 8.0% in value from 1998 to 1999, the value of sales of food, alcoholic drinks and tobacco (other than supermarkets) remained constant and the value of sales by supermarkets increased by 1.5% during the period. In addition, the value of sales by supermarkets was able to maintain a persistent nominal growth and was immune from the adverse effect of the Asian financial crisis.

Leading economic indicators have shown that Hong Kong's economy is recovering and the retail environment is improving. For the five months ended 31st May, 2000, the average value of monthly retail sales in Hong Kong showed an improvement of about 5%, the average value of monthly sales of food, alcoholic drinks and tobacco (other than supermarkets) and the average value of monthly sales by supermarkets increased by 2.7% and 1.6% as compared to the monthly average in 1999.

Based on the latest statistical information, the fourth quarter of 1999 and the first quarter of 2000 recorded a strong growth of 9.2% and 14.3% in GDP respectively as compared to the same periods of the preceding year. The government of Hong Kong further revised upward its GDP growth forecast for 2000 to 10% from 8.5% in November 2000.

INDUSTRY OVERVIEW

Convenience store industry in Hong Kong

“Convenience stores” can be defined as small retail stores which are involved in sales of fast moving consumer packaged goods and other services designed for daily convenience. Currently, the Store Density (as represented by the ratio of one convenience store to the average population) in Hong Kong is about 1:13,000. Such Store Density is significantly lower than in some developed countries such as the US, Japan and Taiwan. The table below sets out the Store Density in the US, Japan, Taiwan and Hong Kong and their respective GDP per capita as at 31st December, 1999.

	Store Density as at 31 st December, 1999	GDP per capita (HK\$) as at 31 st December, 1999
US	1:2,300	237,150
Japan	1:1,700	249,782
Taiwan	1:3,800	102,571
Hong Kong	1:14,000	180,073

Source: Store density:
 AC Nielsen (China) Limited for Hong Kong and Japan.
 Franchise Finance Corporation of America for US
 Taiwan Chain Stores Association for Taiwan
 GDP per capita:
 World Development Report 2000/2001

If Hong Kong can achieve the Store Density ratio of 1:6,000, the number of convenience stores in Hong Kong would be about 600 stores more than the total number of stores operated by the two largest convenience store operators, namely 7-Eleven and Circle K (7-Eleven and Circle K are referred to as “Top Two” hereafter) as at 30th June, 2000.

The convenience store industry in Hong Kong is mainly dominated by the Top Two. The Top Two accounted for the majority of all convenience stores in Hong Kong. The number of stores represented by the top chain operators have been increasing steadily over the past years and the Directors expects this trend to continue. Most of the stores of the Top Two are open for 24 hours a day, every day of the year, unless restricted by the relevant tenancy agreement or management regulation of the premises in which they are located, such as shopping malls.

The CRA Group currently operates the second largest convenience store chain in Hong Kong in terms of number of stores. As the largest chain store operators in Hong Kong, the Top Two have competitive advantages over individually-owned convenience stores in terms of the economies of scale in purchasing merchandise and in their ability to invest in information technology systems to enhance efficient and effective store management, and in high technology supply chain infrastructure to minimize operating expenses.

INDUSTRY OVERVIEW

The table below sets out the number of convenience stores of the chain operators for each of the Top Two, as at the date indicated:

	Number of stores				
	1996	as at 31st December,			30th June,
		1997	1998	1999	2000
Circle K (HK)	122*	115*	107	114	114
7-Eleven	331	334	350	380	393

Source: Dairy Farm International Holdings Limited Interim Report 2000 for 7-Eleven store number

* Number of stores as at 31st January, 1997 & 1998

The operating methods adopted by the Top Two are quite different. The CRA Group owns and operates all of its stores whereas 7-Eleven operates its own stores as well as manages its franchising stores. As a result, competition for qualified franchisees is not significant in the industry. For company operated and managed stores, the operators can have the advantages in (i) rolling out the company strategy more quickly and efficiently; (ii) maintaining consistency in store operation, service standard, product offering, pricing and promotional execution; (iii) building the business rather than managing the franchisees; and (iv) controlling the shrinkage, profitability and operation costs of the operation. For franchised operation, the operators can have the advantages of (i) expanding the number of outlets with minimum capital investment and time; and (ii) achieving the economies of scale with more number of franchisees.

Convenience stores in Hong Kong tend to be located in residential, commercial and office districts with high levels of traffic, and have a relatively high percentage of their net sales contributed by the sales of newspapers and magazines, tobacco, drinks and confectionery products. The convenience store industry in Hong Kong fulfills a market niche in providing convenient location with 24-hour service for instant gratification purchases including cigarettes, drinks, snacks and newspapers. The food services provided by the CRA Group, including in-store bakery, microwave chilled food and packaged sandwiches, meet the demand for a faster than fast food service and present potential sales opportunities for higher margin products.

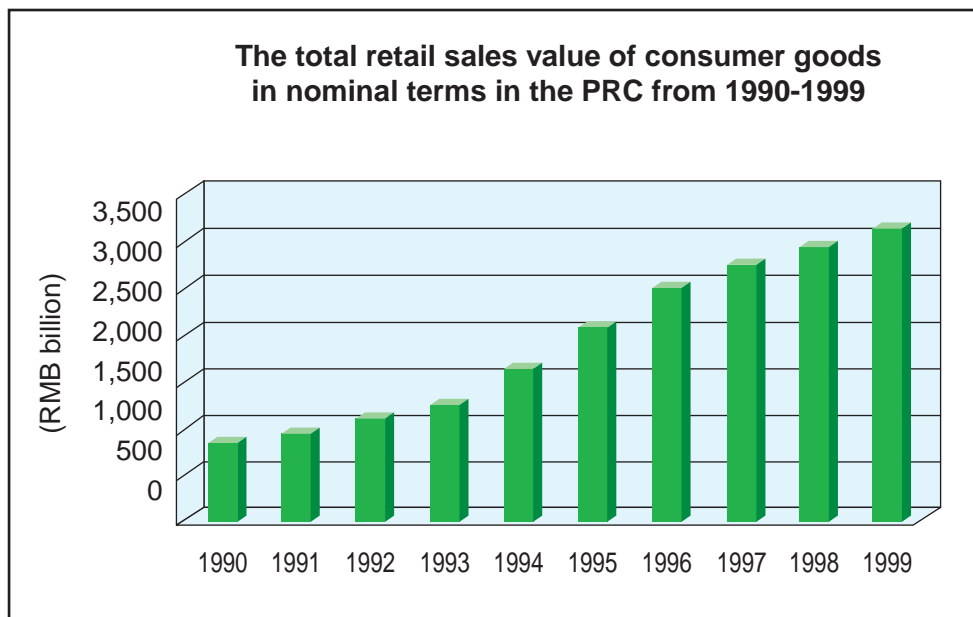
Whereas convenience stores are not positioned to compete against supermarket which fulfills other shopping criteria such as value, choice, one-stop-shop convenience, bulk purchases and fresh produce etc, convenience stores complement the supermarket concept by fulfilling individual needs through offering products for 24 hours a day at a prime location. To a large extent, the convenience stores virtually monopolizes the retail market at midnight time except for a few isolated food outlets in Hong Kong.

Retail industry in the PRC

With the largest population of the world and a rapid economic growth, the retail market in the PRC presents immense sales and marketing opportunities for distributors of consumer goods. The increase in personal wealth and purchasing power for the majority of people in the PRC has also led to an expansion of retail businesses in the PRC in the past few years. Unlike most of the countries in Asia, the PRC is less affected by the Asian financial crisis which took place in late 1997. The total retail sales of consumer goods in the PRC grew at a rate of about

INDUSTRY OVERVIEW

4.8% and 6.8% in 1998 and 1999 respectively. The table below shows the total retail sales of consumer goods in nominal terms in the PRC from 1991 to 1999:



Source: China Statistical Yearbook 1991-2000

The table below shows the population, GDP per capita and annual growth in GDP per capita in the PRC during 1995 to 1999:

	For the year ended				
	1995	1996	1997	1998	1999
Population (million)	1,211.2	1,223.9	1,236.3	1,248.1	1,259.1
GDP per capita (RMB)	4,854	5,576	6,054	6,277	6,546
Annual growth in GDP per capita (%)	23.7	14.9	8.6	3.7	4.3

Source: China Statistical Yearbook 1996-2000

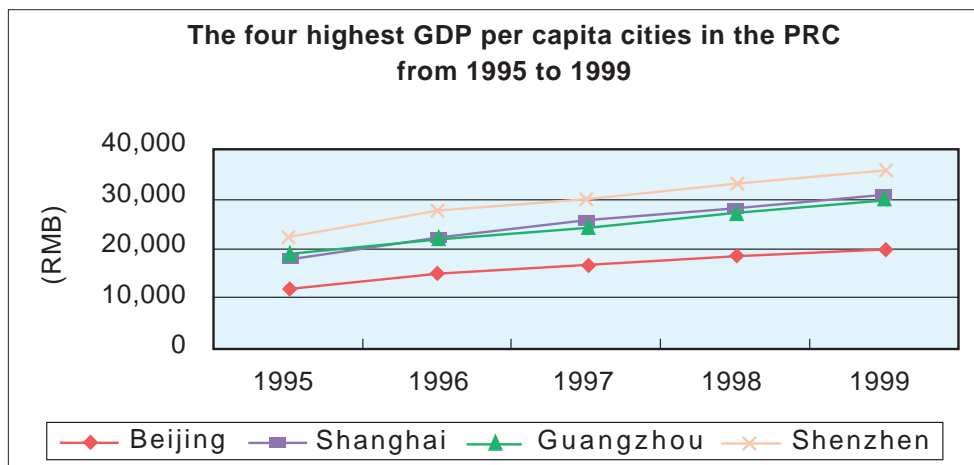
The table below shows the total GDP, retail sales and retail sales as a percentage of GDP in the PRC during 1995 to 1999. The GDP and retail sales of the PRC had been increasing from 1995 without being seriously affected by the Asian financial crisis in late 1997.

	For the year ended				
	1995	1996	1997	1998	1999
Total GDP (RMB billion)	5,749	6,685	7,314	7,697	8,073
Retail sales (RMB billion)	2,062	2,477	2,729	2,915	3,113
Retail sales as a % of GDP	35.9	37.0	37.3	37.8	38.5

Source: China Statistical Yearbook 1996-2000

INDUSTRY OVERVIEW

The chart below shows the four highest average GDP per capita cities in the PRC for the period from 1995 to 1999:



Source: China Statistical Yearbook 1996-2000

With the increasing GDP per capita in the past five years, the Directors believe that there is a spacious room for development of convenience stores in the PRC to meet with the growing affluent population, in particular in the above cities with highest GDP per capita in the PRC.

Convenience store industry in the PRC

The convenience store industry in the PRC is less competitive as compared to Hong Kong. As a result of strict rules and regulations governing foreign investment in retail market, the convenience stores industry in the PRC is still under developed and foreign operators currently have limited presence in the PRC. The Directors consider the future convenience stores in the PRC will be mainly located in high traffic junctions in commercial and residential areas with the targeted customers of children, students, teenagers and office workers.

Assuming an estimated Store Density of about 1:20,000 urban population (for indicative purpose, the size of the urban population as at 31st December, 1999 is about 390 million), the estimated number of convenience store would be about 20,000 stores which is estimated to be significantly more than the total existing number of convenience stores in the PRC. Accordingly, the Directors consider there is a spacious room for development of convenience store industry in the PRC and there would be an aggressive expansions among foreign retailers upon the WTO accession of the PRC. In view of the relatively high urbanisation rate in Guangzhou, the CRA Group intends to open its first Circle K store in Guangzhou in the third quarter of 2001 and plans to build a network of up to 100 Circle K stores in Guangzhou and the Pearl River Delta area by the end of 2003.

INDUSTRY OVERVIEW

The table below sets out some major chain store operators in the PRC including supermarkets and convenience stores, the statistic demonstrated an explosive growth in terms of number of stores during the past two years.

	Type of Business	Number of stores	
		1998	1999
Lianhua Super-market	Supermarkets and convenience stores	359	606
Shanghai Hualian Supermarket	Supermarkets	360	500
Jiangsu Suguo Supermarket	Supermarkets and convenience stores	65	225
Shanghai Jieqiang Tobacco, Sugar & Wine Group	Supermarkets and convenience stores	129	145
Beijing Chaoshifa Chain Store Co	Supermarkets, general merchandise stores and convenience stores	42	45
Jingkelong Trade Tower, Beijing	Supermarkets	9	26
China Resources Supermarket Co Ltd	Supermarkets	155	158
Wumei Commercial Center Co Ltd	General merchandise stores and convenience stores	12	33

Source: Market Statistical Yearbook of China 1999 and 2000

Laws and Regulations Concerning Convenience Store Industry

Hong Kong

Each convenience store in Hong Kong may be required to obtain certain licences and/or permits from the governmental authorities, these may include bakery licences, frozen confection factory licences, licences for listed sellers of poisons, milk permits and other licences and/or permits from time to time as required, depending on the type of merchandise and services offered in the relevant store.

The PRC

The PRC has started to liberalize the retail sector for foreign participation in 1992. Despite the liberalization, there are still substantial restrictions on foreign investment in the sector. Under the prevailing state policy on foreign investment, foreign investors can only engage to sell goods produced by their production establishments in the PRC. Foreign investors can only engage directly in trading activities, i.e. sale of imported or domestic goods, by forming foreign-invested trading companies in trial locations under restrictive conditions. Any invested joint venture retail enterprises which are approved by local governments operating beyond their approval jurisdiction are subject to ratification or forced closure.

Given the high entry requirements, only those well-established foreign retailers can succeed in forming the joint venture retail enterprises. The state government's control over foreign

INDUSTRY OVERVIEW

participation in the retail sector has remained strong. Policy relaxation did not come in until the issuance of the “Trial Measures on Foreign Investment in Commercial Enterprises” (“the Trial Measures”) in June 1999. The Trial Measures define the business scope of joint ventures engaged in retail operations and detail the following entry requirements concerning the operation of foreign-invested retail chain establishments:

- *Location of establishment*

Foreign investors can basically form the joint venture retail enterprises in the capitals of provinces, autonomous regions, centrally administered municipalities, cities with independent planning authority, in addition to five special economic zones, including Shenzhen, Zhuhai, Shantou, Xiamen and Hainan.

- *Requirement on annual sales and registered capital*

Foreign investors must generate average annual sales of above US\$2 billion for three consecutive years and total assets of above US\$200 million in the year prior to the application. The retail joint venture should have a minimum registered capital of RMB50 million. (With the exceptions for retail joint venture in central and western areas where the minimum registered capital is RMB30 million)

- *Permitted scope of business*

The joint venture retail enterprises can run retailing and import goods which can be sold by the joint venture in the store and export business on its own account. The joint venture retail enterprises can also organize the export of domestic products and provide related services.

- *Procurement of goods*

The value of goods imported by the joint venture retail enterprises cannot exceed 30% of their annual sales in the relevant year. The retail joint venture retail enterprises are therefore required to source as least 70% of their goods from the domestic market.

- *Equity holding of the Chinese party*

The foreign party of the joint venture which has three or less branches, or of a joint venture that has a chain store operation comprising convenience stores and speciality stores, the ratio of capital contribution by the Chinese investor must not be less than 35%.

Impact of WTO Entry on Retailing

Upon the accession of WTO, the PRC will decrease the import tariff and custom duties which will increase the bilateral trade flow between the PRC and its trading partners. In addition, the deregulation of State controlled enterprises will lead to substantial increase in foreign investments in the PRC which will enhance the modernization of the PRC in terms of bringing in new technology, skills and expertise and as a result will improve the productivity and GDP.

INDUSTRY OVERVIEW

The Directors expect such increase in GDP will directly benefit the retail industry in the PRC. Also, the Trial Measures have, for the first time, expressly allowed foreign participation in joint venture commercial enterprises engaged in commercial wholesale operations in the PRC. The Directors believe such de-regulation will increase the efficiency and cost effectiveness of the flow of merchandise from the manufacturers to the end consumers which will have a positive effect on the development of the retail industry in the PRC.

The PRC will gradually eliminate all the restrictions on foreign investment in the retail sector including majority equity participation of foreign investors in the joint venture retail enterprise will be allowed, with geographical restriction further liberalized and there will not be restrictions on equity, geographical areas, or the number of stores under operation.

After the PRC enters the WTO, the world's leading retailers will be seeking access into its market in the form of joint venture or wholly-owned operations. The Directors believe that, as the PRC's retail market is somewhat mature and the growth in the turnover of large retail operations has slow down, the entry of foreign players will exert great pressure on the domestic retail scene. The foray of world-class retailers into the PRC will intensify competition and send the profit margin of domestic retailers on a downward spiral. The Directors expect that as more foreign retail groups establish a foothold in the PRC, domestic retail enterprises will come under the brunt of these international heavyweights. The direct outcome will be the emergence of retail enterprises that can truly rival the international groups.

Since the PRC opened its economy to the outside world, domestic retail enterprises have made very little progress in transforming their operating mechanism. Intensifying competition from outsiders will either prompt these enterprises to speed up their transformation or force them to the verge of bankruptcy. The Directors believe that non-performing enterprises will become merger and acquisition targets of ambitious enterprises. However, they may also undergo reorganization by forming joint ventures with foreign enterprises.

Impact of WTO entry on Chain Operation

Certain members of the world's top 500 retailers have already established a presence in China. The Directors believe the number of establishment will increase significantly following the PRC's expected entry into the WTO. This is bound to have a great impact on China's chain-operated retail business, which is rather weak in terms of operation scale, system and management. It can be expected that in the next ten years China's chain-operated enterprises will inevitably undergo mergers and reorganizations. The entry of large, international chain-store groups, whether in the form of wholly-owned or joint venture enterprise, will help modernize the management of China's chain-store operations.

INDUSTRY OVERVIEW

Domestic chain stores will come under great pressure in the face of the influx of foreign players. Intense competition will force them to break away from their existing operation and management system by cooperating with other regions or trades. The Directors expected that enterprises engaged in retailing will increase their investment and develop into large chain-store operations.

E-FULFILMENT AND LOGISTICS

Asia-Pacific Growth Opportunities

The Directors believe that the Asian Region presents a promising market for the Internet growth. eMarketer research projects that Internet users outside the United States will surpass U.S. users by the end of year 2000. eMarketer has projected high growth in both Internet usage and personal computer penetration, important indicators for internet accessibility in the Asian markets in which the Company currently operates and intends to operate. The following table summaries key historical and projected data in Asian markets:

	2000	2004
<i>(in millions except penetration rates)</i>		
Hong Kong		
– Number of Internet users (a)	1.2	2.1
– Internet penetration rate (b)	16.9%	28.0%
– Population (c)	7.1	7.5
Asia Pacific (including Japan)		
– Number of Internet users (a)	48.7	173.0
– Internet penetration rate (b)	1.4%	4.7%
– Population (c)	3,474.7	3,650.7

Notes:

(a) Source: eMarketer

(b) Calculated by dividing number of Internet users by country population

(c) Source: United States Census Bureau

Hong Kong

According to eMarketer, the number of Internet users on Hong Kong is expected to increase to 2.1 million by the end of 2004 from 1.2 million at the end of 2000. As at 31st December, 2000, given an expected population of about 7.1 million, most of whom reside in urban areas, Hong Kong had an Internet penetration rate of about 16.9%. Hong Kong is relatively technologically advanced, having been one of the first cities in the world to have a fully digitized telecommunications network. The Hong Kong Government is also currently encouraging telecommunications operators to establish broadband Internet access networks in order to meet expected demand.

INDUSTRY OVERVIEW

The PRC

According to eMarketer, the number of Internet users in the PRC was about 2.5 million in 1999. eMarketer expects that at the end of 2003, this figure will reach 21.0 million. Given a current population of about 1.2 billion, the 1999 figure represents an Internet penetration rate of 0.21%. Although the PRC is still a technologically developing country, Internet growth in the next five years is expected to be significant. Growth is expected to be supported by a reduction in the access costs and a proliferation of personal computers and other Internet access devices. As the Internet becomes more pervasive in the PRC, the opportunities for fulfillment services to support the e-commerce are expected to expand commensurately

E-commerce

The rapid technological development of the Internet has fundamentally changed the way that consumers and businesses conduct transactions. As e-commerce becomes more popular, consumers and businesses will increasingly engage in the on-line evaluation, selection and purchase of goods and services. The increase is fueled by the network effect that consumers rapidly adopt on-line shopping, more traditional retailers embrace on-line shopping, newcomers invade untapped on-line categories, and new technologies enhance on-line shopping experiences. eMarketer predicts that Asia-Pacific on-line spending, including B2B and B2C will increase from US\$39.4 billion as at the end of 2000 to US\$338.5 billion by the end of 2004. eMarketer also forecasts that e-commerce revenues generated by users in Hong Kong will increase from US\$668.7 million as at the end of 2000 to US\$9.5 billion by the end of 2004.

The following table sets out the on-line expected spending in PRC and Hong Kong from 2000 to 2004:

(Figures are in US\$ million)

	2000	2001	2002	2003	2004
PRC	818.6	1,613.0	7,205.6	15,572.2	23,696.8
Hong Kong	668.7	1,305.8	3,534.8	5,867.8	9,478.7


Source: eMarketer


As shown in the above table, the e-commerce market in the PRC is expected to be increased explosively from 2000 to 2004. It is expected that e-commerce spending in the PRC will grow from US\$818.6 million in 2000 to US\$23.7 billion in 2004, representing a compound annual growth rate of 282%. The continuous growth in Internet penetration will further boost on-line spending in Greater China. As the PRC will very soon become a member of the WTO, this may further encourage e-commerce.

INDUSTRY OVERVIEW


With the increasing number of B2C transactions, the Directors intend to utilize the existing infrastructure of the Company in order to explore the opportunities and potential in the cyber world. The existing infrastructure and network of the Company provides a convenient channel for the multinational B2C players to deploy and deliver their products to the end users through the Company's existing network in Hong Kong and the future network in the PRC. In view of the uncertainty and security problems in the usage of credit cards in the cyber world, the Directors believe the fulfilment services offered by convenience store chains will provide an alternative means of settlement to customers which will enhance the operation of B2C business in the long run.

OVERVIEW

The CRA Group is principally engaged in the operation of one of the leading convenience store chains in Hong Kong under the tradename of . As at 31st December, 2000, its Circle K store chain comprised 123 stores in Hong Kong. About 50.4%, 37.4% and 12.2% of the Circle K stores were located in the New Territories, Kowloon and the Hong Kong Island respectively as at 31st December, 2000. Circle K stores offer a broad selection of food and non-food merchandise as well as certain ancillary services designed to appeal to the convenient needs of its customers.

All Circle K stores are similar in layout, merchandise range and pricing and all utilize the  tradename and styles. Almost all Circle K stores are open every day of the year, 24 hours a day. The merchandise offered by Circle K stores comprises food, including ice-cream, bakery products and, fast food, together with non-food items, including tobacco, newspapers and periodicals and a range of household daily necessities. Certain Circle K stores also provide ancillary services at the store counter such as photo-finishing services and the sale of stamps and phone cards. Certain Circle K stores also have cash dispensing machine facilities installed within the store.

The operation of Circle K stores in Hong Kong is carried out by Circle K (HK), the Company's wholly-owned subsidiary. The CRA Group has a solid operating history in Hong Kong and its revenue and net profit after taxation and minority interests but before extraordinary items for the year ended 31st December, 2000 are estimated to be over HK\$1 billion and not less than HK\$45 million respectively. Please refer to the paragraph headed "Profit Estimate" in the "Financial Information" section and appendix II to this prospectus for further details on the profit estimate.

In addition to its operations in Hong Kong, the CRA Group has identified the PRC as its first targeted market for expansion outside Hong Kong. Under the licence agreement with Circle K (US), Circle K (HK) has the exclusive right to use the  tradename in Hong Kong, Macau and the Southern PRC until 31st March, 2025. The licence agreement has also recently been amended by the extension of its geographical scope to include the Eastern PRC and the Northern PRC. As a condition of such extension, the CRA Group is obliged to establish and operate not less than 100 Circle K stores in the Eastern PRC and not less than 50 Circle K stores in the Northern PRC respectively by 31st December, 2005, and to agree and meet corresponding targets for subsequent periods.

The CRA Group submitted an enquiry in October 2000 to the relevant central governmental authority of the PRC as a preliminary step towards seeking endorsement to operate Circle K stores in the PRC. The CRA Group has been negotiating with an entity with PRC background with a view to establishing a Sino-foreign joint venture which will be owned as to up to 65% by the CRA Group and as to the remaining balance by the proposed joint venture partner. After the joint venture is formally established, the joint venture will apply for a licence from the relevant government authorities including the State Economic & Trade Commission of the PRC. The CRA Group currently does not foresee any difficulties in obtaining such licence. Subject to obtaining such licence, the CRA Group intends to open its first Circle K store in Guangzhou in the third quarter of 2001 and plans to build a network of up to 100 Circle K stores in Guangzhou and the Pearl River Delta Area by the end of 2003. The CRA Group will then use Guangzhou as its headquarters for its PRC operations and for expansion into other regions of the PRC.

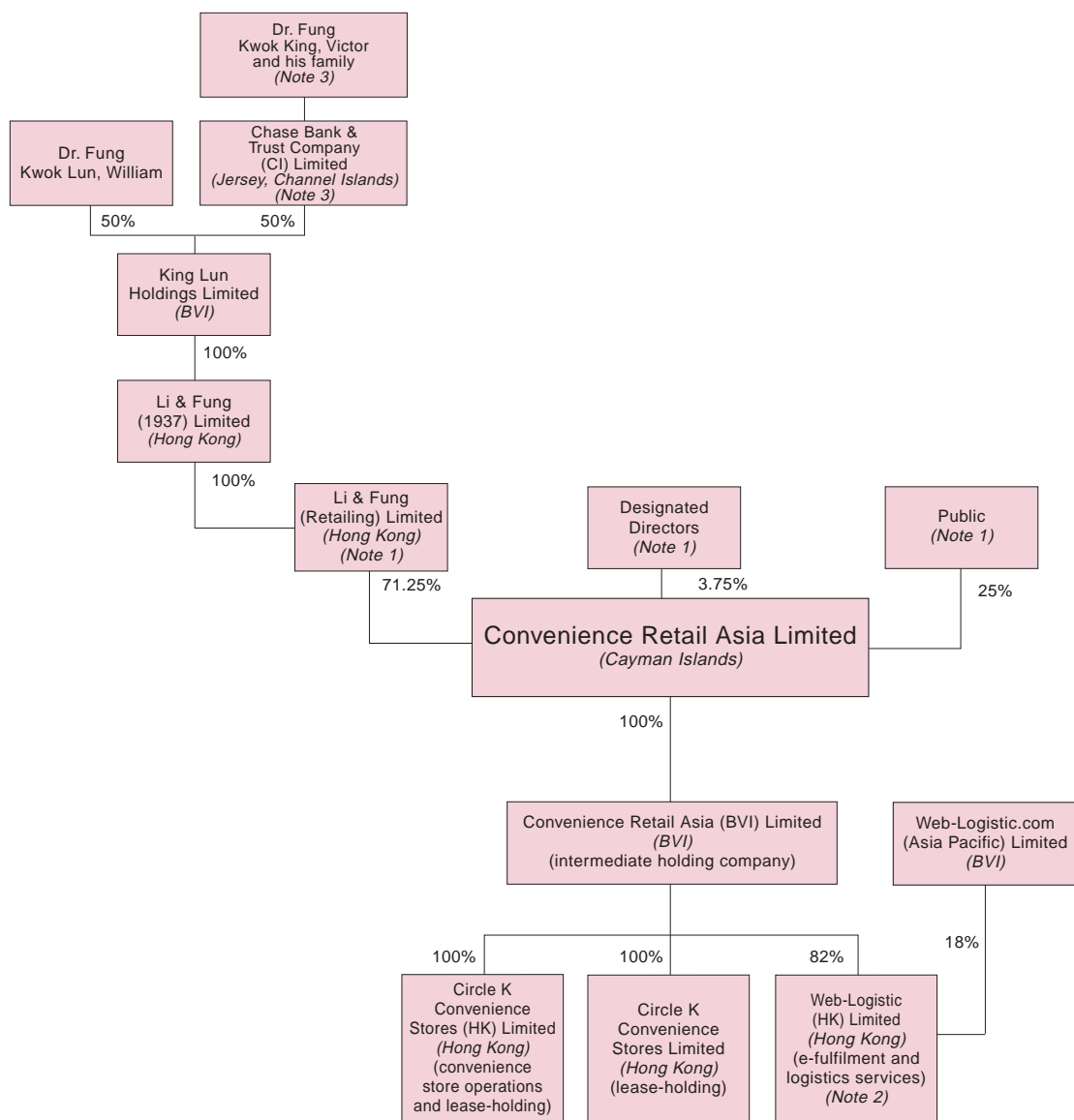
The Company also provides e-fulfilment and logistics services through its subsidiary Web-Logistic (HK). The e-fulfilment and logistics services aim to facilitate the fulfilment logistics of e-retailers and e-wholesalers which do not have existing outlets and ancillary facilities to

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settle the delivery and other settlement logistics in respect of products purchased on-line by their customers. The commercial operation of Web-Logistic (HK) had commenced in May 2000 and the whole operation system has been fully implemented in August 2000. However, the Company's e-fulfilment and logistics business is still at its early stage of development.

SHAREHOLDERS AND CORPORATE STRUCTURE

Set out below are the shareholder structure, the corporate structure and the principal operating companies of the CRA Group and their respective principal activities, together with the relevant equity interests of the Company immediately following completion of the Capitalisation Issue and the Share Offer:



Notes:



(1) This percentage does not take into account the exercise of the Over-allotment Option. Upon the exercise of the Over-allotment Option in full but without taking into account the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme or Shares which may be issued or repurchased by the Company pursuant to the general issue and repurchase mandates granted to the Directors as described in appendix V to this prospectus or otherwise, LFR, the Designated Directors and the public will respectively be interested in about 68.67%, 3.61% and 27.72% of the enlarged share capital of the Company.

- (2) Pursuant to a shareholders' agreement entered into between Web-Logistic (AP), CRA(BVI) and Web-Logistic (HK) dated 18th September, 2000, Web-Logistic (AP) was granted an option to purchase from CRA(BVI) a number of shares in Web-Logistic (HK) representing 12% of the issued share capital of Web-Logistic (HK) on or before 31st July, 2001, at a total consideration of, based on the existing issued share capital of Web-Logistic (HK), HK\$1,872,000. If this option is exercised in full by Web-Logistic (AP), the CRA Group's shareholding interests in Web-Logistic (HK) will be reduced from 82% to 70%.
- (3) Chase Bank & Trust Company (CI) Limited is the trustee of a discretionary trust established for the benefit of the family members of Dr. Fung Kwok King, Victor.

HISTORY AND STATEMENT OF ACTIVE BUSINESS PURSUITS

Li & Fung has, from its origins in Guangzhou in 1906, been engaged in export trading, retailing and distribution businesses. Li & Fung moved its headquarters to Hong Kong in 1937 with the establishment of LF(1937). Today, Li & Fung and a number of its businesses have become household names in Hong Kong and certain other areas of Asia.

In North America, however,  was already an established brand for convenience stores with more than 2,200 stores operating under the  tradename in 19 states of the USA. The owners of  have developed their business over 21 years on a worldwide basis through licensing and franchise arrangements, and have in place a system for the establishment and operation of convenience stores, which includes distinctive exterior and interior design, decoration colour schemes and logos. The Directors believe that the tradename of  represents to consumers a convenient stop for fast and friendly services and a variety of good quality fast-foods, beverages and other products in a tidy and pleasurable environment.

In the mid-1980's, Hong Kong had only one major convenience store chain and the directors of LFR believed that the market in Hong Kong had an enormous capacity to accommodate many more convenience stores owing to its high density population and the fast pace of life of its residents. They saw substantial potential in the tradename of  and its established system of operation in other cities. As a result, Circle K (HK) was established in 1985 to hold a licence from Circle K (US) and to commence operation of a convenience store chain in Hong Kong under the tradename of .

Circle K (HK) was established in 1985 initially as a joint venture between LFR (formerly known as Li & Fung (Finance and Investment) Limited), Uny Co. Limited and Circle K International Limited with a shareholding of 50%, 25% and 25% respectively. Following a series of corporate reorganisations, Circle K (HK) became a wholly-owned subsidiary of LFR in February 1997.

During 1998, the retail industry in Hong Kong was negatively affected by the Asian financial crisis. Against this backdrop, Mr. Yeung took office as the Chief Executive Officer of Circle K (HK) in October 1998. Mr. Yeung and his senior colleagues took the view that the CRA Group's priority was to re-organise the Circle K store business by terminating certain loss making outlets and establishing a viable customer-driven business model to pave the way for

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improvement and expansion. With this in mind, the CRA Group embarked on a restructuring policy to achieve higher profitability and efficiency and to build customer preference for Circle K stores. Between the fourth quarter of 1998 and the first quarter of 1999, Circle K (HK) saw the implementation of a series of reforms. These included:

- (1) the closure of 14 non-performing Circle K stores, so as to reduce operating losses.

Set out below is the overall Circle K store development in Hong Kong for the three years ended 31st December, 2000:

For the year ended	Number of Circle K stores as at the year end	Number of stores opened during the year	Number of stores closed during the year
31 st December, 1998	107	5	14
31 st December, 1999	114	10	3
31 st December, 2000	123	14	5

- (2) working closely with all relevant personnel of the CRA Group to formulate long-term business strategies and plans of actions including:

- re-designing the internal layout of Circle K stores and revamping their appearance generally
- re-defining business standards, narrowing the focus of the CRA Group and setting new and focused goals in order to increase efficiency and competitiveness, and hence profitability
- enhancing the prevailing training programmes for employees and implementing employee reward schemes to create incentives for better performance
- lowering the retail pricing of certain merchandise to support the CRA Group's value-pricing strategy.

- (3) with the assistance of an independent consulting firm, launching the STF Service Excellence Programmes. All Circle K staff were trained to provide a high standard of STF to all customers.

- (4) introducing the Partnership Supplier Programme to encourage close working relationships with major suppliers. Partner suppliers who joined the programme would sell their merchandise to the CRA Group at competitive prices, and in return would get preferential terms in respect of shelf display, volume and promotions.

Following the implementation of these reforms, the CRA Group experienced improvements in its efficiency and profitability in spite of the then generally stagnant retail industry. Merchandise sales grew steadily. Although turnover in 1999 lagged slightly behind that of 1998 as a result

of the closure of 14 stores during the reform process in 1998 and price reductions in certain merchandise in the first quarter of 1999, gross profit and other revenues edged up slightly by about HK\$0.7 million in 1999. More significantly, total store expenses fell by over 9.6% in 1999 as compared to the corresponding figures in 1998. This increased cost efficiency enabled Circle K (HK) to make a profit before taxation of about HK\$6.6 million in 1999 after making a net loss of nearly HK\$23 million in 1998.

In the second quarter of 1999, the Company embarked on two additional strategic initiatives:


- (1) Introducing non-stop creative monthly promotions with the intention of promoting fun, value and trendy products. These promotions were introduced with a view to provide an enjoyable experience to customers, hence encouraging repeated visits and a preference for Circle K stores.
- (2) Building an integrated supply chain infrastructure which links all suppliers through the Company's centralized distribution centre with all Circle K stores. An experienced SCML Manager was brought in and the SCML Division was formed in April 1999. Significant improvements in efficiency have since been achieved, resulting in significant cost savings.

Customer satisfaction and financial results continue to improve as a result of the on-going initiatives despite the weak retail environment in 1999. As at the end of August 2000, total sales were up 15.5% over the same period in 1999 while the profit before taxation increased to HK\$28.2 million.

KEY STRENGTHS

The Directors believe that the CRA Group has significant advantages and key strengths in the following areas:

Market recognition of the CRA Group's convenience store business

The CRA Group has a well-established network of convenience stores in Hong Kong and is licensed to use the well-recognised  tradename exclusively in Hong Kong, Macau, the Southern PRC, the Eastern PRC and the Northern PRC. With about 15 years' experience in the convenience store business in Hong Kong, the CRA Group has built a sound foundation upon which to build. According to A.C. Nielson's August 1999 Shoppers' Habit Survey market research, Circle K enjoys a brand awareness of 79% in the Hong Kong market and Circle K stores are one of the top ten most visited retail chains in Hong Kong.

Profitability and resulting cashflow for expansion

The CRA Group's convenience store business has been profitable since 1999, and the resulting positive cash flow can be used to finance partially further expansion of the CRA Group in Hong Kong, the PRC and other potential markets.

Strong management team with SCM expertise

The CRA Group has a strong management team from diverse backgrounds with substantial experience and expertise in the convenience store business and supply chain management in Hong Kong and the PRC.

Company-operated stores (instead of franchised stores)

It is the policy of the CRA Group to directly manage, instead of franchising to third party franchisees, the operations of all Circle K stores. This policy enables the CRA Group to put forward and implement effectively and consistently all policies and guidelines in relation to the Circle K store operations and to co-ordinate smoothly all marketing and promotion activities. The CRA Group can devote all its efforts to managing its own Circle K stores rather than managing franchises.

Sophisticated EPOS System and IT support

The CRA Group also uses the sophisticated EPOS and Supply Chain Management Systems to manage the flow of information and products. This enables it to maintain a reduced but effective level of inventory for all items of merchandise. The CRA Group's average inventory turnover rate improved from 20.72 days in 1998 to 15.06 days for the eight months ended 31st August, 2000. The EPOS System is able to minimise the counter payment time at Circle K stores.

Efficient organisation structure

The CRA Group has developed an efficient and balanced managerial structure and an advanced computerised information system to ensure focused control and development of all areas of the business.


The operating activities of the CRA Group have been organised into four main divisions, namely the Operation Division; the Marketing and Category Management Division; the Store Development Division; and the Supply Chain Management and Logistics Division. The clear division of functions and responsibilities within the CRA Group, with the assistance of the sophisticated centralised computer system, promotes and facilitates efficient and timely decision-making and implementation.

Strong controlling shareholder support

Strong controlling shareholder support from Li & Fung, is expected to assist the development of the CRA Group's business, including its expansion into other geographical markets, particularly by providing contacts which may promote or facilitate the building of future strategic alliances.

Li & Fung is a multinational group of companies comprising three distinct core businesses, namely export trading, distribution and retailing. In particular, the LFR Group's business currently extends to Hong Kong, Taiwan, Singapore and Malaysia, with plans for expansion into the southern part of the PRC and other Asian countries.

Effective marketing strategies and ability in execution

The CRA Group has implemented aggressive marketing campaigns to promote sales, establish customer preference, and project a distinctive image for  in Hong Kong. Non-stop round-the-year promotions are run to promote value, fun and an enjoyable shopping experience at Circle K stores.

Established strategic relationships with suppliers through Partnership Supplier Programme

The CRA Group has since the first quarter of 1999 introduced the Partnership Supplier Programme (PSP) for establishing and securing long-term strategic relationships with most of its key suppliers. Details of the PSP are more particularly described in the paragraph headed “Partnership Supplier Programme (PSP)” under the sub-section headed “Supply and Distribution” in the “Business” section of this prospectus.

High quality service and highly motivated staff

The CRA Group has adopted the goal of achieving excellence in speed, tidiness and friendliness services. A comprehensive programme known as the “Service Excellence Programme” has been developed for training for all its staff, and for measuring and recognition of customer service performance at all Circle K Stores. This programme aims to educate the CRA Group’s staff in the importance of developing excellent service attitudes, versatile service skills and in-depth product knowledge. Every Circle K store is visited by an independent mystery shopper, once every month who scores the Circle K store on its level of STF standards. The score results are used as indications for improvement and staff in those Circle K stores with high scores all get recognised with monthly performance bonus.

Prime store locations

The management of the CRA Group exercises care in selecting sites for its Circle K stores, using the services of researchers and an elaborate matrix of measurements to calculate suitability of the potential Circle K store sites.

Quality product offerings at competitive unit prices

The CRA Group has formed Category Management Teams which specialise in the selection of merchandise which will meet the demands of customers of Circle K stores but at competitive unit prices. SRCG, an independent consulting firm that specialises in category management, has been engaged by Circle K (HK) to train its purchasing personnel and to assist in implementing joint category management programmes with suppliers.



Advantages of economies of scale

The CRA Group’s existing directly-owned and managed retailing infrastructure and related investments in its distribution network in Hong Kong provide a sound foundation for the expansion of the Circle K store network and for the development of its e-fulfilment and logistics

business. By centralising its inventory and distribution facilities, the CRA Group is able to maximise the efficiency and usage of such facilities, hence minimising unnecessary costs and maximising profits. The Company also closely monitors product costs to ensure that products are purchased at competitive rates.

THE CIRCLE K BUSINESS

Licence

The  tradename and its related trademarks were licensed to the CRA Group under a licence agreement dated 20th March, 1985 between Circle K (US) as licensor, and Circle K (HK) as licensee. Under the licence agreement, the CRA Group has the exclusive right to use the  tradename and its related trademarks in Hong Kong and Macau, in each case as their political boundaries exist on 1st July, 2000, and the Southern PRC. The term of the licence agreement has recently been extended to 31st March, 2025, with provision for automatic annual renewal thereafter on an annual basis unless either party gives a termination notice. The licence agreement has also recently been amended by the extension of its geographical scope to include the Eastern PRC and the Northern PRC. As a condition of such extension, the CRA Group is obliged to establish and operate not less than 100 Circle K stores in the Eastern PRC and not less than 50 Circle K stores in the Northern PRC respectively by 31st December, 2005, and to agree and meet corresponding targets for subsequent periods. The licence agreement also envisages that the CRA Group's convenience store business may be expanded, by mutual agreement of the CRA Group and Circle K (US), into the Philippines, Thailand, Malaysia and Singapore, although no binding agreement for this has been reached.

Under the licence agreement, the CRA Group pays monthly royalty to Circle K (US) calculated as a percentage of gross sales from the Circle K stores in operation. The amount of such royalty payment is not significant in the context of the scale of the CRA Group's business as a whole when compared to other major expenditure items (the three largest expense items above, being cost of sales, staff costs and rental and related expenses, in aggregate represented about 93% of the turnover of the CRA Group for the eight months ended 31st August, 2000).

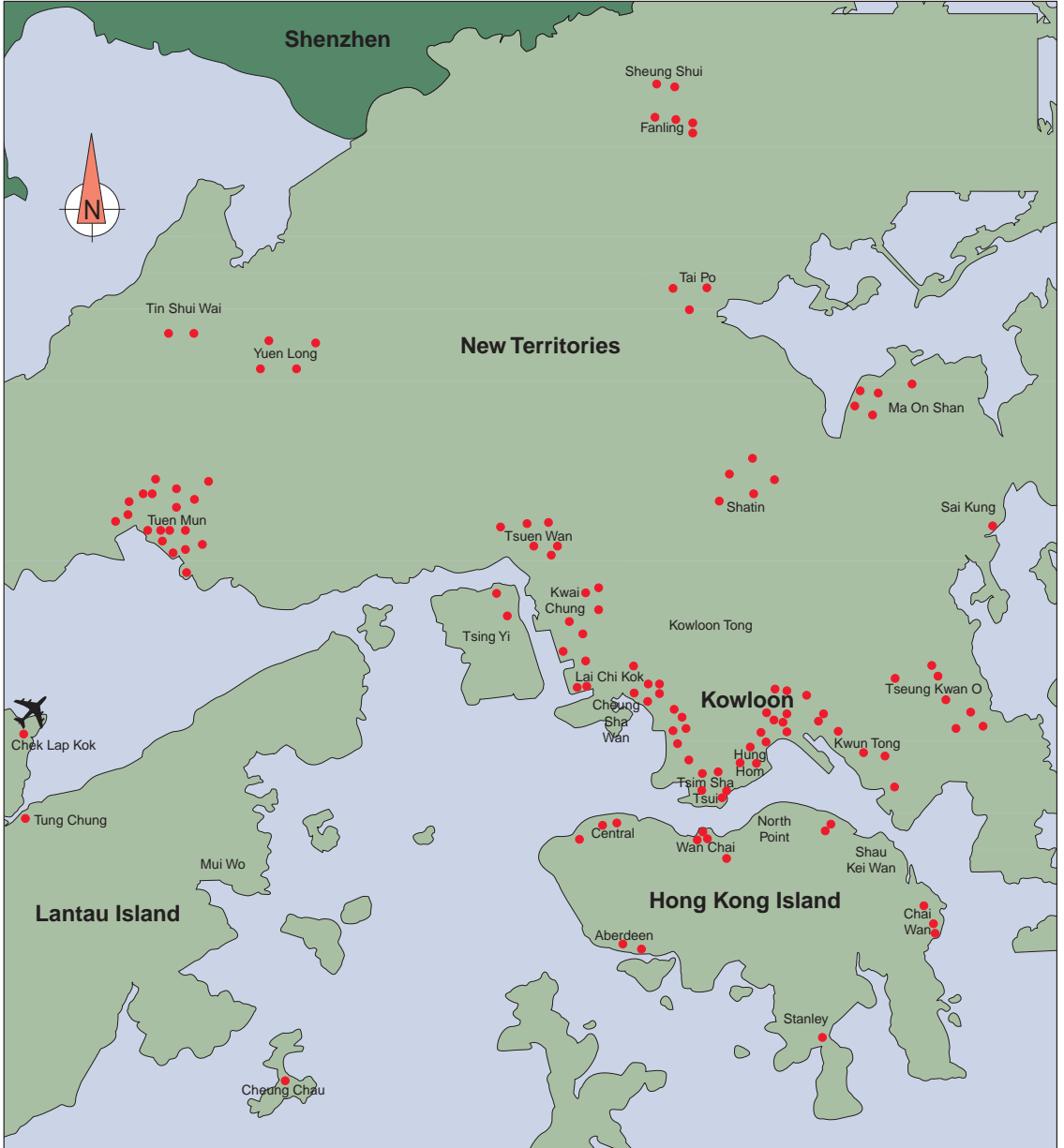
The licence agreement imposes on the CRA Group obligations relating to operational standards and other matters, as franchisors frequently do. As a result of the CRA Group's close relationship with Circle K (US), the CRA Group receives technical and training support from Circle K (US), as well as consultations with and advice from representatives of Circle K (US) during their regular visits to Hong Kong.

BUSINESS

Stores

Store Location

The following map illustrates the location of the Circle K stores in the New Territories, Kowloon and Hong Kong Island as at 31st December, 2000.



BUSINESS

The total numbers of Circle K stores at the end of each of the three years ended 31st December, 2000 are set out below:

	As at 31st December,		
Total number of Circle K stores:	1998	1999	2000
New Territories	57	59	62
Kowloon	35	39	46
Hong Kong Island	15	16	15
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total	107	114	123
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The Circle K stores are generally located in prime locations with high pedestrian flow in residential, shopping or commercial areas including certain housing estates of the HKHA.

Whereas the Circle K stores have an average net sales area of about 800 sq.ft., Circle K stores in housing estates are usually larger in size, at about 1000 sq.ft., to accommodate the higher population density in such areas. Further details of the locations of Circle K stores are set out in the valuation report contained in appendix III of this prospectus.

The Circle K stores are insured against fire, theft, business interruption and third party liability.

Store Site Selection

At present, all Circle K store sites are leased or licensed by the CRA Group. It is the CRA Group's policy to control tightly the rental costs of its Circle K stores.



The CRA Group has in the past generally been able to negotiate and renew tenancy agreements on favourable terms. The majority of the CRA Group's leases are negotiated by reference to prevailing market rates. Such leases are usually for terms of 3 years. For each of the two years ended 31st December, 1999 and the eight months ended 31st August, 2000, the total of rental, rates and management fees amounted to about 8.37%, 7.63% and 7.00% respectively of the CRA Group's turnover in respect of the stores. The Directors believe that the CRA Group has successfully managed its rental expenses and are confident that the CRA Group will continue to do so in the future.

The CRA Group endeavours to secure the best possible locations for its convenience stores and the Directors believe that the CRA Group's established identity and its size of operation will continue to help the CRA Group in securing its desired store locations. The CRA Group has been utilising the expertise of the real estate team of the LFR Group for the short-listing and negotiation of potential Circle K store locations. The LFR Group has extensive experience and a well-established reputation in the retail industry and, accordingly the Directors intend to continue the use of such services, albeit at the cost of a composite management fee which covers other services provided to the CRA Group. For details of the composite management fee, please refer to the paragraph headed "Connected Transactions" in this "Business" section.

In selecting locations for Circle K stores, the Directors take into account the following principal factors:

- the level of rental;
- population density and pedestrian flow analysis, the latter being carried out on the basis of a model self-developed by the CRA Group;
- new store feasibility studies; and
- marketing or strategic benefits.

Design, Decoration and Image

Each of the Circle K stores is designed and decorated in accordance with the  image and specifications. In addition, the same logo and colour schemes are used on Circle K stores, staff uniforms, packing materials and promotional materials. The Directors believe that the widespread use of a uniform logo and colour scheme serves to promote the  image, enhance its brand recognition and increase public awareness.

The layout and design of Circle K stores are carefully planned based on the Company's 5-Easy principles.

Business Hours and Cash Control

It is the CRA Group's policy that all Circle K stores open for 24 hours a day, 365 days a year, unless restricted by the relevant tenancy agreement or management regulations of the premises in which they are located, such as shopping malls. As at 31st August, 2000, there were eight out of 117 Circle K stores which were subject to such restrictions on business hours.

The Directors believe that the CRA Group has effective internal control procedures for its cash revenue and the CRA Group did not experience any significant cash losses for the two years ended 31st December, 1999 and the eight months ended 31st August, 2000.

Merchandise & Services

Circle K (HK)'s revenue primarily consists of net sales of the Circle K stores, other income generated from promotional campaigns, advertising income from in-store TV commercial advertisements, fees for providing ancillary services such as display and merchandising services, and rental fees from cash dispensing machine facilities. For the eight months ended 31st August, 2000, about 94.6% of the CRA Group's revenue was derived from its Circle K store sales which consisted of numerous small cash transactions.

BUSINESS

The table below illustrates the average transaction figures for each of the two years ended 31st December, 1999 and the eight months ended 31st August, 2000:

	Year ended 31 st December,		Eight months ended
	1998	1999	31 st August, 2000
Average daily sales per store	HK\$23,654	HK\$24,207	HK\$26,640
Average number of daily transactions per store	1,759	1,862	2,166
Average value per transaction	HK\$13.45	HK\$13.00	HK\$12.30
Average sales per sq.ft per month	HK\$690.25	HK\$700.73	HK\$786.53

Circle K stores offer the following merchandise and services:

(a) Food

Most Circle K stores sell 11 categories of food items, namely:

- confectionery and snacks
- packaged beverages
- dairy products
- grocery products
- wine & spirits
- beer and mixed drinks
- ready-to-eat food
- packaged and soft-serve ice-cream
- in-store bakery (for certain Circle K stores only)
- gift tin
- hot drinks

(b) Non-food Merchandise and Services

Most Circle K stores offer up to four categories of non-food merchandise and other services such as photo finishing services, sale of stamps and cash dispensing machine facilities, designed to maximize convenience for the customers. The non-food merchandise includes:

- publications
- tobacco
- medicines
- household items and daily necessities

The Directors believe that, with the exception of approximately 20 licences or permits applied for but not yet granted (or refused), the CRA Group had obtained the required governmental licences and permits in respect of the items listed in paragraphs (a) and (b) above as at the Latest Practicable Date, though as noted in the "Risk Factors"

section of this prospectus, under the heading of “Licences”, there can be no assurance that the relevant authorities will not adopt a different interpretation of the relevant requirements from the CRA Group’s interpretation, and require such licences and permits to be obtained in circumstances where the CRA Group does not currently believe them to be required.

Customer Checkout

In order to increase the efficiency of customer checkout, the CRA Group has installed the EPOS System in all its Circle K stores.

The EPOS System records the sale of merchandise using scanned bar code information. For those items which do not carry bar codes, the EPOS System includes a touch-screen monitor that allows the sales attendant to key in the item efficiently without having to remember its designated code as occurs in traditional supermarkets and convenience stores. With these technological advances, the CRA Group aims to minimise counter queuing time – with a target of not more than 59 seconds of queuing time for customer checkout.

Governmental Licences

Each Circle K store is required to obtain certain licences from the governmental authorities, such as bakery licences, frozen confection factory licences, licences for listed sellers of poisons and other licences from time to time as required depending on the type of merchandise and services offered in the relevant Circle K store. These licences are issued upon satisfactory compliance with, amongst others, safety, hygiene, fire and building regulations. Such licences are normally granted for one year and are renewable annually. So far, the CRA Group has experienced no difficulties in either obtaining or renewing licences for the Circle K stores. The CRA Group has on various occasions failed to comply fully with licence terms by, among other things, failing to obtain all the relevant licences before the opening of some Circle K stores and was fined for such non-compliance, but the amounts of such fines were not substantial. For the two years ended 31st December, 1999 and the eight months ended 31st August, 2000, the total amounts of fines imposed on the CRA Group in connection with such non-compliance were about HK\$121,000, HK\$40,000 and HK\$38,000 respectively.

Supply and Distribution

Stock Control

The store manager of each Circle K store is responsible for its own stock control and for placing orders through the CRA Group’s server. Each Circle K store has its own computer which is linked to the CRA Group’s management information and inventory control system. Point-of-sale data and store orders are transmitted to the CRA Group’s head office on a daily basis. The CRA Group’s server serves as an information hub collecting orders from individual Circle K stores, aggregating the orders and placing orders with the CRA Group’s distribution centre.

For product orders processed through the CRA Group’s distribution centre, the CRA Group’s inventory planner closely monitors the inventory level of each type of merchandise kept at the

CRA Group's distribution centre and places an order with the relevant suppliers when it falls below a pre-determined level. The in-store computer system is a valuable tool to increase each store manager's productivity. It records sales, helps place orders, verifies delivery of merchandise, and provides movement analysis of particular merchandise as well as the sales level of each Circle K store.

Supply of Merchandise

The Marketing and Category Management Division of the CRA Group selects merchandise for each Circle K store taking into consideration the latest market trends, sales information provided by the EPOS System, profile of customers, profit of estimates and the results of market research conducted by independent consultants and researchers in the relevant area. Product movements are closely monitored with the objective of always offering to customers the optimal choice of products at the right prices within each category.

Five largest suppliers

The five largest suppliers of the CRA Group accounted for about 28.7%, 30.7% and 30.4% of its total purchases for each of the two years ended 31st December, 1999 and the eight months ended 31st August, 2000 respectively. The largest supplier of the CRA Group accounted for about 10.0%, 10.4% and 9.6% of its total purchases for each of the two years ended 31st December, 1999 and the eight months ended 31st August, 2000 respectively. Save as disclosed, none of the Directors, their respective associates and shareholders who own more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers of the CRA Group for the two years ended 31st December, 1999 and the eight months ended 31st August, 2000 respectively.

Partnership Supplier Programme (PSP)

The CRA Group places an emphasis on establishing and maintaining mutually beneficial long-term relationships with its suppliers. To operate the Partnership Supplier Program (PSP), the Company will first identify key vendors for each category of products and conduct a business review to share company objectives for the year. Sharing market and category information between the suppliers and Circle K stores is the key to the success in increasing sales and market shares. The Company will ask partnership suppliers to commit to competitive costs, and assured supply, and in return, partnership suppliers will then get preference for promotion support and shelf display. The intended benefits of such relationships for the suppliers include:

- Higher sales volume and revenue
- More promotions
- Better shelf space for their merchandise
- Prompt payment
- High transparency

The intended benefits of such relationships for the CRA Group include:

- Higher sales volume and revenue
- Competitive costing and profit margin
- Competitive and stable buying prices
- Competitive trading terms
- Guaranteed product availability

BUSINESS


The CRA Group also has long term arrangements with other business partners for providing ancillary services as follows:

Company	Programme	Remuneration basis
AEON Credit Service (Asia) Company Limited <i>(Independent third party)</i>	Installation of AEON cash dispensing machine facilities in certain Circle K stores. These Circle K stores can then provide cash dispensing service and enjoy extra customer traffic.	Monthly licence fee
Nice Image Limited <i>(a fellow subsidiary of LFR)</i>	Next day photo development/reprint services. Customers deposit their films at certain Circle K stores and pick up the photos the next day.	Percentage of the turnover
Edge Tech Limited <i>(Independent third party)</i>	Interactive Advertisement System (IAS) to generate advertising income, attract new customers and upgrade store image.	Sale revenue in respect of air time

Distribution of Merchandise

Once an item of merchandise is ordered, it is delivered by the relevant supplier to the CRA Group's distribution centre or to the Circle K stores directly, the choice between the two modes of delivery depends in most cases on the perishability of the merchandise. Circle K (HK) operates a distribution centre located in Shatin, the New Territories. In order to take advantage of bulk buying rates, the distribution centre may take delivery of multiple orders of the same merchandise, and divide them into smaller lots before supplying the goods to the respective Circle K stores. Circle K (HK) owns a fleet of five vehicles for delivering merchandise from its distribution centre to its Circle K stores. On average, about 3.6 times of delivery are made to each Circle K store by delivery trucks each week. To ensure that all deliveries are carried out in an efficient manner, they are usually made during the period of low traffic period between 9 p.m. and 6 a.m. In the event that any Circle K store experiences an unexpected stock shortage, the relevant Circle K store manager can either request an instant replenishment from another Circle K store in the surrounding area or send a request to the CRA Group's distribution centre for an urgent delivery. Perishable and fresh products such as bakery products, milk, ice-cream and fast food items, as well as newspapers and magazines, are delivered by suppliers directly to the Circle K stores.

MARKETING

The Directors recognise the importance of maintaining public awareness of the CRA Group and projecting a distinctive image for . Accordingly, the CRA Group's marketing policy focuses on establishing customer loyalty by providing customers with excellence in speedy and friendly services and competitive prices, while attracting new customers by aggressive promotional campaigns. The CRA Group has a structured and extensive marketing strategy consisting elaborate market research, in-store advertising, advertising in newspapers, magazines, television and year-round promotional campaigns to encourage shopping at Circle K stores. To strengthen the affinity of loyal customers for Circle K (HK), non-stop promotional

campaigns, including “Fortune Tissue”, “Coke Classic Collectibles” and “Scratch for a Million”, are offered throughout the year to add value and fun for customers shopping at Circle K stores.

Market research studies are conducted by AC Nielsen twice a year in January and August to collect up-to-date market data relating to matters such as consumer behaviour, market trends and feedback from customers on the CRA Group’s products and services. Questionnaires, covering areas such as pricing, the range of merchandise offered in Circle K stores, store layout and comparison with competitors are answered by customers. The information collected is then used as reference material in the formulation and alignment of the CRA Group’s marketing strategies.

The CRA Group has also set up a telephone hotline to deal with all customer complaints and suggestions. The number of complaints that the CRA Group receives is few and the CEO would personally review such complaints on a monthly basis.

MANAGEMENT STRUCTURE OF CIRCLE K (HK)

General

The activities of the CRA Group have been organised into four main divisions, namely the Operations Division, the Marketing and Category Management Division, the Store Development Division and the Supply Chain Management & Logistics Division. The various divisions are described more fully below:

Operations Division

The day-to-day management of the Circle K stores is the major responsibility of the Operations Division of the CRA Group. This Division comprises about 22 employees. The Operations Division is sub-divided into four district groups within each of which a district manager directly reports to the Head of Operations Division. The District Manager’s duty is to oversee the operation of Circle K stores within each district. Assisting the district managers are zone managers who are responsible for the efficient running of the respective Circle K stores in each of the three zones within each district. Each Circle K store manager of the relevant zone reports to the relevant zone manager regarding day-to-day management activities.

The Head of Operations Division is also in charge of a cross-functional team consisting of store development, operations and real estate staff for locating and securing sites for new Circle K stores.

Marketing and Category Management Division

The pricing and selection of merchandise of the CRA Group is handled by the Marketing and Category Management Division of the CRA Group. This Division comprises about 14 employees. The merchandise offered by Circle K stores is divided into 18 categories. The Marketing and Category Management Division consists of four category managers, each assisted by a category specialist. Each category manager and specialist are responsible for an average of four to five

categories of merchandise. Every two category managers and specialists would in turn be supported by an inventory planner in the Supply Chain Management and Logistics Division, as described below.

The Marketing Services manager also reports to the Head of the Marketing and Category Management Division. She is responsible for working with the CEO in determining marketing strategies, planning and organising promotional campaigns and communicating marketing and promotional information to all Circle K stores.

Store Development Division

The Store Development Division of the CRA Group is responsible for designing and layout planning of all Circle K stores. This Division comprises about 6 employees. After the layout is endorsed by the Head of Operations Division, this division will take charge of the construction of new stores and renovation of existing stores.

Supply Chain Management and Logistics Division

The inventory planning, ordering, control and logistics of the CRA Group are handled by its Supply Chain Management and Logistics Division. This division comprises about 52 employees. Each of the two inventory planners in this division assist two category managers and specialists from the Marketing and Category Management Division by executing their merchandising decisions and managing the logistics of inventory control.

This division is also responsible for the operation of the distribution centre and delivery of merchandise from the CRA Group's distribution centre to the relevant Circle K stores. The division operates its own fleet of vehicles for transferring merchandise from its distribution centre to the relevant Circle K stores.

E-FULFILMENT AND LOGISTICS BUSINESS

In addition to the operation of its Circle K stores, the CRA Group is developing its e-fulfilment and logistics business. Web-Logistic (HK) was set up in March 2000. In September 2000, Web-Logistic (HK) allotted and issued shares representing 18% of the enlarged issued capital to Web-Logistic (AP). Web-Logistic (AP), a wholly owned subsidiary of Goodwill Communication, Inc of Japan, is principally engaged in provision of one-stop e-fulfilment service to e-retailers (including B2B and B2C). Web-Logistic (AP) is expected to transfer and implement its business model to the joint venture, by utilising the infrastructure and network of the CRA Group.

The Company has an equity interest of 82% in Web-Logistic (HK) and such interest may be reduced to 70% if Web-Logistic (AP) exercises an option to purchase additional 1,872,000 shares in Web-Logistic (HK) representing 12% of the enlarged issued share capital of Web-Logistic (HK) from the CRA Group in Web-Logistic (HK), on or before 31st July, 2001, at a total consideration of, based on the existing issued share capital of Web-Logistic (HK), HK\$1,872,000. The CRA Group's e-fulfilment and logistics business mainly utilises the existing infrastructure of the Circle K retailing business, including Circle K (HK)'s warehousing facilities, inventory management system, distribution logistics and Circle K store outlets.

Web-Logistic (HK) operates a fulfilment centre that provides storage, distribution and logistics services for clients, principally e-retailers and e-wholesalers who do not have established outlets for their own customers purchases. Web-Logistic (HK) aims at providing, through the fulfilment centre and the utilisation of the Circle K store network, customer-friendly, convenient, integrated and effective fulfilment and logistics services to satisfy the different needs and requirements of its e-retailing and e-wholesaling customers. Their customers, in turn, will be able to enjoy the benefit of collecting their purchases at Circle K stores.

As at 31st August, 2000, the CRA Group had incurred about HK\$3.2 million in Web-Logistic (HK) for capital expenditure investment. The commercial operation of Web-Logistic (HK) has commenced in May 2000 and the whole operation system has been fully implemented in August, 2000. As of 31st August, 2000, Web-Logistic (HK) had a team of 16 employees, comprising 15 full-time and one part-time employees.

Web-Logistic (HK) currently offers, through its fulfilment centre, the following services:

- inventory and information management;
- delivery management;
- pick-up of online purchases at Circle K stores;
- payment services;
- merchandise returns; and
- packaging services.

The CRA Group believes that the above services will allow Circle K stores not only to earn commission income by serving as a payment and delivery depot but also to achieve higher traffic for its Circle K store.

FUTURE PLANS AND PROSPECTS

The Directors believe that the convenience store retailing industry particularly in Hong Kong and the PRC offers enormous growth opportunities but competition is expected to become more intense. The CRA Group believes that to be successful, the CRA Group's retailing business will need to (i) have a solid bricks-and-mortar retail business; (ii) be customer-driven and very focused on its core business with core competencies to satisfy customers' needs; (iii) have an effective and integrated supply chain infrastructure; (iv) have the expertise for application of advance information technology to lower cost or gain competitive advantage; and (v) have an e-business strategy that leverages its existing strength for future e-business potential.

Mission Statement

The CRA Group is determined to become the **fastest-growing** and **preferred** convenience store chain in Hong Kong and the PRC.

Growth Strategy

For the Hong Kong market, the CRA Group plans to continue its strategy of expanding its quality and profitable Circle K store network.


The Directors believe that, based on the assumed Store Density of one convenience store to 6,000 people in Hong Kong, there is a potential market for about 1,200 convenience stores in Hong Kong within the coming decade. The Directors also believe that, based on the assumptions of an estimated Store Density of about 1:20,000 urban population (for indicative purpose, the size of the urban population as at 31st December, 1999 is about 390 million), the estimated number of convenience store would be about 20,000 stores which is estimated to be significantly more than the total existing number of convenience stores in the PRC. The Directors believe that the Southern PRC market especially is a potential market with high disposable income, high-density population and an increasing pace of life which are favourable for the development of convenience store chains.

For the PRC market, the CRA Group intends (subject to compliance with applicable approval procedures) to set up joint ventures with local partners to penetrate the promising markets and will be aiming for more accelerated growth. To manage the risks of its expansion in the PRC market, the CRA Group will be adopting a phased expansion strategy. The CRA Group will focus its PRC growth in three regions – Phase 1 in the Southern PRC and the Pearl River Delta Area, Phase 2 in the Eastern PRC and Phase 3 in the Northern PRC.

The CRA Group intends to open its first Circle K store in Guangzhou in the third quarter of 2001 and aims to build a network of up to 100 Circle K stores in Guangzhou and the Pearl River Delta Area by the end of 2003. The CRA Group will only commence its Phase 2 expansion in the Eastern PRC, which is expected to take place in 2003, after the CRA Group has established a solid base in Guangzhou and the Pearl River Delta Area and a positive cash flow from the Circle K store operations is generated there. The CRA Group's proposed expansion in the Northern PRC will commence after the same results are achieved for its expansion into the Eastern PRC. The CRA Group will then use Guangzhou as its headquarters for its PRC operations and for expansion into other regions of the PRC.

Brand preference strategy

The CRA Group has adopted a customer-driven business philosophy in running its business. Every interface (such as offering the right product selections at the right price, running creative promotions to promote fun and value experience, excelling at STF service) with the customers – is designed to create a favourable shopping experience and ultimately, preference for shopping at Circle K stores.

The CRA Group is committed in continuing to invest and improve in its core competencies for achieving customer preference and hence, enhancing the competitive edge of the CRA Group's convenience store business and widening the differential gap between  and other convenience store brands.

E-business strategy

The Directors believe that the rapid development of the internet will impact the convenience store business, and the CRA Group sees the need to commence development of its e-business core competency. Developments in Japan indicate that convenience store chains are taking on the important role of order fulfilment service providers for e-retailers. The Directors believes that this trend, to a certain extent, will eventually extend to Hong Kong and the PRC.

Web-Logistic (HK) was formed in March 2000 to prepare the CRA Group for such future opportunities. Due to the leverage of the CRA Group's existing infrastructure of the Circle K store network, distribution centre and linked information systems, investment for this e-fulfilment and logistics business was made on an incremental basis. As at 31st August, 2000, about HK\$3.2 million has been invested in capital expenditures. The commercial operation of Web-Logistic (HK) has commenced in May 2000 and the whole operation system has been fully implemented in August 2000. For the near future, profit contribution from the operation of the CRA Group's e-fulfilment and logistics business is not expected to be significant but the Directors believe that this business will become an important ancillary service for its core convenience store business.

STATEMENT OF BUSINESS OBJECTIVES


In light of the future plans of the CRA Group as outlined above, the CRA Group intends to achieve the following objectives up to the year ending 31st December, 2002.

Circle K store operations in Hong Kong

Business Objectives

The CRA Group aims to be the **fastest-growing** and **preferred** convenience store chain in Hong Kong, excelling in speedy, tidy and friendly services in providing a convenient shopping experience, in offering the right product category selections at the right prices, and in offering the most innovative and creative promotions.

Through the concerted efforts of the CRA Group's management team at all levels, the Directors believe that the CRA Group's retail chain had been transformed into an entrepreneurial customer-driven organisation with strong convenience retailing core competencies.

To take advantage of the momentum, the CRA Group aims to continue its sales and profitability growth in the Hong Kong market and to position  as the customers' preferred brand of convenience store.


These two goals are supported by five strategic initiatives which can be summarised as follows:

- Marketing & Brand Building Programmes
- Store Expansion Programme
- Service Excellence Programme
- Category Excellence Programme
- Supply Chain Management & Logistics Services

Strategic Initiatives


1. Marketing & Brand Building Programmes

The CRA Group will undertake a number of activities with the objective of increasing the market's awareness of its capabilities to:

- (i) create customer preference for the  brand; and
- (ii) increase customer visit rate and to expand its customer base.

The CRA Group intends to run brand-building imagery campaigns to increase brand awareness and customer preference. These campaigns will be promoting Circle K stores' service excellence in speed, tidiness and friendliness. Also, year-round promotional activities will be planned for the customers to enjoy the fun and value shopping experience at Circle K stores.

2. Store Expansion Programme

To expand the geographical coverage of Circle K stores in Hong Kong, the CRA Group will be undertaking aggressive store expansion plans. The CRA Group's strategy is to open quality and profitable Circle K stores in Hong Kong, thereby supporting the  brand preference strategy and generating a strong profit and cash flow position for the CRA Group. The CRA Group's target is to own and operate 170 Circle K stores in Hong Kong by the end of 2002 and increase to 200 Circle K stores by the end of 2003.

3. Service Excellence Programme

Much of the CRA Group's performance to date relies on the Circle K store staff's ability to offer the friendliest and fastest services in the tidiest environment, hence giving the customers an enjoyable shopping experience. The CRA Group will continue to invest in training its staff on service excellence.

4. Category Excellence Programme

The Directors believe that one of the key factors for a successful retail chain is to have excellent product category knowledge, and the ability to offer customers the right product selections at the right prices.

The CRA Group intends to continue to engage SRCG to train the category management teams so as to improve their skills and performance.

Besides training, the CRA Group has also invested in and will continue to improve on decision support tools such as stores sales/profit analysing tools and product planogram construction tools to assist the category management team to determine the optimal product mix and the most efficient promotion programmes, and to maximise the utilisation of shelf space.

5. Supply Chain Management & Logistics Programme

The Directors believe that an agile supply chain management system capable of supporting different product categories is crucial to the store and sales growth of a convenience store business.

The CRA Group intends to fully utilise its distribution centre and fleet of trucks by extending the current 6-day, 24-hour logistics service to a 7-day, 24-hour service. This forth-coming change, together with the set-up of a computerised dynamic route planning system, is expected to improve the efficiency of the replenishment process to the Circle K store outlets.

The CRA Group also intends to co-operate with key suppliers on initiatives for promoting Vendor-Managed Inventory, Collaborative Planning and Forecasting Replenishment initiatives in order to minimise out-of-stock situations and to increase the CRA Group's stock turnover.

BUSINESS

The following is a schedule of the implementation of the CRA Group's key business initiatives for its Circle K store operations in Hong Kong for the period from the Latest Practicable Date to 31st December, 2002.

Initiatives	Latest Practicable Date – 30 th June, 2001	1 st July, 2001 – 31 st December, 2001	1 st January, 2002 – 30 th June, 2002	1 st July, 2002 – 31 st December, 2002
Marketing & Brand Building	(1) Commence Brand Imagery Campaign 1 to promote STF service (2) Initiate 1st wave of promotional programmes	(1) Continue Brand Imagery Campaign 1 (2) Commence 2nd wave of promotional programmes	(1) Commence Brand Imagery Campaign 2 to promote convenient shopping experience (2) Commence 3rd wave of promotional programmes	(1) Continue Brand Imagery Campaign 2 (2) Commence 4th wave of promotional programmes
Store Expansion	Own & operate 125-135 Circle K stores	Own & operate 136-145 Circle K stores	Own & operate 146-155 Circle K stores	Own & operate 156-170 Circle K stores
Service Excellence	Launch specific STF service excellence training programme for all staff	Launch leadership training programme for Circle K store managers	Launch specific STF service excellence training programme for staff	Launch managerial excellence training programme for Circle K store managers
Category Excellence	Launch joint category management process with selected partner suppliers	(1) Launch advanced training programme for category management teams (2) Review strategies and plan for 2002	Upgrade DSS and planogram data system	Major review of product classification to suit customers' needs
Supply Chain Management & Logistics	Set up 7-day, 24-hour logistics operations & computerised dynamic route planning system	Upgrade computerised warehouse management system	Commence supply chain management initiatives with selected partner suppliers on Vendor-Managed Inventory	Continue supply chain management initiatives with selected partner suppliers on replenishment

Circle K store operations in the PRC

Business Objectives

The CRA Group's vision is to become the **fastest-growing** and **preferred** convenience store chain in the PRC market, by taking advantage of the anticipated de-regulation of relevant laws in the PRC following its entry into the WTO. The CRA Group intends to establish a firm presence in the PRC, capturing a significant share of its convenience store market.

The Directors believe that in view of the huge geographical spread of the PRC, a practical and properly planned penetration approach is needed to ensure the CRA Group's successful entry and subsequent expansion into the PRC market. To achieve this, the CRA Group will adopt the following goals:

- Use a phased expansion strategy to penetrate the PRC market. Phase 1 of the CRA Group's PRC expansion plan will be to establish a solid business base and adequate Circle K store network coverage from 2001 and 2003 in Guangzhou and the Pearl River Delta Area.
- Establish STF operating culture as a matter of key competitive strength and differentiating strategy.
- Achieve strong yearly sales turnover to produce positive store contribution.
- Achieve healthy operating pre-tax results to sustain fast growth.
- Once a solid base in Guangzhou and the Pearl River Delta Area is established, commence Phase 2 of the CRA Group's expansion plan by expanding into the Eastern PRC, and thereafter carrying out Phase 3 of the CRA Group's expansion plan for the Northern PRC.

Strategic Initiatives

To facilitate the accomplishment of the above goals, seven strategic initiatives were identified by the CRA Group:

1. Business Model Adaptation

The Directors believe that due to the cultural and habitual difference between Hong Kong and each of the potential markets in the PRC, the convenience retail model currently used by the CRA Group in Hong Kong will need to be modified and adapted to suit the needs of local PRC customers. Product offerings will need to be defined from results of market research studies by using a customer-driven approach.

2. Establishment of Joint Ventures

The Directors believe that the establishment of joint ventures in co-operation with PRC partners is required to obtain the necessary licence for its Circle K store operation in the PRC and the local partners' strong local knowledge is advantageous to its operation of Circle K stores in the PRC. The CRA Group intends to own as to 65% interest in each of these joint ventures.

3. Training Centre

The Directors believe that properly trained local staff is crucial for swift and quality growth of the convenience store chain business. The Directors further believe that the establishment of a well-organized and properly equipped training centre in the PRC is essential for the CRA Group's long term growth in the PRC.

4. Category Management

The Directors believe that the development of a strong suppliers' network, offering the right product category selections at right prices to customers, will enable the CRA Group to minimise its cost of sales and maximise its gross margin.

5. Store Openings Programme

This initiative is to put in place a team and develop the necessary tools to enable:

- selection of right sites for store expansion.
- the ability to renovate Circle K stores based on the 5-Easy principles to create a pleasant and inviting appearance for the Circle K stores in the PRC.

6. Supply Chain Management & Logistics Services

This initiative is to develop a flexible logistics infrastructure capable of responding swiftly to market growth demands and to assemble a team of personnel with supply chain management experience to optimise inventory logistics through proper replenishment and the delivery of the needed products to the right store at the right time in the right quantity.

7. Business System

The CRA Group intends to install an integrated and computerised information system for its operations in the PRC market. This system will link together the CRA Group's Circle K store-front sales activities, product delivery and inventory replenishment system, and head office operations and accounting systems in the PRC. This system will also have features to support speedy and quality management analysis and decision-making.

BUSINESS

The following is a schedule of the implementation of the CRA Group's key business initiatives for its Circle K store operations in the PRC for the period from the Latest Practicable Date to 31st December, 2002.

Initiatives	Latest Practicable Date – 30 th June, 2001	1 st July, 2001 – 31 st December, 2001	1 st January, 2002 – 30 th June, 2002	1 st July, 2002 – 31 st December, 2002
Business Model Adaptation	Engage independent third party to conduct market research for adapting business model	Review and refine adaptation plans	Supply adopted plan in store expansion	Review business model for implementation in Phase 2 expansion
Establishment of Joint Ventures	Establish legal entity in the Pearl River Delta Area			Establish legal entity in Eastern PRC
Training Centre	Set up training centre	Develop training programme		Develop & train management team for Phase 2 expansion
Category Management	Complete development of suppliers' network for the Pearl River Delta Area	Develop category management system with support from market research	Launch category management training in the PRC	Refine category classification
Store Openings	Conduct pedestrian traffic studies in Guangzhou to identify desirable sites for Circle K stores	Operate 15-35 Circle K stores in Guangzhou and the Pearl River Delta Area	(1) Operate 30-50 Circle K stores in Guangzhou and the Pearl River Delta Area (2) Refine store feasibility model for Southern PRC market	Operate 50-70 Circle K stores in Guangzhou and the Pearl River Delta Area
Supply Chain Management	Set up distribution centre and truck fleet	Develop computerised dynamic route planning system		Conduct distribution centre capacity study
Business System	Complete installation of integrated computer system linking up Circle K stores, distribution centre and PRC head office	Deployment of integrated computer system		Fully implement DSS
Use of proceeds	<u><u>HK\$4,354,000</u></u>	<u><u>HK\$64,384,000</u></u>	<u><u>HK\$13,389,000</u></u>	<u><u>HK\$11,424,000</u></u>

E-business

Business Objectives

The CRA Group aims to be one of the most customer-friendly, convenient, integrated and effective order fulfilment service provider to e-retailers and e-wholesalers in Hong Kong.

By leveraging the CRA Group's existing information systems for its Circle K operations, distribution centre, network of conveniently located Circle K stores, and logistics expertise, the Directors believe that the CRA Group is ready to provide a reliable, responsive and flexible e-fulfilment and logistics solution to various types of e-retailers and e-wholesalers by using an incremental cost approach.

In 2001, the CRA Group will be focusing on building brand awareness for its e-fulfilment and logistics operations in Hong Kong, on promoting the use of convenience store pick-up services, and on the pro-active development of new customer accounts.

By 2002, the CRA Group aims to have built a sound and solid customer base for its e-fulfilment and logistics business.

The key strategic initiatives which the CRA Group plans to pursue are summarised as follows:

- Development of New Customer Accounts
- Brand Building
- Developing Operation Excellence

Strategic Initiatives

1. Development of New Customer Accounts

The CRA Group aims to pursue an extensive recruiting drive in order to enhance its marketing and sales capacity for developing new customer accounts for its e-fulfilment and logistics operations. In addition, the CRA Group's senior operation staff will also be trained to become full-fledged sales executive, supporting front line sales activities in the CRA Group's e-fulfilment and logistics business operations.

2. Brand Building

The CRA Group's business development executives will be targeting potential e-retailers and e-wholesalers in marketing the Web-Logistic brand name. The CRA Group will also organise joint marketing efforts with Web-Logistic (AP).

3. Developing operation excellence

To support its rapid business growth, the CRA Group will be setting standards to maintain its operation excellence.

The following is a schedule of the implementation of the CRA Group's business initiatives for its e-fulfilment and logistics business operations in Hong Kong for the period from the Latest Practicable Date to 31st December, 2002.

BUSINESS

Initiatives	Latest Practicable Date – 30 th June, 2001	1 st July, 2001 – 31 st December, 2001	1 st January, 2002 – 30 th June, 2002	1 st July, 2002 – 31 st December, 2002
Development of New Customer Accounts	(1) Commence recruitment and training of business development executives (2) Launch marketing efforts for 2001	Review and plan marketing strategies for 2002	Implement marketing plans for 2002	Review and plan marketing strategies for 2003
Brand Building	Launch brand building campaign, including participation in seminars and exhibitions	Review and plan brand building strategies for 2002	Implement brand building campaign for 2002	Review and plan brand building strategies for 2003
Developing Operation Excellence	Set productivity and service standards	Implement productivity and service standards	Review and improve productivity and service standards	

Statement of business objectives for 2003

The Directors are of the view that it is not practicable to state the CRA Group's business plan in detail on a half-yearly basis beyond the year ending 31st December, 2002. However, the Directors have identified the following matters as representing the major focus of the CRA Group's business objectives for the year ending 31st December, 2003:

Hong Kong

- Enhance the CRA Group's capability of opening more new Circle K stores and at shorter lead time. This capability will be important to the CRA Group if it wishes to achieve a double-digit percentage increase in the total number of outlets.
- Further improve the CRA Group's core competencies in marketing, customer services, category management, supply chain management and information technology applications, all of which will have a major impact on the realisation of the CRA Group's vision of becoming the fastest-growing and preferred convenience store chain in Hong Kong and the PRC.

PRC

- Build the network of Circle K stores of up to 100 outlets in Guangzhou and the Pearl River Delta Area.
- If the Pearl River Delta Area market becomes profitable (there is, however, no assurance of such), obtain the relevant business licences and commence expansion into other potential markets in the Eastern PRC and/or the Northern PRC.

Warning:

The aforesaid business prospects are based on the existing plans and intentions of the CRA Group. As such intentions and plans are based on assumptions of future events which by their nature are subject to uncertainty, the CRA Group's actual course of action may vary from the intentions and plans set out above. Although the Directors will endeavour to execute such plans in accordance with the aforesaid timeframe, there is no assurance that the plans of the CRA Group will materialise, result in the conclusion of any agreement or be executed in accordance with the aforesaid timeframe, or that the objectives of the CRA Group will be fully accomplished or accomplished at all.

COMPETITION

Circle K (HK) faces direct competition from other chains of convenience stores and supermarkets and other retail outlets. Those Circle K stores with in-store bakery units also compete, insofar as they offer different kinds of bakery products and other fast-foods such as personal pizza, with other bakeries and fast-food restaurants.

The Directors believe that there is currently only a limited number of competitors of comparable size providing similar depth and breadth of services as the CRA Group does in Hong Kong and expect to do in the PRC. The Directors also believe that Circle K stores have, in general, five competitive advantages over other convenient store chains, namely:

(1) Full Control of Circle K Stores

Unlike the CRA Group's major competitor which operates and franchises a sizable convenience store chain in Hong Kong, the CRA Group directly owns and operates all Circle K stores in Hong Kong. By operating Circle K stores directly, the CRA Group is able to fully control the day-to-day operations of all Circle K stores and thereby ensuring the consistency in service standards, quality of merchandises and speedy deployment of promotional campaigns.

(2) Supply Chain Management Expertise

The Directors believe that Circle K (HK)'s existing supply chain management infrastructure and information system is efficient and effective.

(3) Customer Service Excellence

With the benefit of the STF Programme, the Directors believe that the Circle K staff would be highly motivated in providing a high standard of service to Circle K customers.

(4) Creative Promotions & Value Pricings

Circle K (HK) is more pro-active in running creative promotional campaigns to promote more value and fun shopping at Circle K stores.

(5) EPOS & Integrated System

This system has been installed in Circle K stores over the past 12 months and the Directors believe that it is one of the more advanced systems in the market.

The CRA Group also faces direct competition from other e-fulfilment and logistics service providers. Although the CRA Group's e-fulfilment and logistics business is still in the early stage of development, the Directors believe that the competitive advantages of Circle K stores would enable the CRA Group to gain a fair share of this market in the future.

Please refer to the paragraph headed "Convenience store industry in Hong Kong" under the section headed "Industry Overview" of this prospectus for more industry information.

INTELLECTUAL PROPERTY RIGHTS

The CRA Group has applied for registration of or has obtained licences to use certain trade marks and service marks in Hong Kong and the PRC, details of which are set out in the paragraph headed "Intellectual property" in appendix V to this prospectus.

Y2000 COMPLIANCE

The year 2000 compliance issue primarily arises from using two digits to represent the four-digit calendar year in the early days of computer programming to save date storage and cost of memory. As a result, the two digits "00" will be misinterpreted as the year "1900" rather than the year "2000" if the computer systems are not year 2000 compliant.

The Directors are aware of the importance of ensuring year 2000 compliance in order to avoid system failures, miscalculations, inaccurate data processing and information recording causing disruptions of operations.

The CRA Group has completed a full review of all the hardware and software used by the CRA Group for its computer systems. All hardware and software were confirmed to be year 2000 compliant in the review. As at the Latest Practicable Date, the Group had not encountered any year 2000 problem in connection with its computer system.

USE OF PROCEEDS

The net proceeds of the Share Offer after deducting related expenses, and assuming an Offer Price of HK\$1.10 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.05 and HK\$1.15 per Share) are estimated to amount to about HK\$159.6 million. It is presently intended that the net proceeds will be mainly applied by the CRA Group for its expansion into the PRC as follows:

- as to about HK\$94.3 million, for the establishment of a convenience store chain comprising up to 100 new Circle K stores in Guangzhou and the Pearl River Delta Area;
- as to about HK\$5.2 million, for the establishment of the infrastructure of a distribution centre and administrative office in the Pearl River Delta Area;

BUSINESS

- as to about HK\$4.2 million, for the acquisition and development of a computer system for the Group's operation in the PRC; and
- as to about HK\$55.9 million, for the opening of additional Circle K stores in the Eastern PRC and/or the Northern PRC.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of about HK\$26.0 million (assuming the Offer Price is determined at the mid-point of the stated range) which together with the net proceeds from the Share Offer, after deducting related expenses, will amount to about HK\$185.6 million. The Directors intend to use the additional proceeds raised from any exercise of the Over-allotment Option as additional general working capital.

In the event that part of the business plans of the CRA Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may re-allocate the intended funding to other business plans and/or to new projects of the CRA Group and/or to hold such funds as short term deposits for so long as the Directors consider it to be in the best interest of the Company and its shareholders taken as a whole.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term interest-bearing deposits with financial institutions in Hong Kong.

The Directors believe that, based on the CRA Group's present business plans, the net proceeds to be received by the Company from the Share Offer will be sufficient to finance substantially the CRA Group's expansion plan in Guangzhou and the Pearl River Delta Area by building up a network up to 100 Circle K stores as described in the paragraph headed "Statement of business objectives" under the section headed "Business" in this prospectus. For the CRA Group's proposed expansion in Hong Kong, the source of funds for the expansion will mainly come from the CRA Group's positive cashflow and existing bank balances. For the CRA Group's proposed expansion into the Eastern PRC and the Northern PRC and in the event that the CRA Group pursues new projects, it may need to raise capital in the future. Depending on the CRA Group's capital requirements, market conditions and other factors, the CRA Group may raise additional funds through debt or equity offerings.

CONNECTED TRANSACTIONS

The Company expects that the connected transactions set out below will subsist following the listing of the Shares (certain other connected transactions having subsisted in the past which are noted in the accountants' report in appendix I to this prospectus, but which will not continue after the Share Offer):-

(1) Exempt continuing connected transactions

(a) *Purchase of staff uniforms from Li & Fung (Trading) Limited*

Members of the CRA Group purchase staff uniforms from Li & Fung (Trading) Limited, in which LF(1937) has a 36.2% indirect effective interest and which is accordingly an associate of LFR, on the latter's ordinary trading terms and in the

ordinary course of business. Such transactions constitute exempt continuing connected transactions pursuant to Rule 20.25(3), by virtue of their small amount (which is not expected to exceed HK\$1,000,000 in any financial year). The amount incurred for the year ended 31st December, 1999 was HK\$31,082. No purchases were made in the year ended 31st December, 1998 and the eight months ended 31st August, 2000.

(b) *Photocopying services from Fotomax (F.E.) Limited*

Members of the CRA Group purchase in-house colour photocopying services from Fotomax (F.E.) Limited, an indirect wholly owned subsidiary of LFR, in the ordinary course of business and on ordinary trading terms. Such transactions constitute exempt continuing connected transactions pursuant to Rule 20.25(3), by virtue of their small amount (which is not expected to exceed HK\$1,000,000 in any financial year). The amounts incurred in the years ended 31st December, 1998, 31st December, 1999 and the eight months ended 31st August, 2000 were HK\$12,438, HK\$47,844 and HK\$28,406 respectively.

(c) *Licensing of premises to Fotomax Limited*

Pursuant to a licence agreement dated 1st April, 1999 entered into by Circle K Convenience Stores Limited and Fotomax Limited, a wholly owned subsidiary of LFR, Circle K Convenience Stores Limited has agreed to license to Fotomax Limited a portion of Shop No.7, Ground Floor, Aberdeen Centre, Site 5, Hong Kong with a gross floor area of 25.2 sq.m.. The licence agreement is for a period of three years commencing on 1st April, 1999 and expiring on 31st March, 2002 at a licence fee of HK22,050 per month (exclusive of air-conditioning charges, management fees and government rates). The licence agreement contains an option to renew the licence for a further period of three years. Air-conditioning charges and management fees of about HK\$1,720 per month (subject to periodic review by Aberdeen Commercial Investments Limited and/or the Property Manager) are payable by Fotomax Limited to Circle K Convenience Stores Limited. Such transactions constitute exempt continuing connected transactions pursuant to Rule 20.25(3), by virtue of their small amount (which is not expected to exceed HK\$1,000,000 in any financial year). No amount was received in the year ended 31st December, 1998. The amounts received in the year ended 31st December, 1999 and in the eight months ended 31st August, 2000 were HK\$191,279 and HK\$199,946 respectively.

(d) *Licensing of premises from Albinina Limited*

Pursuant to a licence agreement created verbally on 16th June, 1998 by Albinina Limited, in which LF(1937) has a 36.2% indirect effective interest and which is accordingly an associate of LFR, and Circle K Convenience Stores Limited, Albinina Limited has agreed to license to Circle K Convenience Stores Limited Shop 160, Ground Floor, LiFung Tower, No. 868 Cheung Sha Wan Road, Lai Chi Kok, Kowloon with a gross floor area of 493 sq.ft.. Such premises are used as a Circle K store.

The licence agreement is for a period of three years commencing on 16th June, 1998 and expiring on 15th June, 2001 at a licence fee of HK\$12,000 per month (inclusive of government rates and management fees). Such transaction constitutes an exempt continuing connected transaction pursuant to Rule 20.25(3), by virtue of its small amount (which is not expected to exceed HK\$1,000,000 in any financial year). The amounts incurred in the years ended 31st December, 1998, 31st December, 1999 and the eight months ended 31st August, 2000 were HK\$116,000, HK\$184,000 and HK\$112,000 respectively.

(e) *Provision of management and administrative services by LFR to Web-Logistic (HK)*

Pursuant to a Shareholders Agreement relating to Web-Logistic (HK), dated 18th September, 2000 and entered into between CRA (BVI), Web-Logistic (AP) and Web-Logistic (HK), LFR shall, unless otherwise agreed by the parties to the Shareholders Agreement, continue to provide management and administrative support services to Web-Logistic (HK) after the listing of the Shares. A monthly management fee will be paid by Web-Logistic (HK) to LFR in the amount required to reimburse LFR for the actual expenses incurred in providing such services, such amount being calculated on an actual reimbursement basis or on the basis of the head count or floor area attributable to Web-Logistic (HK). Such transaction constitutes an exempt continuing connected transaction pursuant to Rule 20.25(3) by virtue of its small amount (which is not expected to exceed HK\$1,000,000 in any financial year). No amounts were incurred in the years ended 31st December, 1998 and 31st December, 1999. The amount incurred in the eight months ended 31st August, 2000 was HK\$57,680.

(f) *Use of auditorium and training room of LFR*

Circle K (HK) uses an auditorium and training room of LFR at the Shatin office building which they both occupy, at a charge of HK\$2,000 per full day and HK\$1,000 per half day in respect of the auditorium, and HK\$1,000 per full day and HK\$500 per half day in respect of the training room. Such transaction constitutes an exempt continuing connected transaction pursuant to Rule 20.25(3) by virtue of its small amount (which is not expected to exceed HK\$1,000,000 in any financial year). No amounts were incurred in the years ended 31st December, 1998 and 31st December, 1999 and the eight months ended 31st August, 2000.

(g) *Licensing of premises from LFR*

(i) Pursuant to a letter agreement between LFR and Circle K (HK) dated 13th November, 2000 (the "Circle K (HK) Licence"), LFR agreed to license to Circle K (HK) a portion of 12th Floor, LiFung Centre, No.2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong, with a gross floor area of about 5400 sq.ft.. Such premises are used as an office-cum-workshop. The licence is for a period of three years and three months commencing on 1st April, 2000 and expiring on 30th June, 2003 at a licence fee of HK\$28,468 per month (exclusive of government rates and management fees).

Management fees of HK\$9,964 per month (subject to review) are payable by Circle K (HK) to LFR. The licence contains an option to renew for a further licence period of three years. The licence entitles Circle K (HK) to a licence-fee-free period of three months from 1st April, 2000 to 30th June, 2000. During such period, Circle K (HK) was not liable for payment of licence fee but was responsible for the payment of general utilities, government rates and other outgoings. No amount was incurred in the years ended 31st December, 1998 and 31st December, 1999. The amount incurred in the eight months ended 31st August, 2000 was HK\$127,647 and is estimated to be about HK\$290,000 for the year ended 31st December, 2000. It is expected that the aggregate amount payable will not exceed HK\$530,000 per year for each of the two years ending 31st December, 2002.

- (ii) Pursuant to a letter agreement between LFR and Web-Logistic (HK) dated 13th November, 2000 (the "Web-Logistic (HK) Licence"), LFR has agreed to license to Web-Logistic (HK) a portion of 12th Floor, LiFung Centre, No.2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong with a gross floor area of about 1,350 sq.ft.. Such premises are used as an office-cum-workshop. The licence is for a period of three years and three months commencing on 1st April, 2000 and expiring on 30th June, 2003 at a licence fee of HK\$7,115 per month (exclusive of government rates and management fees). Management fees of HK\$2,490 per month (subject to review) are payable by Web-Logistic (HK) to LFR. The licence contains an option to renew for a further licence period of three years. The licence entitles Web-Logistic (HK) to a licence-fee-free period of three months from 1st April, 2000 to 30th June, 2000. During such period, Web-Logistic (HK) was not liable for payment of licence fee but was responsible for the payment of general utilities, government rates and other outgoings. No amount was incurred in the years ended 31st December, 1998 and 31st December, 1999. The amount incurred in the eight months ended 31st August, 2000 was HK\$28,463 and is estimated to be about HK\$70,000 for the year ended 31st December, 2000. It is expected that the aggregate amount payable will not exceed HK\$140,000 per year for each of the two years ending 31st December, 2002.

The Directors (including the independent non-executive Directors) have confirmed that, save as disclosed above, each of the above transactions has been entered into in the ordinary course of business of the CRA Group, and is fair and reasonable to the Company and its shareholders taken as a whole.

(2) Non-exempt continuing connected transactions, and related waiver

(a) Services Agreement with LFR

Circle K (HK) has entered into a services agreement with LFR dated 6th January, 2001 ("Services Agreement") for the provision by LFR to Circle K (HK) of services relating to finance and accounting, management information systems, human

resources, real estate and other administrative support. The term of the agreement will be two years commencing on 1st January, 2001, subject to termination by either party by not less than six months' notice. The fees payable to LFR will be computed as the actual cost to LFR of providing the services (including Circle K (HK)'s proportionate share of LFR's relevant overhead expenses other than those ascertainable and allocated as mentioned in the paragraph below). However, an amount equal to 0.8% (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. This mode of operation has been in place during the track record period. The amounts paid to LFR in the years ended 31st December, 1998, 31st December, 1999 and the eight months ended 31st August, 2000 were HK\$7,449,589, HK\$7,394,201 and HK\$5,919,695 respectively. It is expected that the aggregate consideration payable by Circle K (HK) will increase as its business expands, but will not exceed HK\$11,500,000 in the year ended 31st December, 2000 or either of the two years ending 31st December, 2002.

Pursuant to the Services Agreement, Circle K (HK) will also reimburse LFR for any utility expenses, insurance premiums and other office or administrative expenses which are paid by LFR on behalf of Circle K (HK) and other companies, and the amounts of which are able to be immediately ascertained and allocated proportionately among the companies responsible without any subsequent adjustment. Such allocation will be effected on an actual reimbursement basis or on the basis of the head count or floor area attributable to Circle K (HK). Such expenses are paid to LFR monthly. This mode of operation has been in place during the track record period. The amounts paid to LFR in the years ended 31st December, 1998, 31st December, 1999 and the eight months ended 31st August, 2000 were HK\$5,729,059, HK\$4,239,760 and HK\$1,247,625 respectively. The amount payable for the year ended 31st December, 2000 is estimated to be about HK\$1,800,000. It is expected that the aggregate amount payable by Circle K (HK) will not exceed HK\$2,200,000 per year in either of the two years ended 31st December, 2002. Such amount was determined on the basis of the anticipated increase in sales for each of the two years ending 31st December, 2002.

On the basis of the anticipated maximum amount mentioned above, the annual sum of HK\$13,700,000 has accordingly been set as the annual cap in respect of the Services Agreement for each of the said financial years.

(b) *Purchase of products from JDH (Hong Kong) Ltd.*

Circle K (HK) has in the past purchased various products (being both food and non-food products) from JDH (Hong Kong) Ltd., an indirect subsidiary of LF (1937) which has an effective interest in it of 51.74%, on its standard terms of business, and is expected to do so after the listing of the Shares on the basis of a letter agreement between them dated 14th December, 2000. The amounts incurred in the year ended 31st December, 1998, the period from 1st January, 1999 to 20th

March, 1999, the period from 21st March, 1999 to 31st December, 1999 and the eight months ended 31st August, 2000 were HK\$8,273,380, HK\$3,458,510, HK\$6,495,056 and HK\$4,302,749 respectively. (JDH (Hong Kong) Ltd. became an indirect wholly owned subsidiary of Li & Fung (Distribution) Ltd. on 20th March, 1999, and was not a connected person of any member of the CRA Group prior to 20th March, 1999; the amounts incurred in the year ended 31st December, 1998 and for the period from 1st January, 1999 to 20th March, 1999 are shown for reference only). The amount payable by Circle K (HK) to JDH (Hong Kong) Ltd. for the year ended 31st December, 2000 is estimated to be about HK\$8,700,000. The Directors expect that Circle K (HK) will continue to purchase products from JDH (Hong Kong) Ltd. on the same basis and in the ordinary course of business and on terms no less favourable than from independent third parties. The Directors expect that the aggregate amount payable by Circle K (HK) will not exceed HK\$15,000,000 per year for each of the two years ended 31st December, 2002, and such amount has accordingly been set as the annual cap for each of the said financial years. Such amount was determined on the basis of the historical purchases, and the anticipated increase in the number of stores and in sales volume in each of the two years ending 31st December, 2002.

(c) *Provision of photofinishing services by Nice Image Limited*

Pursuant to arrangements entered into between Circle K (HK) and Nice Image Limited, a subsidiary of LFR, Nice Image Limited has agreed to provide photofinishing services to Circle K (HK) on the former's ordinary trade terms, and will continue to do so after the listing of the Shares on the basis of a letter agreement between them dated 14th December, 2000. The amounts incurred in the years ended 31st December, 1998 and 31st December, 1999 and the eight months ended 31st August, 2000 were HK\$4,047,724, HK\$2,354,739 and HK\$1,401,017 respectively. The amount payable for the year ended 31st December, 2000 is estimated to be about HK\$2,100,000. It is expected that the aggregate amount payable will not exceed HK\$3,400,000 per year for each of the two years ending 31st December, 2002, and such amount has accordingly been set as the annual cap for each of the said financial years. Such amount was determined on the basis of the historical purchases, and the anticipated increase in the number of stores and sales volume in each of the two years ending 31st December, 2002.

(d) *Leasing of premises from Bomaron Limited*

(i) Pursuant to a letter agreement entered into between Bomaron Limited, an indirect subsidiary of LF (1937) which has an effective interest in it of 51.74%, and Circle K (HK) dated 29th June, 2000 (the "Circle K (HK) Lease"), Circle K (HK) agreed to lease from Bomaron Limited 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.. Such premises are used as an office-cum-workshop. The lease is for a term of three years commencing on 1st August, 2000 and expiring on 31st July, 2003 at a rent of HK\$82,892 per month (exclusive of government rates and management fees). Management fees of HK\$29,012 per month (subject to review) are

payable by Circle K (HK) to Bomaron Limited. The lease contains an option to renew for a further term of three years. In conjunction with the letting arrangement under the Circle K (HK) Lease, Bomaron Limited permitted Circle K (HK) to occupy the premises as licensee for three months from 1st May, 2000 to 31st July, 2000 for renovation purposes. During such period, Circle K (HK) was not liable for payment of the licence fee but was responsible for the payment of general utilities, government rates and other outgoings. No amount was incurred in the years ended 31st December, 1998 and 31st December, 1999. The amount incurred in the eight months ended 31st August, 2000 was HK\$229,476 and the amount for the year ended 31st December, 2000 is estimated to be about HK\$1,000,000. It is expected that the aggregate amount payable will not exceed HK\$2,000,000 per year for each of the two years ending 31st December, 2002, and such amount has accordingly been set as the annual cap for each of the said years.

- (ii) Pursuant to a letter agreement between Bomaron Limited, an indirect subsidiary of LF (1937) which has an effective interest in it of 51.74%, and Web-Logistic (HK) dated 29th June, 2000 (the "Web-Logistic Lease"), Web-Logistic (HK) agreed to lease from Bomaron Limited 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.. Such premises are used as an office-cum-workshop. The lease is for a term of three years commencing on 1st August, 2000 and expiring on 31st July, 2003 at a rent of HK\$50,668 per month (exclusive of government rates and management fees). Management fees of HK\$17,734 per month (subject to review) are payable by Web-Logistic (HK) to Bomaron Limited. The lease contains an option to renew for a further term of three years. In conjunction with the letting arrangement under the Web-Logistic Lease, Bomaron Limited permitted Web-Logistic (HK) to occupy the premises as licensee for three months from 1st May, 2000 to 31st July, 2000 for renovation purposes. During such period, Web-Logistic (HK) was not liable for payment of the licence fee but was responsible for the payment of general utilities, government rates and other outgoings. No amount was incurred in the year ended 31st December, 1998 and 31st December, 1999. The amount incurred in the eight months ended 31st August, 2000 was HK\$140,269 and the amount for the year ended 31st December, 2000 is estimated to be about HK\$520,000. It is expected that the aggregate amount payable will not exceed HK\$1,200,000 per year for each of the two years ending 31st December, 2002, and such amount has accordingly been set as the annual cap for each of the said years.

Greater China Appraisal Limited, an independent property valuer, has confirmed that the licence fee or rental payable for each of the transactions referred to in paragraphs 1(c), 1(d), 1(g)(i), 1(g)(ii), 2(d)(i) and 2(d)(ii) above is fair and reasonable by reference to the prevailing market rate.

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The Directors (including the independent non-executive Directors) are of the view that each of the transactions listed in this paragraph (2) (together the “Waiver Transactions”) has been entered into on normal commercial terms (except the Services Agreement, which is on arm’s length terms), in the ordinary course of business of the CRA Group, and that the same are fair and reasonable to the Company and its shareholders taken as a whole.

Each of the Waiver Transactions constitutes a non-exempt continuing connected transaction under Rule 20.26 of the GEM Listing Rules, and such transactions are normally subject to the reporting, announcement and shareholders’ approval requirements set out in Rules 20.34 to 20.36 of the GEM Listing Rules. Such Rules require that certain details of such transactions be included in the Company’s next published annual report and accounts, announced by the Company on the GEM website and/or approved by its shareholders following the issue of a circular to the shareholders in respect thereof.

However, the Directors are of the view that the Waiver Transactions are conducted in the normal course of business, and consider that it would not be practical to comply in respect of such transactions with the requirements of the GEM Listing Rules referred to above. Application has therefore been made to the Stock Exchange on behalf of the Company for a waiver of the announcement and shareholders’ approval requirements, under Rules 20.35 and 20.36 of the GEM Listing Rules, for each of the Waiver Transactions, and the Stock Exchange has granted such waiver on condition that:

- (a) the aggregate consideration in any financial year in respect of:–
 - (i) the Services Agreement shall not exceed HK\$13,700,000;
 - (ii) the purchase of products from JDH (Hong Kong) Ltd. shall not exceed HK\$15,000,000;
 - (iii) the provision of photofinishing services by Nice Image Limited shall not exceed HK\$3,400,000;
 - (iv) the Circle K (HK) Lease shall not exceed HK\$2,000,000; and
 - (v) the Web-Logistic (HK) Lease shall not exceed HK\$1,200,000;
- (b) details of the Waiver 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 Waiver Transactions annually and confirm in the Company’s next annual report and accounts that the relevant Waiver Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the CRA Group;
 - (ii) save for the 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 CRA Group than terms available to or from (as appropriate) independent third parties; and

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- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company 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 Waiver Transactions:
 - (i) has received the approval of the board of the Directors;
 - (ii) is in accordance with the pricing policies of the Company, if the transactions involve provision of goods or services by the Company;
 - (iii) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and
 - (iv) has not exceeded the relevant cap amount set out in paragraph (a) above;
- (e) the Company shall promptly 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;
- (f) in addition to complying with Rules 20.26 to 20.28, where the aggregate consideration under any of the Waiver Transactions in any year is to be greater than the applicable cap, 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 be required to opine in the annual report whether or not the Company should continue with the agreement/arrangement for the transaction;
- (g) the Company shall comply with all disclosure and shareholders' approval requirements of the GEM Listing Rules after 31st December, 2002 unless a further waiver has been granted by the Stock Exchange.

Sponsor's Opinion

Having reviewed the information and documents in respect of all the above-mentioned Waiver Transactions provided by the Company and in reliance upon confirmation from the Directors, the Sponsor is of the view that the transactions described above, which are subsisting and are of a commercial nature, have been entered into in the ordinary and usual course of business of the CRA Group and on normal or better commercial terms (except the Services Agreement, which is on arm's length terms) and on terms that are fair and reasonable as far as the shareholders of the Company are concerned and are in the interests of the shareholders of the Company.

SHARE CAPITAL

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>200,000,000</u>

Shares issued or to be issued, fully paid or credited as fully paid:

67,690,000	Shares in issue	6,769,000
424,010,000	Shares to be issued under the Capitalisation Issue	42,401,000
<u>163,900,000</u>	Shares to be issued under the Share Offer	<u>16,390,000</u>

Total Shares issued and to be issued:

<u>655,600,000</u>	Shares	<u>65,560,000</u>
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The minimum level of public float to be maintained by the Company at all times after listing under GEM Listing Rules is 20% of its share capital in issue from time to time.

Notes:

1. Assumptions

This table assumes that the Share Offer becomes unconditional.

It takes no account of (i) the Over-allotment Option, (ii) any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Plan and the Share Option Scheme, or (iii) any Shares which may be allotted and issued under the general mandate (see note 4 below), or which may be repurchased by the Company pursuant to the share repurchase mandate (see note 5 below).

If the Over-allotment Option is exercised in full, the Company will have about 680,184,000 Shares in issue immediately after completion of the Share Offer.

2. Ranking

The Offer Shares will rank *pari passu* with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends and other distributions declared, made or paid on the Shares after the date of this prospectus.

3. Share Options

The Company has conditionally adopted the Share Option Scheme, a summary of the main terms of which is set out in the section headed "Share Options" in appendix V to this prospectus. Under the Share Option Scheme, full-time employees (including executive Directors) of the CRA Group may be granted options which entitle them to subscribe for Shares representing up to a maximum when aggregated with any securities subject to any other share option scheme(s) of the Company of 10% of the issued capital of the Company from time to time (excluding Shares which may be issued upon the exercise of options granted under the Share Option Scheme and any other share option schemes).

The Company conditionally adopted the Pre-IPO Share Option Plan on 27th December, 2000, a summary of the main terms of which is set out in the section headed "Share options" in appendix V to this prospectus. As at the date of this prospectus, the Company has granted options to 228 persons to subscribe for a total of 19,930,000 Shares (representing about 3.04% of the enlarged issued share capital of the Company after the completion of the Share Offer and the Capitalisation Issue without taking into account for the exercise of the Over-allotment Option). Save for the options which have been granted under the Pre-IPO Share Option Plan and disclosed in this paragraph, no further options will be offered or granted under the Pre-IPO Share Option Plan, as the right to do so has been terminated.

No options have yet been granted under the Share Option Scheme.

SHARE CAPITAL

4. General mandate to issue new Shares

The Directors have been granted a general mandate to allot and issue Shares in the share capital of the Company with a total nominal value of not more than the sum of:

1. 20% of the aggregate of (i) the total nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option; and
2. the total amount of the share capital of the Company repurchased by the Company under the mandate as mentioned in note 5 below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot and issue Shares under a rights issue, scrip dividend scheme or similar arrangement or upon the exercise of options granted under the Pre-IPO Share Option Plan and the Share Option Scheme.

This mandate will expire:

- at the end of the Company's next annual general meeting; or
- at the end of the period within which the Company is required by applicable law or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest.

Further information on this general mandate is contained in the section "Shareholders' resolutions of the Company passed on 6th January, 2001" in appendix V to this prospectus.

5. General mandate to repurchase Shares

The Directors have been granted a general mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate of (i) the total nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option.

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed "Repurchase by the Company of its own securities" in appendix V to this prospectus.

The mandate will expire:

- at the end of the Company's next annual general meeting; or
- at the end of the period within which the Company is required by applicable law or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.

EXECUTIVE DIRECTORS

Yeung Lap Bun, Richard – *Chief Executive Officer*

Mr. Yeung, aged 44, has over 20 years' experience in general management, food distribution and supply chain management. He is responsible for overseeing the CRA Group's operations, marketing, logistics and supply chain management and he is actively involved in new business development in the PRC. Prior to joining the CRA Group in October 1998, he spent about 10 years in senior positions at HAVI Food Services Group, managing the supply chain of McDonald's Restaurants in various countries in Asia. Mr. Yeung graduated from the University of Hawaii with a Bachelor of Business Administration degree. Mr. Yeung also holds a MBA degree from the California State University of Los Angeles and is a Certified Public Accountant. Mr. Yeung is also an Executive Committee member of the Hong Kong Retail Management Association.

Li Kwok Ho, Bruno – *Chief Financial Officer*

Mr. Li, aged 50, joined Li & Fung in January 1991 as the Chief Financial Officer. Since February 1993, he has been appointed as the Retail Services Director and takes charge of all the centralised supporting services of Li & Fung Retailing Group which comprises the business of Circle K, Fotomax, Toys "R" Us and Fun Fun World. His areas of responsibilities include Finance and Accounting, Human Resource and Administration, Business Systems Development and Real Estate. Mr. Li graduated from the Chinese University of Hong Kong with a Bachelor of Science degree and is a member of the Institute of Chartered Accountants of Scotland. He has 21 years of professional experience in finance and accounting.

NON-EXECUTIVE DIRECTORS

Dr. Fung Kwok King, Victor – *Chairman*

Dr. Fung, aged 55, is Chairman of LF (1937), a privately-held holding company with three core businesses: export trading, distribution and retailing. He is Chairman of publicly listed Li & Fung Limited, the export trading subsidiary, Chairman of LFR and Chairman and Chief Executive Officer of Li & Fung (Distribution) Limited. Dr. Fung also serves as Chairman of Prudential Asia, the Asian investment management subsidiary of the Prudential Insurance Company of America.

Born and raised in Hong Kong, Dr. Fung began his career in the Corporate Banking Group of Citibank in New York. He then served as Professor at the Harvard Business School for four years before returning to Hong Kong in 1974 to join Li & Fung Limited. He became Managing Director in 1981 and Chairman in 1989. In 1986, Dr. Fung and three partners co-founded Prudential Asia.

In May 1999, he was appointed by the Hong Kong Government as Chairman of the Airport Authority. He is also a member of the Hong Kong Government Judicial Officers Recommendation Committee. In 1996, Dr. Fung was appointed by the Hong Kong Government to serve as the Hong Kong Representative on the APEC Business Advisory Council (ABAC). From September

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1991 to September 2000, Dr. Fung was Chairman of the Hong Kong Trade Development Council, the statutory body responsible for the promotion of Hong Kong's external trade.

Dr. Fung holds a Bachelors and a Masters Degree in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University.

Dr. Fung Kwok Lun, William

Dr. Fung, OBE, JP, aged 51, brother of Dr. Fung Kwok King, Victor, is the Managing Director of Li & Fung. He joined Li & Fung in 1972 and became a Director of Li & Fung's export trading business in 1976. He became the Managing Director of Li & Fung in 1986. Dr. Fung graduated from Princeton University with a bachelor of science degree in engineering and holds an MBA degree from the Harvard Graduate School of Business. He has been awarded the degree of Doctor of Business Administration, honoris causa by the Hong Kong University of Science & Technology. Dr. Fung is a non-executive director of HSBC Holdings Plc and CLP Holdings Limited. He is a past Chairman of the Hong Kong General Chamber of Commerce and a past Chairman of the Hong Kong Exporters' Association. He is the Chairman of the Hong Kong Committee for Pacific Economic Cooperation and is a member of the Economic Advisory Committee to the Financial Secretary. Dr. Fung is a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference.

Lau Butt Farn

Mr. Lau, aged 53, joined Li & Fung in 1981 as the Financial Controller. Between 1985 and 1998, he was the Operations Director for LFR with operations in Circle K, Fotomax, Toys "R" Us and Fun Fun World. Since 1999, Mr. Lau is the Chief Financial Officer of Li & Fung (Distribution) Limited, the supply chain management business of the unlisted Li & Fung. Mr. Lau graduated from the University of London with a Bachelor of Science degree in Physics and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Wong Yuk Nor, Louisa

Ms. Wong, aged 51, joined LFR in April 1998 as a director responsible for strategic planning, marketing and communication for the LFR Group. Ms. Wong graduated from the University of Hong Kong with a Bachelor of Arts Degree and has more than 20 years' professional experience in Marketing and Advertising. Prior to joining LFR, Ms. Wong was the Managing Director of a leading 4A advertising agency Foote, Cone and Belding Limited for many years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ch'ien Kuo-Fung, Raymond

Dr. Ch'ien, aged 48, is Chairman of chinadotcom corporation and its subsidiary, hongkong.com corporation. He is a director of Inchcape plc and HSBC Holdings plc, while chairing Inchcape Greater China and HSBC Private Equity (Asia) Ltd. In public service, Dr. Ch'ien is a member of the Executive Council of the Hong Kong Special Administrative Region. He also serves as

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Chairman of the Hong Kong/Japan Business Cooperation Committee and the Hong Kong Industrial Technology Centre Corporation. In addition, Dr. Ch'ien is the honorary president and past chairman of the Federation of Hong Kong Industries and serves on the Council of the Hong Kong University of Science and Technology. Dr. Ch'ien received a doctorate in economics from the University of Pennsylvania, U.S.A. in 1978. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994, and awarded the Gold Bauhinia Star medal in 1999.

Au Man Chung, Malcolm

Mr. Au, aged 51, is currently the managing director of Artal Food Industries Limited. Mr. Au holds a Bachelor of Science degree in Chemical Engineering and a Master of Science degree in Food Science both from the University of Wisconsin, USA and a Master of Business Administration degree from the University of Toronto, Canada. Mr. Au is also a non-executive director of China-Hongkong Photo Products Holdings Ltd.

SENIOR MANAGEMENT

Kan Wing Chuen, Raphael – *General Manager – Business Development*

Mr. Kan, aged 49, has over 20 years experience in manufacturing and logistics management with multinationals and local companies in Hong Kong and Southern China. Prior to joining the CRA Group in February 2000, he was the General Manager of HAVI Food Services Group and IDS Logiotics (HK) Limited, and was responsible for providing supply chain management services to multinational clients of the companies. He is currently responsible for the CRA Group's development of fulfilment and logistics business in Hong Kong, and the PRC under the brand name of Web-Logistic (HK); and for the expansion of the Circle K store chain into the PRC market. He graduated from the McGill University of Canada with a Bachelor's degree in Mechanical Engineering. He also holds a Master degree in Business Administration from the University of East Asia, Macau.

Ko Kam Cheong – *Divisional Manager – Sales and Operations*

Mr. Ko, aged 60, has been with the Circle K stores since 1991. He has over 40 years of solid experience in the retailing industry. Prior to joining the CRA Group, he spent 18 years as Operations Manager in Park' N Shop and he was in charge of all matters related to Store Operations. With his extensive experience, Mr. Ko has successfully led a very strong and effective operations team in Hong Kong.

Tsui Yin Ming, Benjamin – *Divisional Manager – Business Development*

Mr. Tsui, aged 43, has solid experience in conducting the CRA Group's Sales Forecasting Model and location analysis of new stores. He is currently responsible for expediting the CRA Group's new store growth in Hong Kong and the CRA Group's business expansion into the PRC market. He has over 15 years of experience gained in trade finance, marketing and business development area. He graduated from the University of Hong Kong with a Bachelor degree in Geography/Economics.

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Pak Chi Kin – *Divisional Manager – Supply Chain Management & Logistics*

Mr. Pak, aged 42, has over 10 years experience in the food distribution Industry. He is responsible for overseeing the CRA Group's logistics and supply chain management systems and processes. Prior to joining the CRA Group in May 1999, he spent 7 years in senior position at HAVI Food Services Group and he was in charge of the distribution of food products and logistics services to the McDonald's Restaurant. He graduated from the University of Hong Kong with a Bachelor degree of Science in Engineering. He also holds a Master degree of Science in Engineering from the University of Hong Kong.

Li Kam Hung, Mody – *Divisional Manager – Site Development*

Mr. Li, aged 47, has been with the LFR Group since 1985. He has over 25 years of experience in the Construction Industry. He is responsible for Company's store construction, renovation, project planning and maintenance. He has been awarded the Associateship in Building Technology and Management from the Hong Kong Polytechnic University and a Diploma in Legal Studies from the University of Hong Kong. He is also a member of The Chartered Institute of Building, a member of The Hong Kong Institution of Engineers, a member of the Architecture & Surveying Institute and the Associate of The Chartered Institute of Arbitrators.

Tse Yiu Hon, Wallace – *Divisional Manager – Buying and Marketing*

Mr. Tse, aged 40, is responsible for overseeing the buying, merchandising and marketing strategies of Company. He has over 20 years experience in the retailing industry gained from his experience in Park' N Shop, Uncle A and 7-Eleven. He holds a diploma in Management Studies from The Hong Kong Polytechnic University as well as a Master Degree in Marketing Management from the Macquarie University of Australia.

Lam Siu Tak, Jimmy – *Divisional Manager – Finance & Accounting*

Mr. Lam, aged 42, has over 18 years experience in finance and accounting in various companies including Shell Australia and Wellcome Supermarket in Hong Kong. Mr. Lam graduated from the University of Melbourne with a Bachelor of Commerce. He also holds a Master degree of Business Administration from the University of South Australia. He is a Fellow member of the Hong Kong Society of Accountants, and he is also a Fellow member of the CPA Australia.

Wu Tsz Kin, Chris – *Divisional Manager – Human Resource & Administration*

Mr. Wu, aged 39, is responsible for overseeing all Human Resources functions of the Company including manpower planning, compensation and benefits, training and development, insurance and administration as well as staff management and relations. He has over 16 years of Human Resources management experience gained in various industries including retailing, broadcasting and manufacturing. Prior to joining the CRA Group, he spent 6 years in senior position at Watson's the Chemist Ltd. and Asia Television Limited. He holds a Master Degree of Business Administration from the Queen's University of Belfast as well as a Master degree of Arts in Human Resources from Macquarie University of Australia.

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Yiu Chi Chung, Joseph – Divisional Manager – Real Estate

Mr. Yiu, aged 41, has over 16 years solid experience in Real Estate management gained from various companies including Chinese Estates, Ltd., Emperor Investment Ltd. and Hang Lung Development Co., Ltd.. He has an in-depth knowledge on the real estate market of Hong Kong and he is responsible for management of rental leases and for securing new sites for the Company's expansion. He holds a Certificate in Estate Management from The Hong Kong Management Association.

STAFF

As of 31st August, 2000, Circle K (HK) and Web-Logistic (HK) had a total of 1,130 employees and 16 employees respectively. About 70% of Circle K store staff are full-time employees and about 30% of them are part-time employees. Circle K (HK)'s part-time employees are mainly deployed for store front services during peak hours to reduce staff cost. There are at least two members of staff working in each shift at any Circle K store.

Staff breakdown by key functions

	Headcount as at the 31st August, 2000
Management	8
Sales and marketing	14
SCML & distribution	52
Operations management/Other supports	28
Circle K store keeping (including part-time staff)	1,028
E-fulfilment and logistics	16
	<hr/>
Total:	<u>1,146</u>

For each of the two years ended 31st December, 1999 and the eight months ended 31st August, 2000, staff expenses represented about 12.10%, 12.15% and 11.27% of the CRA Group's turnover respectively.

Employees of the CRA Group are remunerated with monthly salary, subject to annual review and discretionary bonuses. Employees of the CRA Group are also entitled, subject to eligibility, to the benefits under the Pre-IPO Share Option Plan and the Share Option Scheme as described below.

THE CRA GROUP'S RELATIONSHIP WITH STAFF

The CRA Group has not experienced any work stoppages.

The Directors consider that the CRA Group maintains a good working relationship with its employees and has not experienced any significant labour disputes or any difficulty in recruiting suitable staff for its operations.

BENEFIT SCHEMES

In addition to the Pre-IPO Share Option Plan and the Share Option Scheme, the CRA Group also provides mandatory provident fund schemes (“MPF schemes”), medical insurance schemes and life insurance schemes for its staff in Hong Kong. Such schemes are provided by Circle K (HK) and Web-Logistic (HK), which are the only members of the CRA Group that have employees.

Under the MPF schemes, both the employer and the employees have to contribute an amount equal to 5% of the “relevant income” of such employee to the Fund. “Relevant income” includes wages, salaries, leave pay, fees, commission, bonuses, gratuities and allowances which are expressed in monetary terms (excluding housing allowance). The minimum and maximum levels of monthly “relevant income” are HK\$4,000 and HK\$20,000 respectively. An employee earning less than HK\$4,000 is not required to contribute but may elect to do so. However, the employer must still contribute 5% of the employee’s “relevant income” even if it is below HK\$4,000.

Contributions from the employer and an employee are 100% vested in the employee as soon as they are paid to the relevant MPF scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 (subject to a few exceptions, including early retirement between age 60 and 64, death, total incapacity and permanent departure from Hong Kong).

The employer contribution to the relevant MPF scheme can be used to offset any long service payments or severance payments payable and it is deductible against profits tax for up to 15% of the relevant employee’s total remuneration.

SHARE OPTION SCHEMES

The Company has conditionally adopted the Pre-IPO Share Option Plan and the Share Option Scheme. The principal terms of the Pre-IPO Share Option Plan and the Share Option Scheme are summarised in the section headed “Share Options” in appendix V to this prospectus.

DESIGNATED DIRECTOR SHARES

3,384,000 Shares, representing approximately 5% of the issued share capital of the Company immediately prior to the Capitalisation Issue and the Share Offer (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option), were legally and beneficially owned by the Designated Directors immediately prior to the Capitalisation Issue and the Share Offer.

On 31st October, 2000, LFR sold to each of Messrs Yeung Lap Bun, Richard, Li Kwok Ho, Bruno, Lau Butt Farn and Ms Wong Yuk Nor, Louisa, all of whom are Directors, 6,688 shares, 1,000 shares, 1,000 shares and 500 shares respectively in Circle K (HK) at the consideration of HK\$300 per share, details of which are set out in the section headed “Corporate reorganisation” in appendix V to this prospectus. Pursuant to and as a result of the Reorganisation, each of Messrs. Yeung Lap Bun, Richard, Li Kwok Ho, Bruno and Lau Butt

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Farn and Ms. Wong Yuk Nor, Louisa became the holder of 2,464,000 Shares, 368,000 Shares, 368,000 Shares and 184,000 Shares respectively immediately prior to the Capitalisation Issue and the Share Offer. Assuming that the Over-allotment Option is not exercised, the Designated Director Shares represent 3.75% of the entire issued share capital of the Company as enlarged by the Capitalisation Issue and the Share Offer.

Each of the Designated Directors has undertaken to the Sponsor, the Company and the Stock Exchange, that he/she will not dispose of any of his/her interest in the Relevant Securities (as such term is defined in Rule 13.15(4) of the GEM Listing Rules) in the Company for a period of 2 years commencing from the date of listing save as described in the paragraph headed "Initial Management Shareholders and Significant Shareholders" in the section entitled "Substantial, Significant and Initial Management Shareholders" in this prospectus.

PREFERENCE TO CERTAIN EMPLOYEES OF THE LFR GROUP AND AN INDEPENDENT NON-EXECUTIVE DIRECTOR UNDER THE PLACING

A maximum of 11,000,000 Placing Shares, being about 8.39% of the total number of the Placing Shares (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option), are available for subscription by an independent non-executive Director, Dr. Ch'ien Kuo-Fung, Raymond (as to 1,000,000 Placing Shares) and the full-time employees of the respective members of the LFR Group, including the directors of the respective members of LFR Group but excluding the directors of the CRA Group except Dr. Ch'ien Kuo-Fung, Raymond (as to 10,000,000 Placing Shares) under the Placing on a preferential basis at the Offer Price.

AUDIT COMMITTEE

The Company has established an audit committee on 6th January, 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the CRA Group. The audit committee comprises three members, namely Dr. Ch'ien Kuo-Fung, Raymond, Mr. Au Man Chung, Malcolm, (being the independent non-executive Directors) and Mr. Lau Butt Farn (being a non-executive Director). The chairman of the audit committee is Dr. Ch'ien Kuo-Fung, Raymond.

SUBSTANTIAL, SIGNIFICANT AND INITIAL MANAGEMENT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, after completion of the Share Offer and the Capitalisation Issue and taking no account of any Share which may be taken up under the Share Offer, the only persons directly or indirectly entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of the Company, or otherwise interested in 10% or more of the issued share capital of the Company, will be:

Shareholders	Number of Shares <i>(Note 1)</i>	Percentage of issued share capital immediately after completion of the Share Offer <i>(Note 2)</i>
LFR <i>(Note 3)</i>	467,114,000	71.25
LF (1937) <i>(Note 3)</i>	467,114,000	71.25
King Lun Holdings Limited <i>(Note 4)</i>	467,114,000	71.25
Chase Bank & Trust Company (CI) Ltd <i>(Note 5)</i>	467,114,000	71.25
Dr. Fung Kwok King, Victor <i>(Note 5)</i>	467,114,000	71.25
Dr. Fung Kwok Lun, William <i>(Note 6)</i>	467,114,000	71.25

Notes:

- (1) This represents the number of Shares over which the shareholders, directly or indirectly, exercise control.
- (2) The stated percentages are calculated on the assumption that the Over-allotment Option is not exercised.
- (3) LFR is the registered holder of the Shares, and is wholly-owned by LF(1937).
- (4) LF (1937) is a company wholly-owned by King Lun Holdings Limited.
- (5) 1,332,840 shares in King Lun Holdings Limited, representing 50% of its issued share capital, are owned by Chase Bank & Trust Company (CI) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor.
- (6) 1,332,840 shares in King Lun Holdings Limited representing 50% of its issued share capital, are owned by Dr. Fung Kwok Lun William.

None of the above substantial shareholders of the Company has been offered or granted any option over the Shares under the Pre-IPO Share Option Plan, the Share Option Scheme or otherwise.

SUBSTANTIAL, SIGNIFICANT AND INITIAL MANAGEMENT SHAREHOLDERS

INITIAL MANAGEMENT SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, after completion of the Share Offer and the Capitalisation Issue, the persons who will be initial management shareholders as defined in the GEM Listing Rules will be LFR, LF(1937), King Lun Holdings Limited, Chase Bank & Trust Company (CI) Ltd, Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Mr. Yeung, Mr. Li Kwok Ho, Bruno, Mr. Lau Butt Farn and Ms. Wong Yuk Nor, Louisa.

Each of LFR, LF(1937), King Lun Holdings Ltd, Chase Bank & Trust Company (CI) Ltd., Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Mr. Yeung, Mr. Li Kwok Ho, Bruno, Mr. Lau Butt Farn and Ms. Wong Yuk Nor, Louisa has undertaken with the Stock Exchange, the Sponsor and the Company that (i) for a period of 2 years from the date on which dealings in the Shares commence on GEM, it/he/she will not, save as provided in Rule 13.17 of the GEM Listing Rules or pursuant to the waiver granted by the GEM Listing Division (please refer to the section headed "Waivers from compliance with the GEM Listing Rules and the Companies Ordinance" for further details), dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its/his/her direct or indirect interests in the Shares; (ii) it/he/she will place its/his/her Shares in escrow, with an escrow agent acceptable to the Stock Exchange, save as aforesaid, for a period of 2 years from the date on which dealings in the Shares commence on GEM; and (iii) it/he will comply with the requirements under Rule 13.20 of the GEM Listing Rules.

So far as the Directors are aware, after completion of the Share Offer and the Capitalisation Issue, apart from the substantial shareholders disclosed above, the Company will have no significant shareholders as defined in the GEM Listing Rules.

INTERESTS IN THE COMPANY'S SUBSIDIARIES

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue, the only holder (other than a member of the CRA Group) of 10% or more of the voting rights at general meetings of any subsidiary of the Company will be:

Name of subsidiary	Name of shareholder	Percentage of interest
Web-Logistic (HK) Ltd.	Web-logistic.com (Asia Pacific) Ltd*	18

* Web-Logistic (AP) is a company incorporated in the BVI and is wholly-owned by Goodwill Communication Group. Pursuant to a shareholders' agreement entered into between CRA(BVI), Web-Logistic (AP) and Web-Logistic (HK) dated 18th September, 2000, an option was granted by CRA(BVI) in favour of Web-Logistic (AP), which is exercisable during the period from 18th September, 2000 up to 31st July, 2001, to require CRA(BVI) to sell shares equivalent to 12% of the issued share capital of Web-Logistic (HK) at a purchase price of HK\$1.00 per share. On the basis of the existing issued share capital of Web-Logistic (HK), such option entitles Web-Logistic (AP) to purchase from CRA (BVI) 1,872,000 shares of Web-Logistic (HK) at a total consideration of HK\$1,872,000. Such option had not been exercised as at the Latest Practicable Date.

INDEBTEDNESS

As at the close of business on 30th November, 2000, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the CRA Group had loans from former shareholders of Circle K (HK) of about HK\$1.7 million which were unsecured, interest-free and will be fully repaid in 2001.

In addition, as at 30th November, 2000, the CRA Group had amounts due to immediate holding company amounting to about HK\$13.9 million. On 29th December, 2000, a deed of assignment has been entered into by the immediate holding company, LFR, in favour of the Company pursuant to which LFR assigned in favour of the Company all of LFR's absolute legal and beneficial interest in and to an amount of about HK\$12.8 million previously made available by LFR to Web- Logistic (HK), a subsidiary of the Company. Taking into account of the assignment of the legal and beneficial interest of the loan to the Company by LFR, the CRA Group should have an amount due to the immediate holding company, LFR, amounting to about HK\$1.1 million.

CONTINGENT LIABILITIES

As at 30th November, 2000, the CRA Group had no material contingent liability.

Disclaimer

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, neither the Company nor any of its subsidiaries at the close of business on 30th November, 2000 had any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness, commitments and contingent liabilities of the CRA Group since 30th November, 2000.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Working Capital Position as at 30th November, 2000

Based on the CRA Group's management accounts, the CRA Group had net current liabilities of about HK\$29.2 million. The current assets comprised cash and bank balances of about HK\$117.2 million, inventories of about HK\$30.1 million, accounts receivables of about HK\$17.9 million, rental deposits of about HK\$20.6 million, other deposits and prepayments of about HK\$9.6 million. The current liabilities comprised trade payables of about HK\$182.2 million, other payables and accruals of about HK\$27.7 million and amount due to immediate holding company of about HK\$13.9 million. On 29th December, 2000, a deed of assignment has been entered into by the immediate holding company, LFR, in favour of the Company pursuant to which LFR assigned in favour of the Company all of LFR's absolute legal and beneficial

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interest in and to an amount of about HK\$12.8 million previously made available by LFR to Web- Logistic (HK), a subsidiary of the Company. Taking into account of the assignment of the legal and beneficial interest of payable to the Company by LFR, the CRA Group should have an amount due to the immediate holding company, LFR, amounting to about HK\$1.1 million.

A significant portion of the CRA Group's revenue is in the form of cash and the CRA Group has been enjoying an average longer credit term which is longer than its inventory turnover ratio. Therefore, the CRA Group has been able to make use of the term of trade payables to partially finance its operations.

Taking into account the estimated net proceeds of the Share Offer and its cashflow position, the Directors are of the opinion that the CRA Group has sufficient working capital for its present requirements.

Immediately after completion of the Share Offer, the CRA Group will have a net current assets position, taking into consideration of the net proceeds receivable from the Share Offer, to further enhance its capital base for its proposed expansion.

Directors' opinion of the financial resources position

At the close of business on 30th November, 2000, the CRA Group had bank balances and cash of about HK\$117.2 million. The Company intends to finance the CRA Group's future operations and capital expenditures and other capital requirements with funds derived from operations, the existing bank balances and the proceeds from the Share Offer.

Borrowings and banking facilities

As at 31st August, 2000, the CRA Group had available banking facilities guaranteed by the immediate and intermediate holding companies of the Company to the extent of HK\$50,888,000. The banks have agreed in principle that the guarantees given by the immediate and intermediate holding companies of the Company will be released upon the listing of the Shares of the Company on GEM and be replaced by guarantees given by the Company.

Capital commitments

As at 30th November, 2000, the capital commitments of the CRA Group, related to the acquisition of plant and equipment, amounted to about HK\$5.1 million.

Taking into account the net proceeds of Share Offer, the Directors believe that the CRA Group has sufficient net current assets to meet its present capital expenditure and debt repayment requirements.

Foreign exchange risk

Since most of the income and expenditure of the CRA Group prior to 30th November, 2000, were in Hong Kong dollars, and all of the assets and liabilities of the CRA Group as at 30th November, 2000 were denominated in Hong Kong dollar currency, the Directors do not consider that the CRA Group was significantly exposed to any foreign currency exchange risk.

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TRADING RECORD

On the basis of the waivers granted by the Securities and Futures Commission and the Stock Exchange from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance and Rules 7.03(1) and 11.10 of the GEM Listing Rules (see the paragraph headed "Accountant's Report" in the section headed "Waivers from compliance with the GEM Listing Rules and the Companies Ordinance" in this prospectus), the table below sets out a summary of the audited results of the CRA Group for each of the two years ended 31st December, 1999 and eight months ended 31st August, 2000 (the "Relevant Periods") which should be read in conjunction with the accountants' report set out in appendix I to the prospectus. The combined results are prepared on the basis of presentation set out in the accountants' report in appendix I to the prospectus.

	Year ended		Eight months
	31st December,		ended
	1998	1999	31st August,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2000</i>
			<i>HK\$'000</i>
Turnover (<i>Note (a)</i>)			
Merchandise sales revenue	917,991	924,370	710,271
Video rental income	5,567	–	–
Bakery sales revenue	56,651	48,551	29,691
E-fulfilment service income	–	–	311
	980,209	972,921	740,273
Cost of sales	(743,219)	(736,290)	(553,931)
Gross profit	236,990	236,631	186,342
Other revenues	58,341	59,371	41,582
Store expenses	(261,130)	(236,055)	(161,638)
Distribution costs	(11,753)	(12,214)	(9,988)
Administrative expenses	(28,416)	(32,150)	(23,957)
Other operating expenses	(4,868)	–	–
Operating profit/(loss)	(10,836)	15,583	32,341
Finance costs	(12,146)	(8,980)	(4,102)
Profit/(loss) attributable to shareholders	(22,982)	6,603	28,239
Dividend	–	–	–
Earnings/(loss) per Share (<i>Note (b)</i>)	(4.7 cents)	1.3 cents	5.7 cents

Note:

- (a) Turnover represents the invoiced retail sales, video rental and e-fulfilment services to third parties.
- (b) The calculation of earnings/(loss) per Share is based on the CRA Group's profit/(loss) attributable to shareholders for the Relevant Periods and the 491,700,000 Shares deemed to be in issue throughout the Relevant Periods.

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PROPERTY INTERESTS

Particulars of the CRA Group's property interests are set out in the section headed "Summary of valuation" in appendix III to this prospectus.

DISTRIBUTABLE RESERVES

As at 31st August, 2000, there were no reserves available for distribution to the shareholders of the Company.

ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of the adjusted net tangible assets of the CRA Group is based on the audited combined net assets of the CRA Group as at 31st August, 2000 as shown in the accountants' report, the text of which is set out in appendix I to this prospectus, and adjusted as follows:

	<i>HK\$'000</i>
Audited combined net assets of the CRA Group as at 31 st August, 2000	6,769
<i>Less:</i> Intangible assets	(357)
Unaudited net profit for the three-month period from 1 st September, 2000 to 30 th November, 2000	13,023
Assignment to the Company of the benefit of a loan from LFR as described in the section headed "Corporate Reorganisation" in appendix V to this prospectus	12,792
Estimated net proceeds of the Share Offer (<i>Note 1</i>)	159,635
Adjusted net tangible assets	191,862
Adjusted net tangible asset value per Share (<i>Note 2</i>)	HK\$0.29

Notes:

1. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.10 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.05 and HK\$1.15 per Offer Share) and takes no account of any Shares which may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised in full, the estimated net proceeds of the Share Offer will be about HK\$185.6 million.
2. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this paragraph and on the basis of 655,600,000 Shares in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of the Over-allotment Option, options which were granted or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares granted to the Directors as referred to in the section headed "Shareholders' Resolutions of the Company passed on 6th January, 2001" in appendix V to this prospectus.

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RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the CRA Group since 31st August, 2000, being the date to which the latest audited financial statements of the CRA Group were made up.

PROFIT ESTIMATE

The Directors estimate that, on the bases set out in appendix II to this prospectus, the combined profit after taxation and minority interests but before extraordinary items of the CRA Group for the year ended 31st December, 2000 will not be less than HK\$45 million. The Directors are not aware of any extraordinary items which have arisen in the year ended 31st December, 2000.

On the basis of the above profit estimate and assuming 655,600,000 Shares had been in issue during the year ended 31st December, 2000 and that the Over-allotment Option is not exercised, the pro forma estimated earnings per Share on a fully diluted basis based on the Offer Price of HK\$1.10 is HK\$0.08. This assumes that the Company had been listed and a total of 655,600,000 Shares had been issued on 1st January, 2000 and that interest income had been earned on the proceeds of the Share Offer at an interest rate during 2000 of approximately 5% per annum. On the above pro forma fully diluted basis but assuming that the Over-allotment Option is exercised in full, the estimated earnings per Share will be HK\$8.0 cents.

The texts of the letters from the auditors and reporting accountants, PricewaterhouseCoopers, and from BNP Paribas Peregrine in respect of the profit estimate are set out in appendix II to this prospectus.

DIVIDEND

The CRA Group had an accumulated losses of HK\$177.7 million as at 31st August, 2000, and the Directors currently anticipate that such losses will not be fully set off in the near future. Therefore, the Directors at present do not anticipate that the Company will declare any dividend in the near future. Subject to the above-mentioned factors, the declaration of dividends is at the discretion of the Board.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Discussion of combined results of the CRA Group for the Relevant Periods

The combined results of the CRA Group comprise mainly the results of Circle K (HK).

FINANCIAL INFORMATION

Financial year ended 31st December, 1998

For the year ended 31st December, 1998, the CRA Group recorded a total turnover of about HK\$980.2 million and a net loss of about HK\$23.0 million. The gross profit margin for the year was about 24.2%. Loss for the year was primarily contributed by the continual effect of the financial crisis which occurred in late 1997. A total of 14 non-performing stores were closed during the year by the CRA Group with a view to improve the CRA Group's profitability in the long run. The closure of stores incurred losses on investments in fixed assets of about HK\$3 million. The CRA Group was mainly financed by loans, including bank and shareholders' loans, resulting to substantial amount of interest expense of about HK\$12.1 million for the year.

Although the CRA Group was still in a loss position, 1998 was an important year for the CRA Group's long term development because several new policies were implemented by the CRA Group in late 1998 with a view to improve the CRA Group's profitability. These policies included:

- the closure of the non-performing stores and non-strategic stores;
- the development of scientific new store feasibility studies;
- the introduction of the concept of value, novelty and fun marketing strategy;
- the strengthening of staff training program; and
- the further enhancement of the CRA Group's inventory management system.

The results of the gradual implementation of the above-mentioned policies were reflected in the improvement of the CRA Group's financial results during the track record period mentioned below.

Financial year ended 31st December, 1999

For the year ended 31st December, 1999, the CRA Group recorded a total turnover of about HK\$972.9 million and a net profit of about HK\$6.6 million. There was a slight increase in the merchandise sales revenue. The average daily number of transactions per store increased from 1,759 in 1998 to 1,862 in 1999 but the growth in merchandise sales revenue was controlled by the general reductions in retail pricing of the CRA Group's merchandise which took place in the first quarter of 1999. The full-year effect of the closure of 14 non-performing stores in 1998 also restricted the growth of the CRA Group's merchandise sales. However, the CRA Group had managed to increase the average monthly sales per sq.ft. from about HK\$690.25 to HK\$700.73, representing a year-on-year increase of about 1.5%.

Due to the persistent changes in customer habits and movie VCDs becoming more affordable, the CRA Group decided to terminate its video rental services in Circle K stores to spare shop spaces for other merchandises. Accordingly, the video rental income decreased from about HK\$5.6 million in 1998 to end in 1999.

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The gross profit margin for the year was about 24.3% which was similar to that of 1998. More significantly, the CRA Group had turned around its loss position in 1999. The significant improvement of the CRA Group's profitability was mainly attributable to the reduction in the operating expenses of Circle K stores. The CRA Group had renewed the rental agreements for Circle K stores with landlords at lower monthly rents, which resulted to a reduction in rental expenses for 1999. The CRA Group's rental expenses had decreased by 9.5%, from about HK\$82.0 million in 1998 to HK\$74.2 million in 1999. Although there was a net addition in seven Circle K stores during the year, the CRA Group had maintained a similar level of staff costs of about HK\$118 million as that of the previous year. With the decrease in average interest rates during the year, interest expenses on loans reduced from about HK\$12.1 million in 1998 to about HK\$9.0 million in 1999, even though there was no significant change in loan balances.

Financial period from 1st January, 2000 to 31st August, 2000

For the eight months period ended 31st August, 2000, the CRA Group recorded a total turnover of about HK\$740.3 million, representing an increase of about 15.6% over the same period in 1999. The CRA Group reported a net profit of about HK\$28.2 million for the eight-month period and is estimated to report a net profit of not less than HK\$45 million for the year ended 31st December, 2000. The CRA Group's estimated net profit represents an increase of 582% over its net profit in 1999.

The increase in the CRA Group's turnover was largely attributable to the implementation of various promotion campaigns during the period to maintain and expand the CRA Group's customer base. The CRA Group also strengthened the training programme for its staff to improve service and the Circle K stores were revamped to attract more customers. The CRA Group also introduced the EPOS to speed up the customer check-out time. All of the above-mentioned factors contributed to the significant increase in the CRA Group's turnover in the eight-month period ended 31st August, 2000.

The number of average daily transaction per store increased from 1,862 in 1999 to 2,166 for the eight-month period ended 31st August, 2000. The average daily sales value per store increased from HK\$24,207 in 1999 to HK\$26,640 for the eight-month period ended 31st August, 2000. The CRA Group's average monthly sales per sq.ft. also increased from HK\$700.73 to HK\$786.53, representing an increase of about 12.24%. The significant improvement in the CRA Group's financial results for the period was also contributed by the strong control imposed over merchandise costs. The CRA Group had introduced the "Partnership Supplier Programme" with suppliers which helped to reduce the cost of sales and, in turn, increased the profit margin from about 24.3% for the year 1999 to about 25.2% for the period. The CRA Group also managed to control the two major Circle K store expense items during the period, being lease expenses (being rental, rates and management fee) and staff cost. The lease expenses to turnover and staff cost to turnover ratios were 7.00% and 11.27% respectively for the eight-month period ended 31st August, 2000 compared to 7.63% and 12.15% respectively over

FINANCIAL INFORMATION

1999. With the capitalisation of shareholders' loans and the reduction in balances of bank loans and overdrafts in August 2000, the interest expenses for the period reduced from about HK\$9 million in 1999 to about HK\$4.1 million.

Taxation

No provision for Hong Kong profits tax was made for the CRA Group during the above track record periods as the CRA Group companies had no assessable profits in 1998 and unutilised tax losses were brought forward to offset the CRA Group's estimated assessable profits in 1999 and 2000.

SPONSOR'S INTEREST

Neither BNP Paribas Peregrine Capital nor its associates expect to obtain any material benefit as a result of the successful outcome of the Share Offer, other than the following: (i) by way of underwriting commissions to be paid to its associate BNP Paribas Peregrine Securities for acting as one of the Underwriters pursuant to the Underwriting Agreements; (ii) the advisory and documentation fees to be paid to BNP Paribas Peregrine Capital as sponsor of the Share Offer; (iii) by way of a sponsorship agreement to be entered into between BNP Paribas Peregrine Capital and the Company and dated 9th January, 2001 pursuant to which BNP Paribas Peregrine Capital will be appointed as the sponsor of the Company until 31st December, 2003 and the Company shall pay an agreed fee to BNP Paribas Peregrine Capital for its provision of such services; and (iv) certain associates of BNP Paribas Peregrine, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities of the Company after the listing.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

BNP Paribas Peregrine Securities
Indosuez W.I. Carr Securities Limited
BOCI Asia Limited
ABN AMRO Rothschild
DBS Asia Capital Limited
Ka Wah Capital Limited

Placing Underwriters

BNP Paribas Peregrine Securities
Indosuez W.I. Carr Securities Limited
BOCI Asia Limited
ABN AMRO Rothschild
DBS Asia Capital Limited
Ka Wah Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering 32,780,000 Public Offer Shares for subscription by way of Public Offer on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares (subject only to allotment) not later than 7th February, 2001 (or such later date as BNP Paribas Peregrine Securities (on behalf of the Public Offer Underwriters) may agree) (ii) certain other conditions set out in the Public Offer Underwriting Agreement, and (iii) the Placing Underwriting Agreement having been duly executed and delivered and having become unconditional in accordance with its terms and not having been terminated, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the Application Forms, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares will be subject to termination by notice in writing from BNP Paribas Peregrine Securities (for itself and on behalf of the Public Offer Underwriters) if any of the

UNDERWRITING

following events occur prior to 9:30 a.m. on the business day immediately preceding the date on which dealings in the Shares first commence on the Stock Exchange (expected to be on 18th January, 2001):

- (1) there has come to the notice of BNP Paribas Peregrine Securities:
 - (a) that any statement, reasonably considered by BNP Paribas Peregrine Securities to be material, contained in this prospectus was when it was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by BNP Paribas Peregrine Securities to be material to the Public Offer; or
 - (c) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on any of the Public Offer Underwriters or BNP Paribas Peregrine Capital); or
 - (d) any adverse change in the business or in the financial or trading position of any member of the CRA Group which is reasonably considered by BNP Paribas Peregrine Securities as material in the context of the Public Offer; or
 - (e) any breach, reasonably considered by BNP Paribas Peregrine Securities to be material, of any of the warranties under the Public Offer Underwriting Agreement;

- (2) there shall occur:
 - (a) any event, or series of events, beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God or interruption or delay in transportation) which in the reasonable opinion of BNP Paribas Peregrine Securities has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof, or
 - (b) any change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange) and if in the reasonable opinion of BNP Paribas Peregrine Securities any such change or disaster would materially and adversely affect the Public Offer; or
 - (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands or any other jurisdictions relevant to the Company or any of its subsidiaries and if in the reasonable opinion of BNP Paribas Peregrine Securities any such new law or change materially and adversely

UNDERWRITING

affects or could reasonably be expected to materially and adversely affect the business, financial or other condition or prospects of the CRA Group taken as a whole; or

- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the US or by the European Union (or any member thereof) on the PRC if in the reasonable opinion of BNP Paribas Peregrine Securities any such imposition would make it inadvisable or inexpedient to proceed with the Public Offer; or
- (e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands or any other jurisdictions relevant to any member of the CRA Group if, in the reasonable opinion of BNP Paribas Peregrine Securities, any such change or development materially and adversely affects or could reasonably be expected to materially and adversely affect the business, financial or other condition or prospects of the CRA Group taken as a whole; or
- (f) any litigation or claim of material importance of any third party being threatened or instigated against any member of the CRA Group; or
- (g) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the CRA Group or in respect of which any member of the CRA Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on the CRA Group taken as a whole; or
- (h) any loss or damage sustained by any member of the CRA Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which has or could reasonably be expected to have a material adverse effect on the CRA Group taken as a whole; or
- (i) a petition is presented for the winding-up or liquidation of any member of the CRA Group or any member of the CRA Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the CRA Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the CRA Group or anything analogous thereto occurs in respect of any member of the CRA Group,

which in the sole opinion of BNP Paribas Peregrine Securities (1) is or will or could reasonably be expected to have an adverse effect on the business, financial or other condition or prospects of the Company or the CRA Group or any member of the CRA Group; or (2) has or will have or could reasonably be expected to have a material adverse effect on the success of the Public Offer or the level of applications under the Public Offer; or (3) makes it inadvisable or inexpedient for the Public Offer to proceed.

UNDERWRITING

The Placing Underwriting Agreement

In connection with the Placing, it is expected that the Company, among others, will enter into the Placing Underwriting Agreement with the Placing Underwriters. Under the Placing Underwriting Agreement, subject to the conditions set out therein, the Placing Underwriters would severally agree to place 131,120,000 Placing Shares being offered pursuant to the Placing which are not taken up under the Placing. It is also expected that the Placing Underwriting Agreement may be terminated upon similar grounds as the Public Offer Underwriting Agreement described above.

The Company intends to grant to the Placing Underwriters the Over-allotment Option exercisable by BNP Paribas Peregrine Securities on behalf of the Placing Underwriters to require the Company to allot and issue up to an aggregate of 24,584,000 additional new Shares, representing about 15% of the Shares initially offered under the Share Offer, solely to cover over-allocations in the Placing, if any, within 28 days from the date of this prospectus. Please refer to the paragraph headed "Over-allotment Option" in the section headed "Structure of the Share Offer" of this prospectus for additional details.

Commission and expenses

The Underwriters will receive a commission of 4% of the aggregate Offer Price of all the Offer Shares (including Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission, and the Sponsor will in addition receive a financial advisory fee and a documentation fee in relation to the Share Offer. Such fee and commission, together with the Stock Exchange listing fees, the Stock Exchange transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be about HK\$20.7 million in aggregate (based on an Offer Price of HK\$1.10 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.05 and HK\$1.15 per Share and assuming the Over-allotment Option is not exercised) is to be borne by the Company.

Underwriters' interests in the Company

Other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of the CRA 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 CRA Group.

STRUCTURE OF THE SHARE OFFER

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.15 and is expected to be not less than HK\$1.05 per Share. Based on the maximum Offer Price of HK\$1.15 per Share, plus 1% brokerage and 0.01% Stock Exchange transaction levy, one board lot of 2,000 Shares will amount to a total of HK\$2,323.23.

The Offer Price is expected to be determined by the Company and BNP Paribas Peregrine Securities (on behalf of the Underwriters) on or before 1:00 a.m. on 13th January, 2001, or such later date as may be agreed by the Company and BNP Paribas Peregrine Securities but in any event no later than 11:30 p.m. on 16th January, 2001.

If, based on the level of interests expressed by prospective professional and institutional investors during the book-building process, BNP Paribas Peregrine Securities (on behalf of the Underwriters, and with the consent of the Company) thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Time. In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the business day following the latest day for lodging applications under the Public Offer cause there to be published on the GEM web-site and in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. If applications for Public Offer Shares have been submitted prior to the day which is the latest day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

If, for any reason, the Offer Price is not agreed between the Company and BNP Paribas Peregrine Securities (on behalf of the Underwriters) before the Price Determination Time (or any agreed postponement thereof), the Share Offer will not proceed and will lapse.

CONDITIONS OF THE SHARE OFFER

Acceptance of your applications for the Offer Shares is conditional upon:

(a) Listing

The GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in all the Shares in issue and to be issued as mentioned herein; and

STRUCTURE OF THE SHARE OFFER

(b) Underwriting Agreements

- (i) The execution and delivery of the Placing Underwriting Agreement on or about the date of the Price Determination Agreement.
- (ii) The obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional which requires, amongst other things, that the Offer Price be agreed by no later than the Price Determination Time and the Price Determination Agreement be entered into and the obligations under any of the Underwriting Agreements not being terminated prior to 9:30 a.m. on the business day immediately preceding the date on which dealings in the Shares first commence on the Stock Exchange.

If, for any reason, the Price Determination Agreement is not entered into, the Share Offer will not proceed.

The consummation of the Public Offer is conditional upon, among other things, the Placing becoming unconditional and the Placing Underwriting Agreement not having been terminated in accordance with its terms.

If any of the above conditions is not fulfilled (or, where applicable, waived by BNP Paribas Peregrine Securities (on behalf of the Underwriters)) on or before 7th February, 2001, your application monies will be returned to you, without interest. The terms on which your money will be returned to you are set out in the section headed "Refund of your money" on the Application Forms.

Prior to the Share Offer becoming unconditional, your application monies will be held in (a) separate bank account(s) with the receiving banker or any other bank(s) is Hong Kong licensed under the Banking Ordinance (chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises 163,900,000 Offer Shares initially offered by the Company for subscription by way of the Placing and the Public Offer. Up to 32,780,000 Public Offer Shares, representing 20% of the total number of Offer Shares initially available, will be offered under the Public Offer. Without taking into account the Shares which may be issued as a result of the exercise of the Over-allotment Option, up to 131,120,000 Offer Shares, representing 80% of the total number of Offer Shares initially available, will be offered under the Placing to professional and institutional and other investors in Hong Kong, Europe, the United States and elsewhere, subject to certain restrictions, and full-time employees of the LFR Group (including the directors of the respective members of the LFR Group but excluding the directors of the CRA Group except an independent non-executive Director) of the Company. The number of Shares initially offered under the Public Offer, and the number of Shares initially available under the Placing, are subject to reallocation in the event that the Public Offer is under-subscribed as described below under the paragraph headed "Offer Mechanism – Reallocation of the Offer Shares between the Public Offer and the Placing".

The Offer Price will be not more than HK\$1.15 per Share and is currently expected to be not less than HK\$1.05 per Share. **Prospective investors should be aware that the Offer Price**

STRUCTURE OF THE SHARE OFFER

to be determined on or before the Price Determination Time may be, but is not expected to be, lower than the indicative Offer Price stated in this prospectus.

The Offer Shares represent about 25% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent about 27.71% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue and the exercise of the Over-allotment Option.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve selective marketing of Shares to institutional and professional investors and, to the extent permitted by applicable laws, other investors anticipated to have a sizeable demand for such Shares.

The Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters, in each case on a several basis, each being subject to the conditions set out in the section headed "Underwriting" in this prospectus.

THE PLACING

The Company is initially offering 131,120,000 Placing Shares (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the Placing. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Underwriting Agreement.

The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of the exercise of the Over-allotment Option and/or reallocation. For further details, please refer to the paragraphs headed "Over-allotment Option" and "Offer Mechanism-Reallocation of the Offer Shares between the Public Offer and the Placing" below.

It is expected that the Placing Underwriters or selling agents nominated by them will conditionally place the Placing Shares on behalf of the Company at the Offer Price with professional, institutional and, to the extent permitted by applicable laws, other investors in Hong Kong, the United States, Europe and elsewhere, subject to certain restrictions. Such professional, institutional and other investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing Shares will be offered in Hong Kong, Japan, Singapore, Europe and other jurisdictions outside the United States in offshore transactions, as defined in Regulation S under the US Securities Act, and in the United States to qualified institutional buyers, as defined in Rule 144A under the US Securities Act. The Placing Shares are unlikely to be allocated to individual retail investors. **Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Time may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

STRUCTURE OF THE SHARE OFFER

Subject to reallocation of the Offer Shares between the Placing and the Public Offer, the Placing Shares represent about 20% of the Company's enlarged issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Placing Shares will represent about 22.89% of the enlarged issued share capital of the Company immediately after the completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option.

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares or hold or sell its Shares, after the listing of the Shares on the GEM. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base for the benefit of the Company and its shareholders taken as a whole.

PREFERENCE TO CERTAIN EMPLOYEES AND AN INDEPENDENT NON-EXECUTIVE DIRECTOR UNDER THE PLACING

A maximum of 11,000,000 Placing Shares, being about 8.39% of the total number of the Placing Shares (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option), are available for subscription to an independent non-executive Director, Dr. Ch'ien Kuo-Fung, Raymond (as to 1,000,000 Placing Shares) and the full-time employees of the LFR Group, including the directors of the respective members of the LFR Group but excluding the directors of the CRA Group except Dr. Ch'ien Kuo-Fung, Raymond (as to 10,000,000 Placing Shares) under the Placing on a preferential basis at the Offer Price.

BNP Paribas Peregrine Securities has the authority to re-allocate all or any of the unallocated Shares under this placing to the placing to professional and institutional investors.

THE PUBLIC OFFER

Subject to reallocation on the basis set out below, the Company is initially offering 32,780,000 Public Offer Shares under the Public Offer representing about 5% of the Company's enlarged issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Public Offer Shares will represent about 4.82% of the enlarged issued share capital of the Company immediately after the completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option.

Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.15 per Share in addition to 1% brokerage and 0.01% Stock Exchange transaction levy. If the Offer Price, as finally determined in the manner described above, is less than the maximum Offer Price of HK\$1.15, appropriate refund payments (including the brokerage and the Stock Exchange transaction levy attributable to the surplus application monies) will be made to successful or partially successful applicants, without interest. Further details are set out below in the section headed "How to apply for the Public Offer Shares" in this prospectus.

STRUCTURE OF THE SHARE OFFER

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant, but will otherwise be made strictly on a pro-rata basis. However, this may, where appropriate, involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

OFFER MECHANISM – REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment.

If the Public Offer is not fully subscribed, BNP Paribas Peregrine Securities (on behalf of the Underwriters) has the authority to re-allocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as it deems appropriate. The number of Shares (if any) re-allocated from the Public Offer to the Placing together with the basis of allocation will be stated in the results announcement on the GEM website (www.hkgem.com) and in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), which is expected to be published on 17th January, 2001.

BNP Paribas Peregrine Securities (on behalf of the Underwriters) also has the authority to re-allocate all or any unsubscribed Placing Shares under the Placing to the Public Offer in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

Pursuant to the Placing Underwriting Agreement, the Company intends to grant to BNP Paribas Peregrine Securities (on behalf of the Placing Underwriters) the Over-allotment Option, exercisable within 28 days from the date of this prospectus to require the Company to issue up to an aggregate of 24,584,000 additional Shares, representing about 15% of the number of Shares initially available under the Share Offer. These Shares will be issued at the Offer Price for the purpose of covering over-allocations in the Placing. In order to facilitate the settlement of over-allocations in connection with the Placing, BNP Paribas Peregrine Securities may choose to borrow Shares from LFR under stock borrowing arrangements pending exercise of the Over-allotment Option. BNP Paribas Peregrine Securities (on behalf of the Placing Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or by a combination of purchases in the secondary market and exercise of the Over-allotment Option either in part or in full. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the Offer Shares will represent about 27.71% of the enlarged issued share capital of the Company immediately after the completion of the Share Offer and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made disclosing the number of Shares to be issued pursuant to the exercise of the Over-allotment Option and the basis of allocation on the GEM website, and in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) as soon as practicable.

STRUCTURE OF THE SHARE OFFER

STABILISATION

In connection with the Share Offer, BNP Paribas Peregrine Securities or its agents, on behalf of the Underwriters, may effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail in the open market. Such transactions (including any over-allotment purchase transactions) may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, an underwriter may bid for or purchase the offered securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial issue price of the securities. The stabilisation price will not be higher than the Offer Price.

Should stabilising transactions be effected in connection with the distribution of the Offer Shares, they will be done at the direction, and in the absolute discretion, of BNP Paribas Peregrine Securities. Such stabilising transactions, if commenced, may be discontinued at any time. In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where underwriters genuinely purchase shares in the secondary market effected solely for the purposes of covering over-allocations in the offering. The relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. METHODS TO APPLY FOR PUBLIC OFFER SHARES

You may apply for Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form; or
- instructing an ESP to act as your agent to apply for Public Offer Shares on your behalf. Your ESP may have several ways for you to give an instruction and to effect payment, including via the Internet. Your ESP will apply on your behalf using an ESP Application Form, which may only be used by ESPs; or
- **electronically** instructing Hongkong Clearing (who may also act as an ESP as described above) to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

2. WHICH APPLICATION METHOD YOU SHOULD USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.

(b) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(c) **Instruct an ESP to make an application on your behalf**

Instead of applying for Public Offer Shares using either a **WHITE** Application Form or a **YELLOW** Application Form, you may instruct an ESP to act as your agent to apply for Public Offer Shares on your behalf and elect for Public Offer Shares to be issued in your own name.

You can also elect for the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

You may apply for Public Offer Shares with other joint applicants if this is permitted by your ESP. Further details are contained in the paragraph headed "How to apply by using an ESP" in this section.

Hongkong Clearing has been appointed by the Company to provide on-line share application services in connection with the Public Offer. Details of the services offered by Hongkong Clearing are set out in the paragraph headed "How to apply by using an ESP".

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(d) Instruct Hongkong Clearing to make an electronic application on your behalf

Instead of using a **YELLOW** Application Form, you may **electronically** instruct Hongkong Clearing to cause HKSCC Nominees to apply for Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

3. WHERE TO COLLECT THE APPLICATION FORMS

(a) You can collect a WHITE Application Form and a prospectus from:

Any participant of the Stock Exchange

or

BNP Paribas Peregrine Securities Limited

36th Floor, Asia Pacific Finance Tower
3 Garden Road, Central
Hong Kong

Indosuez W.I. Carr Securities Limited

44th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

BOCI Asia Limited

35th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

ABN AMRO Rothschild

40th Floor, Cheung Kong Centre
2 Queen's Road Central
Central, Hong Kong

DBS Asia Capital Limited

16th Floor, Man Yee Building
68 Des Voeux Road
Central
Hong Kong

Ka Wah Capital Limited

Unit 6310-6312, 63rd Floor, The Center
99 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

or any of the following 20 branches of Standard Chartered Bank:

Branches	Address
<i>Hong Kong Island:</i>	
The Landmark Branch	The Landmark, 15 Queen's Road, Central
Des Voeux Road Branch	Standard Chartered Bank Building, 4-4a Des Voeux Road, Central
CIG Building Branch	Shop B, Ground Floor, CIG Building, 141 Des Voeux Road Central
Leighton Centre Branch	Shop 12-16, Upper Ground Floor, Leighton Centre, 77 Leighton Road, Causeway Bay
Causeway Bay Branch	1 Sugar Street, Causeway Bay
Taikoo Place Branch	Ground Floor, 969 King's Road, Quarry Bay
North Point Centre Branch	284 King's Road, North Point
Aberdeen Branch	Shop 4A, Aberdeen Centre, Site 5, 6-12 Nam Ning Street, Aberdeen
<i>Kowloon:</i>	
Kwun Tong Branch	88-90 Fu Yan Street, Kwun Tong
Mongkok Bank Centre Branch	Bank Centre, 630-636 Nathan Road, Mongkok
Tsimshatsui Branch	10 Granville Road, Tsimshatsui
Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan
Yaumatei Branch	546-550 Nathan Road, Yaumatei
San Po Kong Branch	10-20 Ning Yuen Street, San Po Kong
Oterprise Square Branch	Shop No 3, Ground Floor and Shop No 1, 1st Floor, 26 Nathan Road, Tsimshatsui
New Mandarin Plaza Branch	Shop 12-19, New Mandarin Plaza, 12 Science Museum Road, Tsimshatsui East

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

New Territories:

Tsuen Wan Branch	Basement 1th Floor, Emperor Plaza, 263 Sha Tsui Road, Tsuen Wan
Shatin Centre Branch	Shop 32C, Level 3, Shatin Centre, 2-16 Wang Pok Street, Shatin
Tai Po Branch	23 and 25 Kwong Fuk Road, Tai Po
Yuen Long Branch	140 Yuen Long Main Road, Yuen Long

(b) You can collect a **YELLOW** Application Form and a prospectus from:

- (1) the depository counter of Hongkong Clearing at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) the Customer Service Centre of Hongkong Clearing at Upper Ground Floor, V-Heun Building, 128-140 Queen's Road Central, Hong Kong.

(d) Your broker may have the Application Forms available.

(c) An ESP can collect an ESP Application Form and an electronic version of this prospectus from Standard Chartered Bank, Custody and Clearing Services Department, 8th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong Main Branch, between 9:00 a.m. and 12:00 noon on Tuesday, 9th January, 2001 by prior arrangement with BNP Paribas Peregrine Securities.

4. WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

(a) **WHITE** or **YELLOW** Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with cheque or banker's cashier order attached, must be lodged by 12:00 noon on Friday, 12th January, 2001, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the section headed "Where to collect the Application Forms" at the following times:

Tuesday, 9 th January, 2001	–	9:00 a.m. to 4:00 p.m.
Wednesday, 10 th January, 2001	–	9:00 a.m. to 4:00 p.m.
Thursday, 11 th January, 2001	–	9:00 a.m. to 4:00 p.m.
Friday, 12 th January, 2001	–	9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(b) Application instructions to an ESP

An investor can instruct an ESP to apply for Public Offer Shares. An ESP may provide such services at any time from 9:00 a.m. on Tuesday, 9th January, 2001 to 12:00 noon on Friday, 12th January, 2001.

(c) Electronic application instructions to Hongkong Clearing

CCASS Participants should input electronic application instructions at the following times:

Tuesday, 9 th January, 2001	–	9:00 a.m. to 7:00 p.m.
Wednesday, 10 th January, 2001	–	9:00 a.m. to 7:00 p.m.
Thursday, 11 th January, 2001	–	9:00 a.m. to 7:00 p.m.
Friday, 12 th January, 2001	–	9:00 a.m. to 12:00 noon

The latest time for inputting your electronic application instructions via CCASS (if you are a CCASS Participant) is 12:00 noon on Friday, 12th January, 2001.

(d) Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 12th January, 2001, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below. No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) Effect of bad weather conditions on the opening of the application lists

The application lists will be open between 11:45 a.m. and 12:00 noon on Friday, 12th January, 2001, subject to weather conditions. The application lists will not be open in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 12th January, 2001, or if there are similar extraneous factors as are acceptable to the Stock Exchange. Instead, they will be open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong. **Business day** means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

5. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$1.15 per Public Offer Share, plus brokerage of 1% and Stock Exchange transaction levy of 0.01%. This means that for every 2,000 Shares you will pay HK\$2,323.23.
- (d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorised attorney, the Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.
- (e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name in the Application Form. If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
- be made payable to "**Horsford Nominees Limited – CRA Public Offer**";
- be crossed "Account Payee Only"; and
- not be post-dated.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- be made payable to “**Horsford Nominees Limited – CRA Public Offer**”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

- (f) Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as referred to in sub-paragraph 3(a) above.
- (g) **Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed “How many applications you can make” in the section headed “Terms and Conditions of the Public Offer”.**
- (h) In order for the **YELLOW** Application Forms to be valid:
- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
 - If you are applying as an individual CCASS Investor Participant:
 - you must fill in your full name and your Hong Kong Identity Card number; and
 - you must insert your CCASS Investor Participant I.D. and sign in the appropriate box.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- If you are applying as a joint individual CCASS Investor Participant:
 - you must insert all joint CCASS Investor Participants' names and the Hong Kong Identity Card number of at least one of the joint CCASS Investor Participants; and
 - you must insert your CCASS Investor Participant I.D. and the authorised signatory or signatories of the CCASS Investor Participant's stock account must sign in the appropriate box.
- if you are applying as a corporate CCASS Investor Participant:
 - you must insert your company name and your company's Hong Kong business registration number; and
 - you must fill in your CCASS Investor Participant I.D. and stamp your company chop (bearing your company's name) in the presence of the authorised signatory or signatories of the CCASS Investor Participant's stock account in the appropriate box.

The signature(s), number of signatories and form of chop, where appropriate, in each **YELLOW** Application Form should match the records kept by Hongkong Clearing. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory or signatories (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

- (i) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

6. HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected.

If the Offer Price as finally determined is less than HK\$1.15 per Share, appropriate refund payments (including the brokerage and the Stock Exchange transaction levy attributable to the surplus application monies) will be made to successful or partially successful applications, without interest. Details of the procedure for refund are set out below in the paragraph headed "Refund of your money-additional information" in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

7. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HONGKONG CLEARING

- (a) CCASS Participants may give electronic application instructions via CCASS to Hongkong Clearing to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with Hongkong Clearing and the General Rules of CCASS and the CCASS Operational Procedures.
- (b) If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 29797888 (using the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). Hongkong Clearing can also input electronic application instructions for you if you come to:

Customer Service Centre of Hongkong Clearing
at Upper Ground Floor,
V-Heun Building,
128-140 Queen’s Road Central,
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Public Offer Shares.
- (d) You are deemed to have authorised Hongkong Clearing and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Broker Participant or CCASS Custodian Participant to the Company and the Share Registrar.
- (e) you may give **electronic application** instructions in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application** instruction in respect of more than 2,000 Public Offer Shares must be in one of the multiples set out in the table in the Application Form.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Public Offer Shares:
 - (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in sub-paragraph (d) in the paragraph headed “Effect of making any application” in the section headed “Terms and Conditions of the Public Offer”.
- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Public Offer Shares given by you or for your benefit to Hongkong Clearing shall be deemed to be an actual application.
- (h) For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (i) The paragraph headed “Personal data” in the section headed “Terms and Conditions of the Public Offer” applies to any personal data held by the Sponsor, the Company and the Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

Application for Public Offer Shares by giving electronic application instructions to Hongkong Clearing is only a facility provided to CCASS Participants. The Company, the Global Coordinator and any parties involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to Hongkong Clearing through the CCASS Phone System, CCASS Investor Participants are advised not to wait until the last minute to phone in with their applications. If CCASS Investor Participants have problems in connecting to the CCASS Phone System to submit electronic application instructions, they should either:

- (a) **submit the WHITE or YELLOW Application Form (as appropriate) or apply using an ESP; or**
- (b) **go to Hongkong Clearing’s Customer Service Centre to complete an application instruction input request form before 12:00 noon on Friday, 12th January, 2001 or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” above.**

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

8. HOW TO APPLY BY USING AN ESP

- (a) You may apply by instructing an ESP to act as your agent to apply for Public Offer Shares on your behalf. An ESP is either a registered dealer or an exempt dealer as defined under the Securities Ordinance or a recognised clearing house as defined in the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong). A list of the names of the ESPs who may provide services as an ESP in relation to the Public Offer released by the Securities and Futures Commission may be obtained on the website of the Company (www.cr-asia.com). **Applicants are asked to consider carefully in choosing an ESP since an ESP will be acting for you as your agent to apply for Public Offer Shares on your behalf and may be collecting and handling application monies from you and other applicants using this method. Accordingly, applicants using an ESP to apply for Public Offer Shares on their behalf do so at their own risk.**
- (b) When you apply for Public Offer Shares using an ESP, your ESP may have several ways for you to give instructions, such as by telephone or via the Internet, and may make available a number of ways for you to pay for the number of Public Offer Shares you applied for, such as on-line debit of bank accounts, by debiting money from any securities account you may have with your ESP or by cheque or banker's cashier order.
- (c) In addition to the terms and conditions set out in this prospectus, your ESP may impose fees and other terms and conditions on you. Once your ESP has collected application details and, where applicable, application monies from you and its other underlying applicants, it will then apply as your agent on your behalf using an ESP Application Form. Please consult your ESP for further details.
- (d) You may submit your application details to any ESP which may provide such services at any time between 9:00 a.m. on Tuesday, 9th January, 2001 and 12:00 noon on Friday, 12th January, 2001.
- (e) In choosing to apply for the Public Offer Shares using an ESP, you should be aware of the following:
- You can elect how you wish to receive your allocations of Public Offer Shares, if any. You may be able to elect for your share certificates to be: (i) issued in your own name; or (ii) issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
 - In relation to an ESP using the Internet to collect applications, the Securities and Futures Commission has published "Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering" in relation to the collection by ESPs of application details and application monies from applicants. In relation to this, ESPs are required to

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

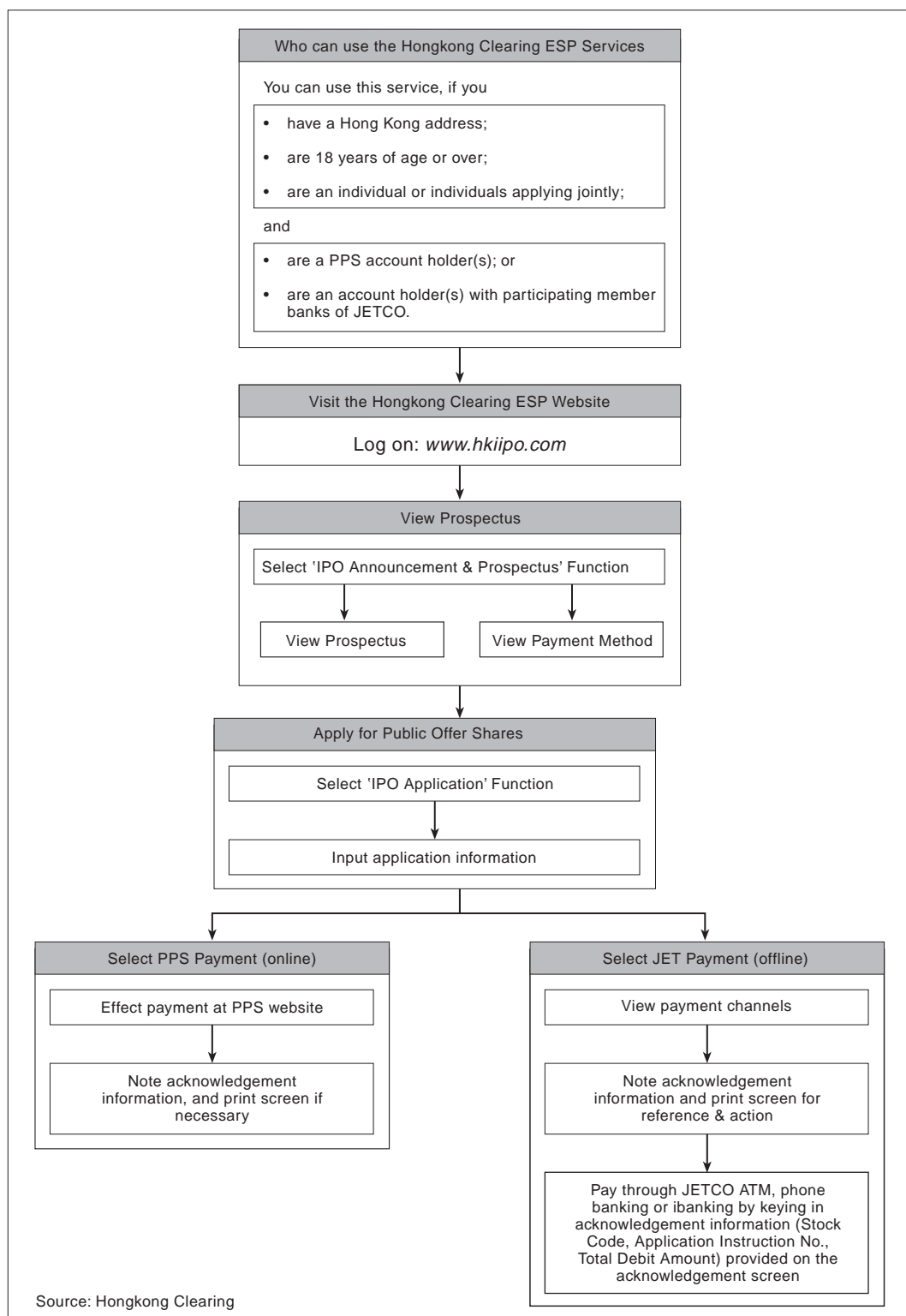
have regard to the Securities and Futures Commission's "Guidance Note on Internet Regulation". Whilst these guidelines do not have the force of law, any ESPs who do not comply with the guidelines may be in breach of relevant laws or regulations.

- Websites of ESPs are provided by the relevant ESPs, and not by the Company, the Global Coordinator or any other parties involved in the Share Offer and are not otherwise authorised by any of them.
- (f) You may apply for a minimum of 2,000 Public Offer Shares if you use an ESP to apply for the Public Offer Shares. Each application instruction to an ESP for more than 2,000 Public Offer Shares must be in one of the multiples set out in the table in the Application Form.
- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, all your applications will be rejected. See the paragraph headed "How many applications you can make" in the section headed "Terms and Conditions of the Public Offer".
- (h) In relation to applying through an ESP, the arrangements for the posting of share certificates and refund of application monies for applying for Public Offer Shares are the same as for applicants applying for Offer Shares using a **WHITE** Application Form or a **YELLOW** Application Form, as appropriate. See the paragraph headed "Refund of your money – additional information" in the section headed "Terms and Conditions of the Public Offer".
- (i) The Company has appointed Hongkong Clearing to act as an ESP for the Public Offer. Hongkong Clearing is offering services as an ESP continuously via its website at www.hkiipo.com during the Public Offer starting from 9:00 a.m. on Tuesday, 9th January, 2001 until 12:00 noon on Friday, 12th January, 2001. This service is available to investors who have maintained accounts with participating member banks of Joint Electronic Teller Services Limited ("**JETCO**") or Electronic Payment Services Company (Hong Kong) Limited ("**EPSCO**"). A list of the participating member banks is available on the website at www.hkiipo.com. There is no need to open an account with CCASS in order to apply for Public Offer Shares using this service and no transaction cost or handling fee is charged for using it.

If you use Hongkong Clearing as your ESP and have submitted an application through Hongkong Clearing's ESP services, you can either pay your application monies via JET Payment through JETCO or PPS Payment through EPSCO by following the procedures provided on its website. Application monies will be debited from your bank account immediately if you are using PPS Payment or at the time you effect your JET Payment.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The following diagram shows the operational flow of Hongkong Clearing's ESP service:



Note: Share certificates and refund cheques will be posted directly to you by the Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Warning

ESPs are agents of applicants and not agents of the Company, the Global Coordinator or any parties involved in the Share Offer. There is no assurance that using an ESP to apply for Public Offer Shares on your behalf will result in a valid application being submitted on your behalf. Investors are urged to carefully evaluate the services offered by ESPs. For further details, see the section headed “Risk Factors”.

Investors applying for Public Offer Shares on-line through websites operated by ESPs should also note that the risks associated with conducting transaction through the Internet are to be borne by the users of these websites. Such risks include, for example: (i) interruption, transmission blackout or delayed transmission due to Internet traffic; (ii) incorrect data transmission due to the public nature of the Internet; (iii) information downloaded from the Internet may be incomplete, altered or tampered with and may not present complete and accurate information; and (iv) that there may be damage caused to the computer software or hardware of users or visitors to ESPs’ websites caused by virus transmission from, or technical defects of, these websites. None of the Company, the Global Coordinator or other parties involved in the Placing and Public Offer or their respective directors, officers, employees, partners agents and advisers shall be liable for any losses suffered or incurred as a result of use of these websites or reliance on any information downloaded from these websites (other than this prospectus for which the Directors accept responsibility as provided herein). Applicants are advised not to wait until the last minute to instruct their ESPs due to such risks.

9. HOW TO APPLY IF YOU ARE AN ESP

- (a) Consolidate share applications received from individual applicants and, if applicable, application monies from individual applicants and submit a bulk application as agent on behalf of such underlying applicants using the ESP Application Form which is available for collection from the locations set out in the section headed “Where To Collect The Application Forms”. Each application for Public Offer Shares for the benefit of an underlying applicant must be in one of the numbers set out in the table in the Application Form. Applications for any other number of Public Offer Shares will be rejected.
- (b) A completed application by an ESP may be submitted in one of the following two ways:
 - (i) an ESP may submit a final application (**“Final ESP Application”**) by 1:00 p.m. on Friday, 12th January, 2001 which must:
 - be set out in the format specified by the Federation of Share Registrars Limited in compliance with the “Operational Procedures for eIPO Applications Submitted via Banks/Stockbrokers” published by the Federation of Share Registrars Limited;

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- include a completed ESP Application Form;
 - include a completed “eIPO Applications Submission Form” as provided by the Federation of Share Registrars Limited indicating the electronic media used for transmitting application details of the underlying applicants;
 - include a data file in read-only CD-ROM format or transmitted via the Securities and Derivatives Network (“**SD Net**”), and, in the case of a read-only CD-ROM being used for transmitting details of the underlying applicants, the CD-ROM must be sealed in an envelope bearing the ESP’s company chop and signature of an authorised person across the seal;
 - include two copies of a summary of eIPO applications in the format specified by the Federation of Share Registrars Limited; and
 - include payment in the forms specified in sub-paragraph (d) below (together with a multi-cheques list in the form specified by the Federation of Share Registrars Limited, if applicable); or
- (ii) an ESP may submit a preliminary application (“**Preliminary ESP Application**”) by 1:00 p.m. on 12th January, 2001 provided that it submits the Final ESP Application in the manner set out in sub-paragraph (b)(i) above by 3:00 p.m. on 12th January, 2001. The Preliminary ESP Application must:
- be set out in the format specified by the Federation of Share Registrars Limited in compliance with the “Operational Procedures for eIPO Applications Submitted via Banks/Stockbrokers” published by the Federation of Share Registrars Limited;
 - include a data file in read-only CD-ROM format or transmitted via the SD Net, and, in the case of a read-only CD-ROM being used for transmitting details of the underlying applicants, the CD-ROM must be sealed in an envelope bearing the ESP’s company chop and signature of an authorised person across the seal;
 - include a completed “eIPO Applications Submission Form” as provided by the Federation of Share Registrars Limited indicating the electronic media used for transmitting application details of the underlying applicants; and
 - include two copies of a summary of eIPO applications in the format specified by the Federation of Share Registrars Limited.

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If an ESP chooses to submit the application details of underlying applicants via the SD Net, it must ensure that the transmission of such data files is completed at or before the time when the corresponding Preliminary ESP Application or Final ESP Application is submitted.

An ESP can submit more than one Final ESP Application to apply for Public Offer Shares on behalf of underlying applicants, although multiple applications on behalf of the same underlying applicants will be rejected.

- (c) The Preliminary ESP Application and the Final ESP Application may be lodged, in an unsealed envelope bearing the company chop of the relevant ESP, at a special counter at the following receiving bank branch:

Standard Chartered Bank, Custody
and Clearing Services Department

Custody and Clearing Services
Department, 8/F, Edinburgh Tower,
The Landmark, 15 Queen's Road
Central

- (d) Application monies received from individual applicants may be submitted on behalf of the underlying applicants either:
- in the form of a single cheque or a banker's cashier order showing the name of the ESP or its nominee and made payable to "**Horsford Nominees Limited – CRA Public Offer**"; or
 - in the form of the individual cheques and/or bankers' cashier orders received from the underlying applicants showing the names of the respective underlying applicants and each made payable to "**Horsford Nominees Limited – CRA Public Offer**".

If an ESP is submitting application monies in the form of individual cheques and/or bankers' cashier orders, it must ensure that the following details are stated on the reverse of each of the cheques and/or bankers' cashier orders, as the case may be, received from the underlying applicants:

- its eIPO Service Provider ID;
- the file number of the data file containing application details of such underlying applicants; and
- the application number given to that underlying applicant in that relevant data file.

It is each ESP's responsibility to ensure that the details on the cheques and/or bankers' cashier orders received from the underlying applicants and submitted with the ESP Application Form correspond with the application details contained in the read-only CD-ROM or data file it is submitting together with the completed

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

ESP Application Form. The Company and the Global Coordinator have full discretion to reject any or all applications in case of discrepancies.

ESPs must use separate ESP Application Forms if they wish to submit applications using more than one of the payment methods above.

- (e) In submitting a completed ESP Application Form to apply for Public Offer Shares on behalf of underlying applicants, each ESP confirms that it has complied with (if applicable) the Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering issued by the Securities and Futures Commission, as amended from time to time, and all applicable laws and regulations (whether statutory or otherwise), and that it agrees to be bound by the terms and conditions and application procedures set out in this prospectus and the ESP Application Form. Further details on the terms and conditions applicable to an ESP are set out in the section “Terms and Conditions of the Public Offer”.

10. RESULTS OF ALLOCATIONS

The results of allocations of the Offer Shares under the Public Offer, including applications made under **WHITE**, **YELLOW** and **ESP** Application Forms and by giving electronic application instructions to Hongkong Clearing, which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Offer Shares successfully applied for, will be published on the GEM website and in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before 17th January, 2001.

TERMS AND CONDITIONS OF THE PUBLIC OFFER

1. GENERAL

- (a) If you apply for the Public Offer Shares in the Public Offer, you will be agreeing with the Company and the Global Coordinator (on behalf of the Public Offer Underwriters) as set out below.
- (b) If you instruct an ESP to act as your agent to apply for Public Offer Shares on your behalf or electronically instruct Hongkong Clearing to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf, you will have authorised the ESP or HKSCC Nominees (as the case may be) to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf an ESP and HKSCC Nominees are applying for the Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to ESPs or Hongkong Clearing; and references to “Application Forms” shall, if the context so permits, include references to the ESP Application Form by which your application is made, if applicable.
- (d) Applicants should read carefully this prospectus, including other terms and conditions of the Public Offer, the paragraph headed “The Public Offer” in the section headed “How to Apply for the Public Offer Shares” and the terms and conditions set out in the relevant Application Form or imposed by the relevant ESP or Hongkong Clearing (as the case may be) prior to making an application.

2. OFFER TO PURCHASE THE PUBLIC OFFER SHARES

- (a) You offer to purchase from the Company at the Offer Price the number of the Public Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) A refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage and Stock Exchange transaction levy attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form or your instructions to your ESP on or before 17th January, 2001.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the paragraphs headed “If your application for the Public Offer Shares is successful (in whole or in part)” and “Refund of your money – additional information” in this section.

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- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to Hongkong Clearing via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

- (a) The Public Offer Shares will be allocated after the application lists close. The Company expects to announce the final number of Public Offer Shares, the level of applications under the Public Offer and the basis of allocations of the Public Offer Shares in the South China Morning Post and the Hong Kong Economic Times on Wednesday, 17th January, 2001.
- (b) The results of allocations of the Public Offer Shares under the Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of Public Offer Shares successfully applied for, will be made available on Wednesday, 17th January, 2001 in the manner described in the paragraph headed “Results of Allocations” in the section headed “How to Apply for the Public Offer Shares”.
- (c) The Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If the Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Share Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer”.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance. This does not affect any other right you may have.

4. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Public Offer Shares only if:
 - You are a **nominee**, in which case you may make an application as a nominee by: (i) using an ESP as your agent; or (ii) giving electronic application instructions to Hongkong Clearing (if you are a CCASS Participant); and (iii) lodging more than one application in your own name

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on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- another identification number

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are liable to be rejected.

(b) **All** of your applications under the Public Offer are liable to be rejected as multiple applications if you, or you and other joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** Application Form or by using an ESP as your agent to apply or by giving **electronic** application instructions to Hongkong Clearing;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by using an ESP as your agent to apply or by giving **electronic** application instructions to Hongkong Clearing to apply for more than the number of Public Offer Shares initially available under the Public Offer; or
- receive any Placing Shares under the Placing.

(c) **All** of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on electronic application instructions or your ESP). If an application is made by an unlisted company and: (i) the only business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. **Unlisted company** means a company with no equity securities listed on the Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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5. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- **instruct** and **authorise** the Company, the Sponsor and/or the Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association of the Company and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles of Association of the Company;
 - **represent** and **warrant** that you are not a United States person (as defined in Regulation S under the US Securities Act);
 - **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, the Sponsor, the Global Coordinator and the Underwriters nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;
 - **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
 - (if the application is made by an agent on your behalf) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by using an ESP as your agent to apply or by giving electronic application instructions to Hongkong Clearing;
 - (if the application is made for your own benefit) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
 - (if you are an ESP or otherwise an agent for another person) **warrant** that the application is the only application which will be made for the benefit of

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that other person on a **WHITE** or **YELLOW** Application Form or by using an ESP as that other person's agent to apply or by giving electronic application instructions to Hongkong Clearing, and that you are duly authorised to sign the Application Form as that other person's agent;

- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to the Company, the Sponsor, the Global Coordinator and their respective agents any information about you which they require or the person(s) for whose benefit you have made the application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form or the address submitted by your ESP (except that if you have applied for 500,000 Public Offer Shares or more and have indicated in your Application Form or the application submitted by your ESP, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on 17th January, 2001 from the Share Registrar);
- **understand** that these declarations and representations will be relied upon by the Company, the Sponsor and the Global Coordinator in deciding whether or not to allocate any Public Offer Shares in response to your application;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sponsor, the Global Coordinator and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any

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actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

- (b) If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you **agree** that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by Hongkong Clearing for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form.
- (c) If you apply for the Public Offer Shares using an ESP, in addition to the confirmations and agreements above reference to in (a) above, you are deemed to do the following:
- **instruct** and **authorise** your ESP to apply for the number of Public Offer Shares as instructed by you on the terms and conditions contained in this prospectus and subject to the Articles of Association of the Company as agent on your behalf;
 - **agree** that the Public Offer Shares to be allocated shall be: (i) registered in your name and that share certificates be issued in your name; or (ii) registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant stock account of the ESP who has applied for the Public Offer Shares on your behalf;
 - **undertake** and **agree** to accept the Public Offer Shares in respect of which you have applied for through your ESP or any lesser number;
 - **warrant** that you have validly and irrevocably conferred on your ESP all necessary power and authority to apply for Public Offer Shares; however, you may revoke the instructions before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
 - (if you are submitting your application details to the ESP through the Internet) **confirm** that you are aware of the risks associated with conducting transactions over the Internet including: (i) interruption, transmission blackout or delayed transmission due to Internet traffic; (ii) incorrect data transmission due to the public nature of the Internet; (iii) information downloaded from the Internet may be incomplete, altered or tampered with and may not present complete and accurate information; and (iv) that there may be damage caused to the computer software or hardware of users or visitors to ESPs' websites caused by virus transmission from, or technical defects of, these websites;

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- **agree** that you will not copy, reproduce, republish, frame, upload to a third party, transmit or distribute any part of or the whole of the electronic copy of this prospectus;
- **agree** that no representations, warranties, guarantees or undertakings (whether express or implied) are made or given by the Company, the Sponsor, the Global Coordinator or any parties involved in the Placing and the Public Offer and their respective directors, officers, employees, partners, agents and advisers in any respect in relation to:
 - information and data (other than this prospectus for which the Directors accept responsibility as provided herein) contained in, and the use of, any websites of any ESPs; and
 - the receipt and processing of application details provided by applicants using any ESP or the collection, storage and disclosure of personal data provided by the underlying applicants;
- **agree** that to the extent permitted by law, the Company, the Sponsor, the Global Coordinator and any other parties involved in the Share Offer and their respective directors, officers, employees, partners, agents and advisers accept no liabilities for any claims, demands, losses and damages (whether direct or indirect) of any kind, including but not limited to contractual, tortious, statutory, strict, civil and criminal liabilities and liabilities under any theories of liabilities, howsoever arising from, or in connection with, the use of or in reliance on the information and data (other than this prospectus for which the Board accepts responsibility as provided herein) contained in any websites of any ESPs;
- **agree** that any websites operated by ESPs are provided by the respective ESPs independently of the Company, the Sponsor, the Global Coordinator and other parties involved in the Share Offer. None of the Company, the Global Coordinator or any other parties to the Share Offer or their respective directors, officers, employees, partners, agents and advisers have authorised:
 - any ESP or any other person to add to, amend, delete or in any way change the content or form of, or the information contained in, this prospectus; or
 - any ESP or any other person to make any statement or recommendation or to provide any additional information or comment concerning the matters and information contained in this prospectus;
- **agree** that unless otherwise specified in this prospectus, nothing arising from, or connected with, the use of any websites of any ESPs will form the basis of any relationship (including, but not limited to, a contractual or fiduciary relationship) with any of the Company, the Sponsor, the Global

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Coordinator, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers. Nothing contained in any websites of any ESPs shall be read or interpreted as to contradict the terms and conditions set out in this prospectus;

- **agree** that no offer or invitation to acquire shares in the Company is being made by or in connection with information or data provided on any websites of any ESPs not contained in this prospectus. Any such offer or invitations is made solely by means of the prospectus and any acquisition of the Public Offer Shares should be made solely on the basis of the information contained in this prospectus.
- (d) In addition, by giving electronic application instructions to Hongkong Clearing or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to Hongkong Clearing, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither Hongkong Clearing nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:
- **instruct** and **authorise** Hongkong Clearing to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;
 - **instruct** and **authorise** Hongkong Clearing to arrange payment of the maximum Offer Price, brokerage and Stock Exchange transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$1.15, refund the appropriate portion of the application money by crediting your designated bank account;
 - (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorise** Hongkong Clearing to cause HKSCC Nominees to do on your behalf the following:
 - **agree** that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on your behalf;
 - **undertake** and **agree** to accept the Public Offer Shares in respect of which you have given electronic application instructions or any lesser number;
 - (if the electronic application instructions are given for your own benefit) **declare** that only one set of electronic application instructions has been given for your benefit;

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- (if you are an agent for another person) **declare** that you have given only one set of electronic application instructions for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
- **understand** that the above declaration will be relied upon by the Company in deciding whether or not to make any allocation of the Public Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;
- **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allocated in respect of your electronic application instructions and to send share certificates and/or refund in accordance with arrangements separately agreed between the Company and Hongkong Clearing;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions on your behalf;
- **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- **agree** to disclose your personal data to the Global Coordinator, the Sponsor, the Company, the Share Registrar, Receiving Banker, agents and advisers and any information about you which they require;
- **agree** that you cannot revoke electronic application instructions before 7th February, 2001, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before 7th February, 2001, except by means of one of the procedures referred to in this prospectus. However, you may revoke the instructions before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked

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and that acceptance of that application will be evidenced by the results of the Public Offer made available by the Company; and

- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and Hongkong Clearing, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Public Offer Shares.

(e) In submitting a completed ESP Application Form, an ESP:

- **confirms** that it has complied with all applicable laws and regulations in relation to the provision of ESP services in relation to the Public Offer and that it has complied with all the provisions contained in: (i) the Guidance Note on Internet Regulation; and (ii) the Guidelines for Registered Persons Using the Internet to Collect Applications for Securities in an Initial Public Offering issued by the Securities and Futures Commission (where applicable);
- **confirms** that it has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that it is applying for the Public Offer Shares as agent on behalf of the underlying applicants;
- **warrants** that the application is the only application which will be made for the benefit of the underlying applicant;
- (in relation to those ESPs who provided on-line application facilities via their websites) **confirms** and **agrees** that:
 - it is either a registered dealer or an exempt dealer as defined under the Securities Ordinance or a recognised clearing house as defined in the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong) and named in the list of the names of the ESPs which may provide services as an ESP in relation to the Public Offer released by the Securities and Futures Commission, a copy of which may be obtained on the website of the Securities and Futures Commission;
 - it cannot accept instructions for application of the Public Offer Shares after 12:00 noon on 12th January, 2001;
 - the website through which it is collecting share applications is provided independently of the Company, the Global Coordinator or their respective directors, officers, employees, partners, agents and advisers and other parties involved in the Share Offer;

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- the prospectus was displayed on its website or otherwise made available to the public no earlier than 9:00 a.m. on 9th January, 2001 and was/will be withdrawn from its website no later than 12:00 noon on Friday, 12th January, 2001;
- the Company and the Sponsor, the Global Coordinator or their respective directors, officers, employees, partners, agents and advisers take no responsibility as to the content (other than this prospectus for which the Directors accepts responsibility as provided herein) or the operation of its website;
- none of the Company, the Sponsor, the Global Coordinator or their respective directors, officers, employees, partners, agents and advisers or any other parties involved in the Share Offer has authorised it or any other person to add to, amend, delete, or in any way change the content or form of, or the information contained in, this prospectus, or to make any statement or recommendation or to provide any additional information or comment concerning the matters and information contained in this prospectus;
- each of the Company, the Sponsor, the Global Coordinator or their respective directors, officers, partners, employees, agents, advisers or any other parties involved in the Share Offer expressly disclaims any responsibility or liability for any claims, demands, losses and damages (whether direct or indirect) of any kind whatsoever arising out of, or in connection with any addition, amendment, deletion or other change to this prospectus and any statement, recommendation, comment or information not contained in this prospectus;
- no guarantees, undertakings, warranties or representations (whether express or implied) are made or given by the Company, the Sponsor, the Global Coordinator or their respective directors, officers, employees, partners, agents and advisers or any other parties involved in the Share Offer in any respect in relation to the information and data (other than this prospectus for which the Directors accept responsibility as provided herein) contained in, and the use of, its website;
- to the extent permitted by law, the Company, the Sponsor, the Global Coordinator, their respective directors, officers, employees, partners, agents and advisers and any other parties involved in the Share Offer accept no liability for any claims, demands, losses and damages (whether direct or indirect) of any kind, including, but not limited to, contractual, tortious, statutory, strict, civil and criminal liabilities and liabilities under any theories of liabilities, howsoever arising from, or in connection with, the use of, or in reliance on, the information and data (other than this prospectus for which the Directors accept responsibility as provided herein) contained in its website;

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- unless otherwise specified in this prospectus, nothing arising from, or connected with, the use of its website will form the basis of any relationship (including, but not limited to, a contractual or fiduciary relationship) with any of the Company, the Sponsor, the Global Coordinator, any other parties involved in the Share Offer or their respective directors, officers, employees, partners, agents and advisers and that nothing contained in its website shall be read or interpreted as to contradict the above terms and conditions;
- no offer or invitation to acquire shares in the Company is being made by or in connection with information or data provided on any of the websites that ESP operates and which is not contained in this prospectus; and
- it will not copy, reproduce, republish, frame, upload to a third party, transmit or distribute any part of or the whole of the electronic copy of this prospectus;
- **undertakes** to sign all documents and do all things necessary to enable the underlying applicants on whose behalf it is applying for the Public Offer Shares to be registered as the holders of the Public Offer Shares allocated to them, and as required by the Articles of Association of the Company;
- **represents** and **warrants** that measures reasonably designed to guard against sales or provision of services to US persons have been put in place in respect of the ESP services it is offering in relation to the Public Offer;
- **confirms** that it has handled the personal information obtained from the underlying applicants in compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong);
- **agrees** to disclose to the Company, the Sponsor, the Global Coordinator and their respective agents any information about it or the underlying applicants for whom it is applying for the Public Offer Shares as agent which they require;
- **warrants** that it has all the necessary power and authority to make the application for the Public Offer Shares on behalf of the underlying applicants; and
- **understands** that the above declarations and representations will be relied upon by the Company, the Sponsor and the Global Coordinator in deciding whether or not to allocate any Public Offer Shares in response to your application.

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- (g) The Company, the Sponsor, the Global Coordinator, the Underwriters and their respective directors and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in your application.
- (h) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing an Application Form, you agree that you cannot revoke your application before 7th February, 2001. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before 7th February, 2001 except by means of one of the procedures referred to in the prospectus. For this purpose, acceptance of applications which are not rejected will be constituted by announcement of the basis of allocation and/or making available the results of allocation publicly, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

You may only revoke your application earlier than 7th February, 2001 if a person responsible for the prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for the prospectus.

If your application has been accepted, it cannot be revoked.

(b) **If the allocation of Public Offer Shares is void:**

Your allocation of Public Offer Shares will be void if the GEM Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the GEM Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

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(c) **If you make applications under the Public Offer as well as the Placing:**

By filling in any of the Application Forms or using an ESP as your agent to apply or giving application instructions to Hongkong Clearing electronically, you agree not to apply for Placing Shares under the Placing. Reasonable steps will be taken to identify and reject applications under the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer.

(d) **If the Company, the Global Coordinator or their respective agents exercise their discretion:**

The Company, the Global Coordinator or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(e) **If:**

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Shares under the Placing;
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof; or
- you apply on an Application Form for more than 100% of the Public Offer Shares initially being offered to the public for subscription.

(f) If you are using an ESP as your agent to apply for Public Offer Shares on your behalf or if you are giving **electronic** application instructions to Hongkong Clearing to apply for Public Offer Shares on your behalf, you will also not be allocated any Public Offer Shares if your ESP's or HKSCC Nominees's application is not accepted.

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IF YOUR APPLICATION FOR THE PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) If you are applying using a WHITE Application Form or if you are using an ESP as your agent to apply and you elect to receive any share certificate(s) in your name:

- Refund cheques for these applicants who apply for less than 500,000 Shares are expected to be despatched on or before 17th January, 2001 to the same address as that for share certificate(s).
- Applicants who apply on **WHITE** Application Forms or ESP Application Forms for 500,000 Shares or more under the Public Offer and have indicated in their Application Forms or the applications submitted by their ESPs that they wish to collect share certificates and (where applicable) refund cheques in person from the Company's branch share registrar may collect share certificates and (where applicable) refund cheques in person from the Company's branch share registrar, Abacus Share Registrars Limited, 2401 Prince's Building, Central, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 17th January, 2001.
- Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's respective chops. Both individuals and authorised representative (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Share Registrar.
- Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms.

(b) If: (i) you are applying on a YELLOW Application Form; or (ii) you are using an ESP as your agent to apply; or (iii) you are giving electronic application instructions to Hongkong Clearing, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS: If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or through your ESP or electronically, as the case may be), at the close of business on Wednesday, 17th January, 2001 or, under certain contingent situations, on any other date as shall be determined by HongKong Clearing or HKSCC Nominees.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:** For Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

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- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:** The Company is expected to make available the results of the Public Offer, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "Results of allocations" in the section headed "How to apply for the Public Offer Shares", on 17th January, 2001. You should check against the results made available by the Company and report any discrepancies to Hongkong Clearing before 5.00 p.m. on 17th January, 2001 or such other date as shall be determined by Hongkong Clearing or HKSCC Nominees. On 18th January, 2001 (being the next day following the credit of the Public Offer Shares to your stock account) you can check your new account balance via the CCASS Phone System (under the procedures contained in Hongkong Clearing's "An Operating Guide for Investor Participants" in effect from time to time). Hongkong Clearing will also mail to you an activity statement showing the number of Public Offer Shares credited to your stock account.
- **If you have given electronic application instructions to Hongkong Clearing:** The Company is expected to make available the application results of the Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Broker Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (as appropriate) in the manner described in the paragraph headed "Results of allocations", on 17th January, 2001. You should check against the results made available by the Company and report any discrepancies to Hongkong Clearing before 5:00 p.m. on 17th January, 2001 or any other date Hongkong Clearing or HKSCC Nominees chooses.
- **If you are instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions to Hongkong Clearing on your behalf:** You can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.
- **If you are applying as a CCASS Investor Participant by giving electronic instruction to Hongkong Clearing:** You can also check the number of the Public Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System (under the procedures contained in Hongkong Clearing's "An Operating Guide for Investor Participants" in effect from time to time) on 17th January, 2001. On 18th January, 2001 (being the next day following the credit of the Public Offer Shares to your stock account), Hongkong Clearing will also mail to you an activity statement showing the number of the Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.

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8. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

- (a) You will be entitled to a refund if:
- your application is not successful, in which case the Company will refund your application money together with brokerage and Stock Exchange transaction levy to you, without interest;
 - your application is accepted only in part, in which case the Company will refund the appropriate portion of your application money, brokerage and Stock Exchange transaction levy, without interest;
 - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case the Company will refund the surplus application money together with the appropriate portion of brokerage and Stock Exchange transaction levy, without interest; and
 - the conditions of Share Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer – Conditions of the Share Offer”.
- (b) If you apply on **YELLOW** Application Form for 500,000 Shares or more under the Public Offer, you may collect your refund cheque (if any) in person from the Share Registrar on Wednesday, 17th January, 2001. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Public Offer Shares is successful (in whole or in part)” in this section.
- (c) If you are applying using an ESP, all refunds will be made to the underlying applicants as if they applied for the Public Offer Shares using a **WHITE** or **YELLOW** Application Form, depending on your instructions to your ESP.
- (d) If you are applying by giving electronic instructions to Hongkong Clearing to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Broker/Custodian Participant) on 17th January, 2001.
- (e) All refunds by cheque will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form.
- (f) Refund cheques are expected to be despatched on 17th January, 2001. The Company intends to make special efforts to avoid delays in refunding money.

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9. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “**Ordinance**”) came into effect in Hong Kong on 20th December, 1996. This Personal Information Collection Statement informs the applicant for and holder of the Public Offer Shares of the policies and practices of the Company and the Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Company or its Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or refund cheque(s) to which you are entitled.

It is important that holders of securities inform the Company and the Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registrars of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;

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- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and Share Registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by the Company and Share Registrar relating to the applicants and the holders of securities will be kept confidential but the Company and Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- the Company or their respective appointed agents such as financial advisers and receiving bankers;
- Hongkong Clearing and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or the Share Registrar in connection with the operation of their businesses;
- the Stock Exchange, the Securities and Futures Commission and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving electronic application instructions to Hongkong Clearing or by instructing an ESP, you agree to all of the above.

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(d) Access and correction of personal data

The Ordinance provides the applicants the holders of securities with rights to ascertain whether, the Company and/or the Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, the Company and the Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to date or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to the Company for the attention of the Company Secretary or (as the case may be) the Share Registrar for the attention of the Privacy Compliance Officer for the purposes of the Ordinance.

10. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on GEM are expected to commence at 10:00 a.m. on Thursday, 18th January, 2001.
- Shares will be traded on GEM in board lots of 2,000 Shares.
- Any share certificates in respect of Public Offer Shares collected or received by successful applicants will not be valid if the Placing is terminated in accordance with the terms of the Placing Underwriting Agreement.

(b) Shares will be eligible for CCASS

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of Hongkong Clearing are complied with, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM of the Stock Exchange or on any other date Hongkong Clearing chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the auditors and reporting accountants of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 22898888
Facsimile (852) 28109888

9th January, 2001

The Directors
Convenience Retail Asia Limited
BNP Paribas Peregrine Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Convenience Retail Asia Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for inclusion in the prospectus of the Company dated 9th January, 2001 (the "Prospectus") in connection with the new Listing of the Shares of the Company (the "Shares") on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 23rd October, 2000 as an exempted company with limited liability under the Companies Law (2000 Revision). Pursuant to a group reorganisation (the "Reorganisation") as detailed in the paragraph headed "Corporate Reorganisation" in Appendix V of the Prospectus, which was completed on 29th December, 2000, the Company became the holding company of the subsidiaries set out below.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies incorporated in Hong Kong or, if incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong private companies incorporated in Hong Kong.

Name	Place of incorporation/ operation and date of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities
<i>Directly held:</i>				
Convenience Retail Asia (BVI) Limited	British Virgin Islands/ Hong Kong 31 st May, 2000	Ordinary US\$10,000	100	Investment holding

Name	Place of incorporation/ operation and date of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities
<i>Indirectly held:</i>				
Circle K Convenience Stores (HK) Limited	Hong Kong/Hong Kong 1 st March, 1985	Ordinary HK\$183,756,000	100	Convenience stores operator and lease-holder
Circle K Convenience Stores Limited	Hong Kong/Hong Kong 25 th December, 1983	Ordinary HK\$100,000	100	Inactive
Ming Yu Superstore Limited	Hong Kong/Hong Kong 21 st February, 1986	Ordinary HK\$1,000,000	100	Dormant
Web-Logistic (HK) Limited	Hong Kong/Hong Kong 6 th March, 2000	Ordinary HK\$15,600,000	82	Logistic service provide

All companies now comprising the Group have adopted 31st December as their financial year end date.

No audited accounts have been prepared for the Company, Convenience Retail Asia (BVI) Limited, Web-Logistic (HK) Limited and Circle K Convenience Stores Limited, since their respective dates of incorporation as these companies have not been involved in any significant business transactions since incorporation other than the Reorganisation. We acted as auditors of Circle K Convenience Stores (HK) Limited and Ming Yu Superstore Limited for the two years ended 31st December, 1999 and the eight months ended 31st August, 2000.

For the purpose of this report, we have examined the audited accounts or, where appropriate, unaudited management accounts of the companies now comprising the Group for the two years ended 31st December, 1999 and the eight months ended 31st August, 2000 (The "Relevant Periods") and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The financial information as set out in sections 1 to 7 below ("Financial Information") has been prepared based on the audited accounts or, where appropriate, unaudited management accounts of all companies now comprising the Group, on the basis set out in section 1 below. The directors of the respective companies are responsible for preparing accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion on the combined results of the Group for the Relevant Periods and the combined net assets of the Group as at 31st August, 2000.

In our opinion, the Financial Information, for the purpose of this report, and prepared on the basis set out in section 1 below, gives a true and fair view of the combined results of the Group for the Relevant Periods and of the combined net assets of the Group as at 31st August, 2000.

1. BASIS OF PRESENTATION

The summary of the combined results of the Group for the Relevant Periods, as detailed in section 3 below, includes the results of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation to 31st August, 2000, whichever is a shorter period.

The summary of the combined net assets of the Group as at 31st August, 2000 as detailed in section 4 below has been prepared to present the assets and liabilities of the Group as at that date, as if the current group structure had been in existence as at that date.

All significant intra-group transactions and balances have been eliminated on combination.

Minority interests represent the interests of outside shareholders in the operating results and net assets of the subsidiaries.

2. PRINCIPAL ACCOUNTING POLICES

The financial information in this report is prepared under the historical cost convention.

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants, are as follows:

(a) Intangible assets

Intangible assets representing the franchise licence to operate convenience stores are stated at cost less accumulated amortisation. Amortisation is charged on a straight line basis over the licence period of 20 years.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Leasehold improvements is depreciated over the unexpired periods of the leases or their expected useful lives to the group whichever is shorter. Other fixed assets are depreciated at rates sufficient to write off their costs over their expected useful lives on a straight line basis. The principal annual rates are as follows:

Furniture, fixtures and equipment	10% - 33.3%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(c) Inventories

Inventories comprising finished goods and are stated at the lower of cost and net realisable value. The cost of inventories is calculated on the weighted average basis including all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(d) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(e) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

(f) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(g) Retirement benefit costs

The contributions to the retirement benefit schemes are expensed as incurred.

(h) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Incentive rebates, support income, promotion and advertising income from suppliers, store display income and income from consignment sales are recognised on an accruals basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Management fee income is recognised on an accruals basis.

Revenue from provisions of services is recognised when the services are rendered.

3. RESULTS

The following is a summary of the combined results of the Group for the Relevant Periods, prepared on the basis set out in section 1 above:

	<i>Note</i>	Year ended		Eight months
		31 st December, 1998	1999	ended 31 st August, 2000
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(a)	980,209	972,921	740,273
Cost of sales		<u>(743,219)</u>	<u>(736,290)</u>	<u>(553,931)</u>
Gross profit		236,990	236,631	186,342
Other revenues	(a)	58,341	59,371	41,582
Store expenses		(261,130)	(236,055)	(161,638)
Distribution costs		(11,753)	(12,214)	(9,988)
Administrative expenses		(28,416)	(32,150)	(23,957)
Other operating expenses		<u>(4,868)</u>	<u>–</u>	<u>–</u>
Operating profit/(loss)	(b)	(10,836)	15,583	32,341
Finance costs	(c)	<u>(12,146)</u>	<u>(8,980)</u>	<u>(4,102)</u>
Profit/(loss) attributable to shareholders		<u><u>(22,982)</u></u>	<u><u>6,603</u></u>	<u><u>28,239</u></u>
Dividend	(g)	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Notes:

(a) Revenue and turnover

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the Relevant Periods are as follows:

	Year ended		Eight months
	31 st December,		ended
	1998	1999	31 st August,
	HK\$'000	HK\$'000	2000
			HK\$'000
Turnover			
Merchandise sales revenue	917,991	924,370	710,271
Video rental income	5,567	–	–
Bakery sales revenue	56,651	48,551	29,691
E-fulfilment service income	–	–	311
	<u>980,209</u>	<u>972,921</u>	<u>740,273</u>
Other revenues			
Incentive rebates, support, promotion and advertising income	47,206	49,386	32,879
Store display income	7,187	6,568	4,602
Income from consignment sales	3,406	3,129	3,758
Interest income	244	127	330
Management fee income	298	161	13
	<u>58,341</u>	<u>59,371</u>	<u>41,582</u>
Total revenues	<u>1,038,550</u>	<u>1,032,292</u>	<u>781,855</u>

(b) Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	Year ended		Eight months
	31 st December,		ended
	1998	1999	31 st August,
	HK\$'000	HK\$'000	2000
			HK\$'000
Amortisation of franchise licence	78	78	52
Auditors' remuneration	347	298	294
Cost of inventories sold	735,556	726,865	546,422
Depreciation of owned fixed assets	19,519	14,656	11,617
Loss on disposal of fixed assets	3,075	329	502
Operating leases – land and buildings	80,455	72,181	49,974
Provision for diminution in value of fixed assets	4,868	–	–
Provision for doubtful debts	500	400	400
Retirement benefit costs (<i>note e</i>)	1,824	2,783	1,363
Staff costs	<u>118,605</u>	<u>118,189</u>	<u>83,409</u>

(c) Finance costs

	Year ended		Eight months
	31 st December,		ended
	1998	1999	31 st August,
	HK\$'000	HK\$'000	2000
			HK\$'000
Interest on bank loans and overdrafts	10,062	7,606	4,102
Interest on loans from immediate holding company	2,084	1,374	–
	<u>12,146</u>	<u>8,980</u>	<u>4,102</u>

(d) Emoluments of directors and employees

Details of emoluments paid by the Group to a director for each of the Relevant Periods are as follows. The remaining four directors did not receive any emoluments from the Group during the Relevant Periods.

	Year ended		Eight months
	31 st December,		ended
	1998	1999	31 st August,
	HK\$'000	HK\$'000	2000
			HK\$'000
Director			
Fees	–	–	–
Basic salaries, allowances and other benefits	450	1,837	1,350
Retirement benefits scheme contributions	–	–	60
	<u>450</u>	<u>1,837</u>	<u>1,410</u>

No directors of the Company waived any emoluments during the Relevant Periods.

The emoluments of a director fell within the following bands:

	Number of directors		Eight months
	Year ended		ended
	31 st December,	1999	31 st August,
	1998		2000
HK\$Nil – HK\$1,000,000	1	–	–
HK\$1,000,001 – HK\$2,000,000	–	1	1
	<u>1</u>	<u>1</u>	<u>1</u>

The five individuals whose emoluments were the highest in the Group for the Relevant Periods include 1 (1999: 1, 1998: 1) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (1999: 4, 1998: 4) individuals during the Relevant Periods are as follows:

	Year ended		Eight months
	31 st December,		ended
	1998	1999	31 st August,
	HK\$'000	HK\$'000	2000
			HK\$'000
Employees			
Basic salaries, allowances and other benefits	2,601	3,406	3,037
Retirement benefits scheme contributions	149	134	90
	<u>2,750</u>	<u>3,540</u>	<u>3,127</u>

The emoluments of the employees fell within the following band:

	Number of employees		Eight months
	Year ended		ended
	31 st December,	1999	31 st August,
	1998		2000
HK\$Nil – HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>

During the relevant periods, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

(e) Retirement benefit costs

The Group operates a defined contribution retirement scheme ("the Scheme") for its employees in Hong Kong. The Scheme is administered by independent trustees.

Contributions to the Scheme by the Group are calculated as a percentage of employees' basic salaries. The contributions are reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

The retirement benefit costs charged to the profit and loss account represent net contributions payable by the Group to the Scheme.

Contributions paid by the Group to the Scheme are as follows:

	Year ended		Eight months
	31 st December,		ended
	1998	1999	31 st August,
	HK\$'000	HK\$'000	2000
			HK\$'000
Gross retirement benefits scheme contributions	3,975	3,870	2,133
Less: Forfeited contributions utilised	(2,151)	(1,087)	(770)
Net retirement benefits scheme contributions	<u>1,824</u>	<u>2,783</u>	<u>1,363</u>

There were forfeited contributions of HK\$50,000 available as at 31st August, 2000 to reduce future contributions.

(f) Taxation

No Hong Kong profits tax has been provided for as the Group has been able to utilise available tax losses brought forward from previous years to offset the assessable profits in the Relevant Periods.

Details of unrecognised deferred taxation balances are set out in section 4(e) below.

(g) Dividends

No dividend has been paid or declared by the Company and the companies comprising the Group during the Relevant Periods.

(h) Profit/(loss) per share

No profit/(loss) per share information is presented as this would be hypothetical due to the reorganisation and preparation of the results on a combined basis, as disclosed in section 1.

(i) Related party transactions

Save as disclosed in section 4(f), the Group entered into the following significant transactions with related parties during the Relevant Periods:

		Year ended		Eight months
		31 st December,		ended
		1998	1999	31 st August,
	Note	HK\$'000	HK\$'000	2000
				HK\$'000
Income				
Management fee from				
Bakehouse Company				
Limited ("Bakehouse")	<i>i</i>	298	161	12
Recharge of office and				
administration expenses				
from Bakehouse	<i>i</i>	1,445	1,769	438
		<u> </u>	<u> </u>	<u> </u>
Expenses				
<i>Purchases from:</i>				
– Li & Fung Trading Limited	<i>ii</i>	–	–	162
– JDH (HK) Limited	<i>iii</i>	–	6,495	4,302
– Nice Image Limited	<i>iii</i>	4,047	2,354	1,401
<i>Management fee to:</i>				
– Li & Fung Retailing				
Limited ("LFR")		7,450	7,394	5,964
– Li & Fung (1937) Limited		1,710	–	–
Interest on loans from LFR	<i>v</i>	2,084	1,374	–
Rental payable to:	<i>vi</i>			
– LFR		450	270	18
– Albinina Limited		116	184	112
– Bomaron Limited		–	–	370
Reimbursement of office				
and administration				
expenses to LFR	<i>vii</i>	5,729	4,240	5,878
System development				
costs to LFR	<i>viii</i>	–	–	304
		<u> </u>	<u> </u>	<u> </u>

- i. *Management fee was charged by the Group to a fellow subsidiary in respect of administrative services provided to it. Reimbursements receivable from the fellow subsidiary were made at cost based on office and administration expenses incurred. These transactions were terminated in February 2000.*
- ii. *Li & Fung Trading Limited is an associated company of an intermediate holding company of the Company.*
- iii. *JDH (HK) Limited and Nice Image Limited are fellow subsidiaries of the Company.*
- iv. *Management fee is charged by the holding companies in respect of various administrative services provided to the Company.*
- v. *Interest was payable at prevailing market rates on loans advanced from the immediate holding company. Loans of HK\$127.7 million were capitalised on 31st August, 2000.*
- vi. *Rentals are payable to the immediate holding company and fellow subsidiaries in accordance with the terms of agreements.*
- vii. *Reimbursements payable to the immediate holding company are made at cost in respect of office and administration expenses incurred.*
- viii. *System development costs were charged by the immediate holding company in respect of system development services provided to the Company. The development was completed in 2000.*

In the opinion of the directors, the above transactions were carried out on normal commercial terms in the ordinary course of business and on terms mutually agreed between the Group and the respective related parties except for items (iv), (vii) and (viii) which are based on an actual cost recovery basis of the Group. The directors confirm that except for the transactions with Bakehouse, the system development costs charged by LFR, the management fee paid to Li & Fung (1937) Limited and the interest paid on loans from LFR, which had been terminated in February 2000, August 2000, October 1998 and January 2000 respectively, the abovementioned transactions will continue subsequent to the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and will be conducted based on the terms of the relevant agreements governing these transactions.

(j) Transfer to and from reserves

There is no movement in reserves required to be disclosed in respect of the Relevant Periods.

4. COMBINED NET ASSETS

The following is a summary of the combined net assets of the Group as at 31st August, 2000, prepared on the basis set out in section 1 above:

	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
INTANGIBLE ASSETS	<i>(a)</i>		357
FIXED ASSETS	<i>(b)</i>		49,137
CURRENT ASSETS			
Inventories, at cost		33,684	
Rental deposits		20,687	
Accounts receivable		20,927	
Other deposits and prepayments		8,494	
Cash and bank balances		90,347	
		<u>174,139</u>	

CURRENT LIABILITES			
Trade payables		185,188	
Other payables and accruals		24,543	
Amount due to immediate holding company	<i>(c)</i>	5,433	
Current portion of long term loans	<i>(d)</i>	850	
		<u>216,014</u>	

NET CURRENT LIABILITIES			<u>(41,875)</u>

			7,619
Deduct:			
LONG-TERM LOANS	<i>(d)</i>		<u>(850)</u>
NET ASSETS			<u><u>6,769</u></u>

Notes:

(a) Intangible assets

	<i>HK\$'000</i>
Franchise licence, at cost	1,559
Less: accumulated amortisation	(1,202)
	<u>357</u>

Franchise licence represents the exclusive territorial rights owned by the Group to operate convenience stores utilising the tradename, trademarks and Circle K System of The Circle K Corporation of the United States of America.

(b) Fixed assets

	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Leasehold improvements	55,802	(48,639)	7,163
Furniture, fixtures and equipment	130,182	(88,221)	41,961
Motor vehicles	2,172	(2,159)	13
	<u>188,156</u>	<u>(139,019)</u>	<u>49,137</u>

(c) Amount due to immediate holding company

The amount due to immediate holding company arose from normal course of business and is unsecured, interest free, and has no fixed terms of repayment.

(d) Long-term loans

	<i>HK\$'000</i>
Other loans	1,700
Less: Amount repayable within one year	(850)
	<u>850</u>

The other loans are unsecured, interest free and repayable by five equal annual instalments of HK\$850,000 each. The loans will be repaid in 2001.

(e) Deferred taxation

The deferred taxation assets/(liabilities) not recognised/ provided as at 31st August, 2000 amounted to:

	<i>HK\$'000</i>
Accelerated depreciation allowances	(4,174)
Tax losses	25,492
	<u>21,318</u>

(f) Banking facilities

As at 31st August, 2000, the CRA Group had available banking facilities guaranteed by the immediate and intermediate holding companies to the extent of HK\$50,888,000. The banks have agreed in principle that the guarantees given by the immediate and intermediate holding companies will be released upon the listing of the shares of the Company on GEM and be replaced by guarantees given by Company.

(g) Commitments*(i) Commitments under operating leases*

At 31st August, 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	<i>HK\$'000</i>
Land and buildings	
– expiring in the first year	7,866
– expiring in the second to fifth years inclusive	59,661
	67,527
	67,527

(ii) Capital commitments

At 31st August, 2000, the Group had capital commitments in respect of the acquisition of fixed assets:

	<i>HK\$'000</i>
Contracted but not provided for	6,325
	6,325

(h) Contingent liabilities

As at 31st August, 2000, the Group had no material contingent liabilities.

(i) Net tangible assets of the Company

The Company was incorporated in the Cayman Islands on 23rd October, 2000. The net tangible assets of the Company as at 31st August, 2000 on the basis set out in section 1 above were HK\$6,412,000 and were represented by investments in the subsidiary.

(j) Distributable reserves

The Company had not been incorporated as at 31st August, 2000 and hence there were no reserves available for distribution to its shareholders at that date.

5. ULTIMATE HOLDING COMPANY

The directors regard King Lun Holdings Limited a company incorporated in the British Virgin Islands, as being the ultimate holding company.

6. SUBSEQUENT EVENTS

- (a) Subsequent to 31st August, 2000, the companies now comprising the Group underwent a reorganisation in preparation for a listing of the shares of the Company on the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited, details of which are set out in the Section "Corporate Reorganisation" in Appendix V of the Prospectus.
- (b) Pursuant to a shareholders' agreement entered into between Web-Logistic (Asia Pacific) Limited ("WLAP"), Convenience Retail Asia (BVI) Limited ("CRA (BVI)") and Web-Logistic (Hong Kong) Limited ("WLHK") dated 18th September, 2000, WLAP was granted an option to purchase from CRA (BVI) the number of shares in WLHK representing 12% of the issued share capital of WLHK on or before 31st July, 2001, at a total consideration of, based on the existing issued share capital of WLHK, HK\$1,872,000. The equity interest held by the CRA Group in WLHK will then be reduced from 82% to 70%.

7. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for any of the companies comprising the Group in respect of any period subsequent to 31st August, 2000.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The estimated combined profit after taxation and minority interests but before extraordinary items of the CRA Group for the year ended 31st December, 2000 is set out in the section headed "Profit estimate, dividends and working capital" above.

BASES

The estimate of the combined profit after taxation and minority interests but before extraordinary items of the CRA Group for the year ended 31st December, 2000 is based on the audited combined financial statements of the CRA Group for the eight months ended 31st August, 2000 and the unaudited management accounts for the three months ended 30th November, 2000 and estimate of the results of the CRA Group for the remaining one month of the year ended 31st December, 2000. The Directors are not aware of any extraordinary items which have arisen in the year ended 31st December, 2000. The estimate has been prepared on the basis of accounting policies consistent with those adopted for the purposes of the accountants' report as set out in appendix I to this prospectus.

Set out below are texts of letters received from PricewaterhouseCoopers, the reporting accountants of the Company, and from the Sponsor in connection with the estimate of the combined profit after taxation and minority interests but before extraordinary items of the CRA Group for the year ended 31st December, 2000.

(i) Letter from PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 22898888
Facsimile (852) 28109888

The Directors
Convenience Retail Asia Limited
BNP Paribas Peregrine Capital Limited

9th January, 2001

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the estimate of the combined profit after taxation and minority interests but before extraordinary items of Convenience Retail Asia Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December, 2000 (the "Estimate") as set out in the subsection headed "Profit estimate" in the section headed "Financial information" in the prospectus of the Company dated 9th January, 2001 (the "Prospectus").

The Estimate, for which the Directors of the Company are solely responsible, has been prepared by the Directors based on the audited combined results of the Group for the eight months ended 31st August, 2000, the unaudited combined results based on management accounts for the three months ended 30th November, 2000 and an estimate of the combined results of the Group for the remaining one month ended 31st December, 2000 on the basis that the current Group structure had been in existence throughout the whole financial year ended 31st December, 2000.

In our opinion, so far as the accounting policies and calculations are concerned, the Estimate has been properly compiled in accordance with the bases made by the Directors as set out in the Section "Bases" of appendix II of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in our Accountants' Report dated 9th January, 2001, the text of which is set out in appendix I of the Prospectus.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(ii) Letter from the Sponsor

BNP PARIBAS PEREGRINE

9th January, 2001

The Directors
Convenience Retail Asia Limited
12th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
Hong Kong

Dear Sirs,

We refer to the estimate of the combined profit after taxation and minority interests but before extraordinary items of Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together the “CRA Group”) for the year ended 31st December, 2000 (the “estimate”) as set out in the prospectus of the Company dated 9th January, 2001.

We have discussed with you the bases upon which the estimate has been made. We have also considered the letter dated 9th January, 2001 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the estimate has been made.

On the basis of the foregoing and on the bases made by you and the accounting policies and calculations reviewed by PricewaterhouseCoopers, we have formed the opinion that the estimate, for which you as directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
BNP Paribas Peregrine Capital Limited
Kenneth Tseung
Executive Director

The following is the text of a letter with summary of valuations, prepared for the purpose of inclusion in this prospectus, received from the property valuer, Greater China Appraisal Limited, independent professional property valuer, in connection with its valuation as at 31st October, 2000 of the property interests of the CRA Group.

GREATER CHINA APPRAISAL LIMITED

漢華評值有限公司

Room 2407
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

9th January, 2001

The Directors
Convenience Retail Asia Limited
12th Floor, LiFung Centre
No. 2 On Ping Street
Siu Lek Yuen
Shatin
New Territories

Dear Sirs,

In accordance with your instructions for us to value the property interests of Convenience Retail Asia Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the capital values of such property interests as at 31st October, 2000 (referred to as the “date of valuation”).

This letter which forms parts of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of properties and the limiting conditions.

Basis of Valuation

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation assuming:

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- (iii) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (iv) that no account is taken of any additional bid by a purchaser with a special interest; and
- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Assumptions

Our valuation has been made on the assumption that in the open market the Company sells the property interests in their continued use and in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interests.

We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures falling within the site are held by the owner or permitted to be occupied by the owner.

We have assumed that all necessary mortgagees' consent to the creation of the tenancy or as the case may be licence over the properties have been obtained and are still subsisting.

Titleship Investigation

We have not been provided with any copies of title documents regarding the properties under valuation but have been given copies of the tenancy agreements and licence agreements. We have caused searches to be made at the Land Registry in Hong Kong for the properties under valuation but we are unable to obtain land searches of those properties which are subject to tenancy agreements and licence agreements made with Hong Kong Housing Authority as landlord or (as the case may be) licensor.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the title of the property interests set out in this report.

Limiting Conditions

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the relevant properties but have assumed that the areas shown on the legal documents provided to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of certain properties included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the properties is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of those properties in which the Company has valid interests. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Opinion of Value

The property interests included in this valuation report, which are held under various tenancy agreements and licence agreements, have no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent or short term nature.

Remarks

Our valuations have been prepared in accordance with generally accepted valuation procedures and comply with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

All property values are denominated in Hong Kong Dollars.

We enclose herewith the summary of valuation in the IPO prospectus. A full valuation report including valuation certificates is submitted to The Stock Exchange of Hong Kong Limited and will be made available for public inspection.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
Greater China Appraisal Limited
K. K. Ip
BLE, ARICS, AHKIS, RPS(GP)
Managing Director

Note: Mr. K. K. Ip, who is a Chartered Valuation Surveyor and a Registered Professional Surveyor, has substantial experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATION

Property interests held under tenancy agreements/licence agreements/tender contract (as convenience stores)

No.	Property	Capital value in Existing state as at 31 st October, 2000
Hong Kong		
1.	Shop Nos. 7 and 8 Town Centre Wah Fu (I) Estate	No commercial value
2.	Shop No. 7 on Ground Floor Commercial Complex of Block K, L, M and N Aberdeen Centre Site 5 Aberdeen	No commercial value
3.	Shop E on Ground Floor Po Wing Building Nos. 61, 63, 65, 67, 71 and 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street Causeway Bay	No commercial value
4.	Shop No. 1 on the Ground Floor and Open Yard Nos. 10-16 Cochrane Street	No commercial value
5.	Shop Nos. 209 and 210 Wo Hing House Hing Wah (II) Estate Chai Wan	No commercial value
6.	Shop No. 7 Shopping Centre Siu Sai Wan Estate Chai Wan	No commercial value
7.	Shop No. 401 Siu Sai Wan Shopping Centre Siu Sai Wan Estate Chai Wan	No commercial value
8.	Portion of Ground Floor Harbour View Garden Tower III (also known as Harbour View Garden (Phase II)) No. 2 Catchick Street Kennedy Town	No commercial value
9.	Shop Nos. H1 and H2 on Ground Floor Block 1 Kornhill	No commercial value
10.	Shop Nos. 1 and 2 on the Fourth Floor of Kornhill Plaza (South) of Kornhill Development Phase II Commercial 2 Kornhill	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
Hong Kong		
11.	Shops 7, 8, 9 and 10 on Ground Floor Teda Building No. 87 Wing Lok Street Sheung Wan	No commercial value
12.	Shop on Ground Floor Stanley Beach Villa No. 90 Stanley Main Street Stanley	No commercial value
13.	Shop No. 3 on Ground Floor On Hong Commercial Building No. 145 Hennessy Road Wanchai	No commercial value
14.	Shop No. 12 Expo Galleria HK Convention and Exhibition Centre Extension Wanchai	No commercial value
15.	Ground Floor and Mezzanine Floor Sun Kai Mansion Nos. 38 Hennessy Road Wanchai	No commercial value
Kowloon		
16.	Ground Floor and Cockloft No. 336 Castle Peak Road Cheung Sha Wan	No commercial value
17.	Unit G09A1 on Ground Floor Cheung Sha Wan Plaza No. 833 Cheung Sha Wan Road	No commercial value
18.	Shop No. 17 Fortune Shopping Centre Fortune Estate	No commercial value
19.	Shop No. 226 Fung Tak Shopping Centre Fung Tak Estate	No commercial value
20.	Shop No. 3C Fu Shun House Fu Shan Estate	No commercial value
21.	Shop Nos. 3 and 4 on Ground Floor Ka Yee Lau 44 Ma Tau Wai Road Ka Wai Chuen Hung Hom	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
Kowloon		
22.	Market Stall Nos. 3, 4, 6, 7 and 9 Telford Gardens No. 33 Wai Yip Street Kowloon Bay	No commercial value
23.	Shop No. 6 Tsui Ping Shopping Circuit Tsui Ping (North) Estate	No commercial value
24.	Shop No. 15 Kam Pik House Choi Hung Estate	No commercial value
25.	Shop on Ground Floor Block S United Christian Hospital No. 130 Hip Wo Street Kwun Tong	No commercial value
26.	Shop on Ground Floor Block A Princess Margaret Hospital No. 2-10 Princess Margaret Hospital Road Lai Chi Kok	No commercial value
27.	Ground Floor Shop LiFung Tower No. 868 Cheung Sha Wan Road Lai Chi Kok	No commercial value
28.	Ground Floor (including the Yard adjacent thereto) Wai Yip House No. 174 Prince Edward Road West	No commercial value
29.	Shop No. 7 on Ground Floor Chip Lee Building Nos. 18, 18A, 20 & 20A Mongkok Road and Nos. 178, 182 & 182A Sai Yeung Choi Street South	No commercial value
30.	Shop A on Ground Floor Anho House Nos. 22, 24 & 28 Nullah Road	No commercial value
31.	Shop G27-30 on Ground Floor of the Commercial Complex known as Amoy Plaza Amoy Gardens Phase I No. 77 Ngau Tau Kok Road	No commercial value
32.	Ground Floor No. 48 Yan Oi Street San Po Kong	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
Kowloon		
33.	Shop E on Ground Floor including the Cockloft thereof Hang Shing Building Nos. 119-125 Fuk Wing Street Nos. 42-44 Kweilin Street	No commercial value
34.	Shop No. 201 Nam Fung House Nam Shan Estate Shek Kip Mei	No commercial value
35.	Ground Floor No. 273 Tokwawan Road Tokwawan	No commercial value
36.	Shop C on Ground Floor (otherwise known as the Ground Floor of the said No. 669 Gillies Avenue) including Portion of Lavatory on Mezzanine Floor Cheong Shing Court Nos. 661-673 Gillies Avenue North Nos. 5-7 San Lau Street	No commercial value
37.	Units 43 and 44 Ground Floor Hunghom Commercial Centre Nos. 37-39 Ma Tau Wai Road	No commercial value
38.	Shop E on Ground Floor and Cockloft Ashley Mansion Nos. 10, 12 & 14 Ashley Road Nos. 3, 5 & 9 Ichang Street Tsim Sha Tsui	No commercial value
39.	Ground Floor No. 75 Austin Road Tsim Sha Tsui	No commercial value
40.	Shop Nos. 59, 60, 61 and 62 of the Retail Portions on the Ground Floor of Commercial Podium Mandarin Plaza No. 14 Science Museum Road Tsim Sha Tsui East	No commercial value
41.	Shop No. G08 on Ground Floor Toyo Mall Intercontinental Plaza No. 94 Granville Road Tsim Sha Tsui East	No commercial value
42.	Shop No. 2 on Ground Floor Chuang's London Plaza No. 219 Nathan Road	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
Kowloon		
43.	Shops A and B on Ground Floor Rose Mansion No. 1 Prat Avenue	No commercial value
44.	Shops B and C on Ground Floor Bo Fung Building Nos. 32, 32A, 33 and 33A Haiphong Road Tsim Sha Tsui	No commercial value
45.	Shop No. 1 Tsz Ching Shopping Centre 1 Tsz Ching Estate	No commercial value
46.	Shop No. 2 on Ground Floor Tsz Ching Shopping Centre Phase 3 Tsz Wan Shan	No commercial value
47.	Shop No. 5 Lok Fu Shopping Centre II Wang Tau Hom	No commercial value
48.	Shop LG6 Lok Fu Shopping Centre (I) Wang Tau Hom	No commercial value
49.	Shop No. S11 Chuk Yuen Shopping Centre Chuk Yuen (South) Estate	No commercial value
50.	Shop No. 101 Commercial Centre Lung Poon Court	No commercial value
51.	Shop No. 1 Carpark Building Ko Chun Court	No commercial value
52.	Unit B on Ground Floor Tung Nam Commercial Centre No. 68 Portland Street	No commercial value
53.	Shop A on Ground Floor Including Cockloft thereof No. 562 Nathan Road	No commercial value
54.	Shop Nos. 32 and 33 on Ground Floor of Site 2 Charming Garden No. 8 Hoi Ting Road	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
New Territories		
55.	Shop 105 Tsui Lam Shopping Centre Tsui Lam Estate Tseung Kwan O	No commercial value
56.	Shop Nos. 110-112 Po Kan House Po Lam Estate Tseung Kwan O	No commercial value
57.	Shop No. 1 on Ground Floor Carpark Building Yan Ming Court Tseung Kwan O	No commercial value
58.	Shop No. 1 Hau Tak Shopping Centre Tseung Kwan O	No commercial value
59.	Shop No. 19 Shopping Centre Ming Tak Estate Tseung Kwan O	No commercial value
60.	Shop No. 8 on Ground Floor Sheung Tak Shopping Centre Sheung Tak Estate Tseung Kwan O	No commercial value
61.	Shop No. 6 King Lam Shopping Centre King Lam Estate Tseung Kwan O	No commercial value
62.	Shop No. 29 on Ground Floor Avon Park No. 15 Yat Ming Road Fanling	No commercial value
63.	Shop No. 6 Shopping Centre Ka Fuk Estate Fanling	No commercial value
64.	Shop No. 112 Wah Ming Shopping Centre Wah Ming Estate Fanling	No commercial value
65.	Shop No. 12 on Ground Floor Shopping Centre Yung Shing Court Fanling	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
New Territories		
66.	Certain Portion of 7th Floor Asia Terminals Centre A Kwai Chung	No commercial value
67.	Shop No. 6 on Ground Floor Chau Kwai House Kwai Chung Estate Kwai Chung	No commercial value
68.	Shop No. 43 (Portion), 44-48 on the Ground Floor New Kwai Fong Shopping Centre New Kwai Fong Gardens Nos. 2-10 Kwai Yi Road Kwai Chung	No commercial value
69.	Shop No. 1 On Yam Shopping Centre On Yam Estate Kwai Chung	No commercial value
70.	Shop Nos. 1 and 2 on Ground Floor Yam Hing House Shek Yam East Estate Kwai Chung	No commercial value
71.	Shop 2 on Ground Floor Win Fong Heights No. 180 Hing Fong Road and No. 15 Shing Fong Street Kwai Chung	No commercial value
72.	Shop No. 12 on Ground Floor including the Cockloft Kam Po Court Lot No. 939 in D.D.215 Sai Kung	No commercial value
73.	Commercial Unit No. 10 and Portion A of Commercial Unit No. 19 on Ground Floor The Commercial and Garage Block Carado Garden Nos. 20-30 Tin Sam Street Shatin	No commercial value
74.	Shop No. 22 on Ground Floor The Commercial and Garage Block Chevalier Garden No. 2 Hang Shun Street Shatin	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
New Territories		
75.	Shop G6 on Ground Floor Commercial Centre Sui Wo Court Shatin	No commercial value
76.	Shop E on Ground Floor Greenfield Court Nos. 9-11 Shatin Wai Road Shatin	No commercial value
77.	Nos. 7 and 9 Ming Yiu Lau on Ground Floor No. 11 Jat Min Chuen Street Jat Min Chuen Shatin	No commercial value
78.	Shop No. 6 Shopping Centre and Storeroom at No. 7 Commercial Complex Sun Chui Estate Shatin	No commercial value
79.	Shop No. 1 Chung On Shopping Centre Chung On Estate Ma On Shan Shatin	No commercial value
80.	Shop No. 2 on Lower Ground Floor 1 Kam Ying Court Shopping Centre Ma On Shan Shatin	No commercial value
81.	Shop No. 2 Kam Tai Shopping Centre Kam Tai Court Shatin	No commercial value
82.	Shop No. G116 Yiu On Shopping Centre Yiu On Estate Ma On Shan Shatin	No commercial value
83.	Shop Nos. 301, 302 and 303 Choi Wah House Choi Yuen Estate Sheung Shui	No commercial value
84.	Shop 1005-1006 on Level 1 Sheung Shui Centre No. 3 Chi Cheong Road Sheung Shui	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
New Territories		
85.	Shop A on Ground Floor and Cockloft Foon Lok Mansion (also known as the Ground Floor and Cockloft of No. 26 Tai Wing Lane) No. 12, 16, 22 & 26 Tai Wing Lane and No. 9 Heung Sze Wui Square Tai Po Market	No commercial value
86.	Shop Nos. 23 and 24 Fu Heng Shopping Centre Fu Heng Estate Tai Po	No commercial value
87.	Shop No. 25 Fu Heng Shopping Centre Fu Heng Estate Tai Po	No commercial value
88.	Shop No. 1 Shopping Centre Wan Tau Tong Estate Tai Po	No commercial value
89.	Shop No. 15 Tin Shui Shopping Centre Tin Shui (II) Estate Tin Shui Wai	No commercial value
90.	Shop No. 10 Tin Shing Shopping Centre Tin Shui Wai	No commercial value
91.	Shop No. 108 Cheung Fat Shopping Centre Cheung Fat Estate Tsing Yi	No commercial value
92.	Shop No. 6 Carpark Building Phase I Tsing Yi Estate Tsing Yi	No commercial value
93.	Shop No. 2 on Ground Floor Belvedere Square Belvedere Garden Phase 3 No. 625 Castle Peak Road Tsuen Wan	No commercial value
94.	Shop A on Ground Floor and Cockloft Tai Yun Mansion Nos. 16 & 20 Hoi Pa Street Tsuen Wan	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
New Territories		
95.	Shop Nos. C9 and C10 Commercial Centre 1 Tai Wo Hau Estate Tsuen Wan	No commercial value
96.	Shop A on Ground Floor Tai Yuen House Nos. 77-83 Tai Pa Street Nos. 59-61 Yuen Tun Circuit Tsuen Wan	No commercial value
97.	Shop Nos. C8, C10 and C12 on the Upper Ground Floor Tsuen Wan Centre Shopping Arcade No. 86 Tsuen King Circuit Tsuen Wan	No commercial value
98.	Shop G on Ground Floor and Store 2B on Cockloft Wing On Mansion Nos. 7-11 Cheong Tai Street Nos. 8-12 On Wing Street and Nos. 22, 24 & 28 Tai Ho Road Tsuen Wan	No commercial value
99.	Shop Nos. 23-23A on Ground Floor Blossom Garden No. 11 Leung Tak Street Tuen Mun	No commercial value
100.	Shop No. K1 Commercial Centre Butterfly Estate Tuen Mun	No commercial value
101.	Cooked Food Stall C13-16 Butterfly Estate Tuen Mun	No commercial value
102.	Shop No. 129 on Ground Floor Chi Lok Fa Yuen Tuen Mun	No commercial value
103.	Shop Nos. 59 and 61 on Ground Floor Glorious Garden No. 45 Lung Mun Road Tuen Mun	No commercial value
104.	Shop No. 102 Shopping Centre Kin Sang Estate Tuen Mun	No commercial value
105.	Shop No. 109 Shopping Centre Leung King Estate Tuen Mun	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
New Territories		
106.	Shop No. 323 Shopping Centre Leung King Estate Tuen Mun	No commercial value
107.	Shop Nos. 11 and 12 on Ground Floor Marina Magic Shopping Mall being the Commercial Centre of Hong Kong Gold Coast No. 1 Castle Peak Road Castle Peak Bay Tuen Mun	No commercial value
108.	Shop Nos. 73, 81 and 82 on Ground Floor Melody Garden No. 2 Wu Chui Road Tuen Mun	No commercial value
109.	Shop Nos. 105 and 106 Oi Yung House Yau Oi Estate Tuen Mun	No commercial value
110.	Shop Nos. 217 and 218 Ting Cheung House On Ting Estate Tuen Mun	No commercial value
111.	Unit D on the Upper Ground Floor Nam Kwong Building No. 11A Tseng Choi Street Tuen Mun	No commercial value
112.	Shop No. 122 Commercial Centre Shan King Estate Tuen Mun	No commercial value
113.	Shop Nos. 5-8 on First Floor Commercial Centre Siu Hei Court Tuen Mun	No commercial value
114.	Shop No. 104 on Ground Floor Commercial Centre Siu Hong Court Tuen Mun	No commercial value
115.	Shop 54 on First Floor Commercial Centre Tai Hing Estate Tuen Mun	No commercial value
116.	Shops 12 and 13 on Ground Floor Tsui Ning Gardens No. 2 Fung On Street Tuen Mun	No commercial value

No.	Property	Capital value in Existing state as at 31 st October, 2000
New Territories		
117.	Shop Nos. 53, 54, 55, 56, 57, 81, 82, 83, 84 and 85 on Ground Floor The Commercial Block Yuet Wu Villa No. 2 Wu Sau Street Tuen Mun	No commercial value
118.	Shop Nos. 3 and 4 on Ground Floor Block C Town Centre Fairview Park Yuen Long	No commercial value
119.	Ground Floor including the Cockloft Kit Man Building No. 1 Kuk Ting Street Yuen Long	No commercial value
120.	Shop Nos. 1 and 2 on Ground Floor Yuk Ping House Long Ping Estate Long Ping Street Yuen Long	No commercial value
121.	Shop Nos. 103 and 105 Hong Shui House Shui Pin Wai Estate Yuen Long	No commercial value
122.	Ground Floor and Cockloft 34 Praya Street Cheung Chau	No commercial value
123.	Shop No. 109 Fu Tung Shopping Centre Hong Kong	No commercial value
124.	An Approximate Total Net Area of 66 Square Metres in the Non-Restricted Areas of the Arrivals Level Main Passenger Terminal Building Hong Kong International Airport Chek Lap Kok Lantau Island	No commercial value
Total:		No commercial value

Property interests held under licence agreements (as office)

No.	Property	Capital value in Existing state as at 31 st October, 2000
125.	Portion of 12th Floor LiFung Centre No. 2 On Ping Street Siu Lek Yuen Shatin New Territories – “Circle K Convenience Stores (HK) Ltd.”	No commercial value
126.	Portion of 12th Floor LiFung Centre No. 2 On Ping Street Siu Lek Yuen Shatin New Territories – “Web-Logistic (HK) Ltd.”	No commercial value
Total:		No commercial value

Property interests held under tenancy agreements/licence agreements (as warehouses)

No.	Property	Capital value in Existing state as at 31 st October, 2000
127.	Portion of 5th Floor LiFung Centre No. 2 On Ping Street Siu Lek Yuen Shatin New Territories – “Circle K Convenience Stores (HK) Ltd.”	No commercial value
128.	Portion of 5th Floor LiFung Centre No. 2 On Ping Street Siu Lek Yuen Shatin New Territories – “Web-Logistic (HK) Ltd.”	No commercial value
129.	Unit C on 11th Floor Tins' Centre Block I No. 3 Hung Cheung Road Tuen Mun New Territories	No commercial value
Total:		No commercial value
Grand total:		No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23rd October, 2000 under the Companies Law (Revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 6th January, 2001. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

- (v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange (as defined in the Articles)) is beneficially interested in 5% or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or
- (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services, such sum as shall from time to time be determined by the Board, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits

additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board whereupon the Board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;

- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which

is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to confirm any amendment to the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or share premium account or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote there at, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) 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 (iii) any 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 the members having the right to vote at the meeting or (iv) 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 in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house is a member of the Company it may authorise such person or persons (or its nominee) as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of incorporation (within a period of not more than 15 months after the

holding of the last preceding annual general meeting or a period of 18 months from the date of incorporation, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 clear days' notice (in

each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors; and
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or the standard form of transfer as prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferrer or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferrer and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferrer shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferrer or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to

show the right of the transferrer to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20% per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 dollars, at the registered office or such other place in the Cayman Islands at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$10.00, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of

such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law (Revised) of the Cayman Islands and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums or shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or

the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a

company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions,

if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the Company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28th November, 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of

Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the court or by a special resolution of its members. The court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A company is placed in liquidation either by an order of the court or by a special resolution of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice or otherwise as the Registrar of Companies may direct.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare

whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Courts. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting shareholders of a United States corporation.

(p) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court of the Cayman Island within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, Cayman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. The letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered and available for inspection" in appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY**Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23rd October, 2000. The Company has established a place of business in Hong Kong at 12th Floor, LiFung Centre, On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong and has been registered as an oversea company under Part XI of the Companies Ordinance. In connection with such registration, Li Kwok Ho, Bruno has been appointed as the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong at 12th Floor, LiFung Centre, On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong. As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum of association and articles of association. A summary of various parts of its constitution and relevant aspects of the Companies Law is set out in appendix IV to this prospectus.

Changes in share capital

As at the date of incorporation of the Company, its initial authorised share capital was HK\$380,000 divided into 3,800,000 Shares. On 1st November, 2000, one Share was allotted and issued at par, credited as fully paid, to the initial subscriber, and was immediately transferred to LFR.

On 29th December 2000, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares to HK\$200,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,996,200,000 Shares. On the same date, the Company allotted and issued 64,305,999 Shares as consideration for the acquisition by the Company from LFR of approximately 95% of the issued share capital of CRA (BVI). On the same date, the Company further allotted and issued 3,384,000 Shares as consideration for the acquisition by the Company from the Designated Directors of approximately 5% of the issued share capital of CRA (BVI).

Assuming that the Share Offer becomes unconditional and the issue of the Offer Shares and the Capitalisation Issue mentioned herein are made but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the options which have been conditionally granted under the Pre-IPO Share Option Plan, the authorised share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares and the issued share capital of the Company will be HK\$65,560,000 divided into 655,600,000 Shares fully paid or credited as fully paid, with 1,344,400,000 Shares remaining unissued. Other than pursuant to the exercise of any options which have been conditionally granted under the Pre-IPO Share Option Plan, any options which may be granted under the Share Option Scheme, or pursuant to the exercise of the Over-allotment Option, and save as otherwise disclosed herein, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

Shareholder's resolution of the Company passed on 27th December, 2000

On 27th December, 2000, a resolution of the shareholder of the Company was passed pursuant to which, conditionally on (i) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any option under the Pre-IPO Share Option Plan; and on (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by BNP Paribas Peregrine Securities on behalf of the Underwriters) and not being terminated in accordance with the terms of either of those agreements or otherwise, the rules of the Pre-IPO Share Option Plan were approved and adopted, and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Pre-IPO Share Option Plan and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Plan.

Shareholders' resolutions of the Company passed on 6th January, 2001

On 6th January, 2001, resolutions of the shareholders of the Company were passed pursuant to which, inter alia:

- (a) conditionally on (i) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option) and on (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by BNP Paribas Peregrine Securities on behalf of the Underwriters) and not being terminated in accordance with the terms of either of those agreements or otherwise, in each case on or before 7th February, 2001 (or such later date as BNP Paribas Peregrine Securities may agree), the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and the Shares which may be required to be issued if the Over-allotment Option is exercised;
- (b) conditionally on (i) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any option under the Share Option Scheme; and on (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by BNP Paribas Peregrine Securities on behalf of the Underwriters) and not being terminated in accordance with the terms of either of those agreements or otherwise, the rules of the Share Option Scheme were approved and adopted, and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be

granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

- (c) conditionally on the share premium account of the Company being credited with a sufficient sum as a result of the Share Offer, an amount of HK\$42,401,000 standing to the credit of such account was directed to be capitalised and applied in paying up in full at par an aggregate of 424,010,000 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of the Company at the close of business on 6th January, 2001 (or such other date as may be determined by any Director) in proportion (as nearly as possible without involving the issue of fractions of Shares) to their then existing respective shareholdings in the Company;
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Plan or the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the shareholders of the Company in general meeting, Shares with an aggregate nominal value not exceeding 20 per cent of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer; (ii) the total nominal value of the share capital of the Company to be issued pursuant to the Capitalisation Issue; and (iii) the total nominal value of share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable law to be held; and
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose such number of Shares as will represent up to 10 per cent of the aggregate of (i) the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer; (ii) the total nominal value of the share capital of the Company to be issued pursuant to the Capitalisation Issue; and (iii) the total nominal value of share capital of the Company which may be issued pursuant to the

exercise of the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable law to be held; and
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above; and
- (g) the Company approved and adopted its existing articles of association.

Corporate reorganisation

The companies comprising the CRA Group underwent a reorganisation to rationalise the CRA Group's structure in preparation for the listing of the Shares on GEM. CRA(BVI) became the intermediate holding company and the Company became the ultimate holding company of the CRA Group. The Reorganisation involved the following:–

- (a) On 24th October, 2000, the Designated Directors entered into separate letters of agreement with LFR pursuant to which, on 31st October, 2000, LFR sold to the Designated Directors severally in aggregate 9,188 ordinary shares of HK\$1,000 each in the share capital of Circle K (HK), representing in aggregate approximately 5% of the entire issued share capital of Circle K (HK), at a consideration of HK\$300 per share.
- (b) On 1st November, 2000, one Share was allotted and issued at par, credited as fully paid, to the initial subscriber, and was immediately transferred to LFR.
- (c) On 22nd December, 2000, CRA(BVI) and the Designated Directors entered into a sale and purchase agreement pursuant to which on the same date the Designated Directors severally transferred to CRA(BVI) 9,188 ordinary shares of HK\$1,000 each, representing in aggregate approximately 5% of the entire issued share capital of Circle K (HK), at a consideration of HK\$338,400 satisfied by the issue of an aggregate of 500 ordinary shares of US\$1 each in CRA(BVI) severally to the Designated Directors.
- (d) On 22nd December, 2000, LFR and CRA(BVI) entered into a sale and purchase agreement pursuant to which on the same date LFR transferred to CRA(BVI) 174,568 ordinary shares of HK\$1,000 each, representing in aggregate approximately 95% of the entire

issued share capital of Circle K (HK), at a consideration of HK\$6,430,600 satisfied by the issue of 9,498 ordinary shares of US\$1 each in CRA(BVI) to LFR.

- (e) On 22nd December, 2000, LFR and CRA(BVI) entered into a sale and purchase agreement pursuant to which on the same date LFR transferred to CRA(BVI) the entire issued share capital of Circle K Convenience Stores Limited, consisting of 10,000 ordinary shares of HK\$10 each, at a consideration of US\$1 satisfied by the issue of 1 ordinary share of US\$1 in CRA(BVI) to LFR.
- (f) On 29th December, 2000, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares to HK\$200,000,000 divided into 2,000,000,000 Shares.
- (g) On 29th December, 2000,, the Designated Directors, LFR and the Company entered into a sale and purchase agreement pursuant to which on the same date the Designated Directors severally transferred to the Company an aggregate of 500 ordinary shares of US\$1 each in CRA(BVI) at a consideration of HK\$338,400, satisfied by the issue of an aggregate of 3,384,000 Shares severally to the Designated Directors and LFR transferred to the Company 9,500 ordinary shares of US\$1 each in CRA(BVI) and assigned to the Company the benefit of a loan in the amount of HK\$12,791,998 previously made by LFR to CRA (BVI), in respect of the cost of the latter's subscription of shares of Web-Logistic (HK), at a consideration of HK\$6,430,600, satisfied by the issue of 64,305,999 Shares to LFR.

Further information in relation to the development and organisation of the Company is contained in the paragraph headed "History and Statement of Active Business Pursuits" in the section headed "Business" of this prospectus.

Changes in the share capital of subsidiaries

The Company's principal subsidiaries are referred to in the accountants' report, the text of which is set out in appendix I to this prospectus. In addition to those mentioned in the section headed "Corporate Reorganisation" in this appendix, the following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

- (a) On 3rd July, 2000, LFR subscribed for 1 ordinary share of US\$1 in CRA(BVI) at par value.
- (b) On 31st August, 2000, the authorised share capital of Circle K (HK) was increased from HK\$5,756,000 to HK\$183,756,000 by the creation of 178,000 ordinary shares of HK\$1,000 each. On the same date, such 178,000 ordinary shares of HK\$1,000 each were issued to LFR at a consideration of HK\$178,000,000.
- (c) On 22nd September, 2000, the authorised share capital of Web-Logistic (HK) was increased from HK\$10,000 to HK\$15,600,000 by the creation of 15,590,000 ordinary shares of HK\$1 each. On the same date, Web-Logistic (HK) issued and allotted 12,791,998 ordinary shares of HK\$1.00 each to CRA(BVI) at a consideration of HK\$12,791,998, and a further 2,808,000 ordinary shares of HK\$1.00 each to Web-Logistic (AP) at a consideration of HK\$2,808,000.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

Repurchase by the Company of its own securities

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Regulations of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All repurchases of securities on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to a resolution passed by the shareholders of the Company dated 6th January, 2001, a general unconditional mandate (the "Buyback Mandate") was given to the Directors authorising any repurchase by the Company of Shares as described above in paragraph (e) of "Shareholders' resolutions of the Company passed on 6th January, 2001".

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10 per cent of the aggregate nominal value of the existing issued share capital of that company and warrants to subscribe for shares in the company representing up to 10 per cent of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange.

(iv) *Status of repurchased securities*

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion with the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) *Connected parties*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the Company. As at the Latest Practicable Date and to the best of the knowledge of the Directors, having made all reasonable enquiries, none of the Directors or their Associates has a present intention to sell Shares to the Company.

(b) Exercise of the buyback mandate

Exercise in full of the Company's share repurchase mandate, on the basis of 680,184,000 Shares in issue immediately after listing of the Shares, completion of the Capitalisation Issue and full exercise of the Over-allotment Option, but taking no account of the Shares which may be allotted pursuant to any options which have been conditionally granted under the Pre-IPO Share Option Plan, could accordingly result in up to 68,018,400 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(c) Reasons for repurchases

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(d) Settlement of repurchases

The Company may not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) General

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Company's share repurchase mandate is exercised in full. However, the Directors do not propose to exercise such mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its maintenance of gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Company's share repurchase mandate in accordance with the GEM Listing Rules, the memorandum and the articles of association of the Company and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a Group of shareholders acting in concert (as defined in the Code), depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the CRA Group within the two years preceding the date of this prospectus and are or may be material:

- (A) Amendment agreement dated 1st July, 2000 between Circle K (US) and Circle K (HK) in respect of the license agreement dated 20th March, 1985 between Circle K (US) as licensor and Circle K (HK) as licensee, pursuant to which (i) the term of the licence agreement was extended to 31st March, 2025 and will thereafter be renewed on an annual basis subject to prior notice of termination on either side; (ii) the licensed territory was amended to include Hong Kong, Macau and the Southern PRC; and (iii) a new set of licensed trademarks were substituted.
- (B) Shareholders' agreement dated 18th September, 2000 between Web-Logistic (AP), CRA(BVI) and Web-Logistic (HK) in respect of Web-Logistic (HK), pursuant to which (i) Web-Logistic (AP) granted to Web-Logistic (HK) a licence to use a web-logistic solutions system and certain intellectual property rights until 30th June, 2005 and thereafter for another 5 years on renewal subject to terms and conditions to be agreed upon; and (ii) CRA (BVI) granted to Web-Logistic (AP) an option to purchase from CRA (BVI) the number of shares in Web-Logistic (HK) representing 12% of the issued share capital of Web-Logistic (HK) on or before 31st July, 2000, at par (representing a total consideration of HK\$1,872,000 based on the existing issued share capital of Web-Logistic (HK)).
- (C) Supplemental deed dated 18th October, 2000 between Web-Logistic (AP), CRA (BVI) and Web-Logistic (HK) in relation to the shareholders' agreement dated 18th September, 2000 referred to in sub-paragraph (B) above, pursuant to which the term of the licence period thereunder was extended to 30th June, 2010.
- (D) Letter agreement dated 1st December, 2000 between Circle K (US) and Circle K (HK) in relation to the license agreement dated 20th March, 1985 and the amendment agreement dated 1st July, 2000 referred to in sub-paragraph (A) above, pursuant to which Circle K (US) agreed, inter alia, to expand the licensed territory to include the Eastern PRC and the Northern PRC on the condition that not less than 100 Circle K stores in the Eastern PRC and not less than 50 Circle K stores in the Northern PRC shall be established and in operation by 31st December, 2005 and a new set of licensed trademarks were substituted.

- (E) Sale and purchase agreement dated 22nd December, 2000 between CRA(BVI) and the Designated Directors pursuant to which the Designated Directors agreed to transfer an aggregate of 9,188 shares of HK\$1,000 each in the share capital of Circle K (HK) to CRA(BVI) in consideration of the issue of an aggregate of 500 ordinary shares of US\$1 each by CRA(BVI) to the Designated Directors.
- (F) Sale and purchase agreement dated 22nd December, 2000 between CRA(BVI) and LFR pursuant to which LFR agreed to transfer 174,568 ordinary shares of HK\$1,000 each in the share capital of Circle K (HK) to CRA(BVI) in consideration of the issue of 9,498 ordinary shares of US\$1 each by CRA(BVI) to LFR.
- (G) Sale and purchase agreement dated 22nd December, 2000 between LFR and CRA(BVI), pursuant to which LFR agreed to transfer 10,000 shares of HK\$10 each in the share capital of Circle K Convenience Stores Limited to CRA(BVI) in consideration of the issue of 1 ordinary share of US\$1 by CRA(BVI) to LFR.
- (H) Sale and purchase agreement dated 29th December, 2000 between the Designated Directors, LFR and the Company, pursuant to which the Designated Directors and LFR agreed to transfer 500 and 9,500 ordinary shares of US\$1.00 in the share capital of CRA(BVI) respectively to the Company and LFR agreed to assign to the Company the benefit of a loan in the amount of HK\$12,791,998 previously made by LFR to CRA (BVI), in respect of the cost of the latter's subscription of shares in of Web-Logistic (HK), in consideration of the issue of 3,384,000 Shares and 64,305,999 Shares of HK\$0.10 each by the Company to the Designated Directors and LFR respectively.
- (I) Services agreement dated 6th January, 2001 between Circle K (HK) and LFR for the provision to Circle K (HK) by LFR of services relating to accounting and treasury, management information systems, human resources, real estate and other administrative support, including lease negotiation, for a term of two years commencing on 1st January, 2001, subject to termination by Circle K (HK) or LFR by not less than six months' notice. The fees payable for the provision of services will be computed as the actual cost to LFR of providing them (including Circle K (HK)'s proportionate share of LFR's relevant overhead expenses other than those ascertainable and allocated as mentioned below). 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 reimburse LFR for any utility expenses, insurance premiums and other office and administrative expenses, which are paid by LFR on behalf of Circle K (HK) and other companies, and the amounts of which are able to be immediately ascertained and allocated proportionately among the companies responsible without any subsequent adjustment. Such allocation will be effected on an actual reimbursement basis or on the basis of the head count or floor area attributable to Circle K (HK).
- (J) Deed of indemnity dated 6th January, 2001 executed by LFR containing certain indemnities given by LFR in favour of the CRA Group being the indemnities referred to in the subparagraph headed "Estate duty and tax indemnity" under the sub-section headed "Other Information" in this appendix.

(K) The Public Offer Underwriting Agreement.

Intellectual property

As at the Latest Practicable Date, the CRA Group had applied for registration of the following service mark:

Service Mark	Name of Applicant	Country of Application	Class	Application Number	Application Date
利亞	The Company	Hong Kong	35	23798/2000	28 th October, 2000

As at the Latest Practicable Date, the CRA Group had registered the following domain name:

Domain Name	Registrant	Registration Date
cr-asia.com	The Company	7 th November, 2000

As at the Latest Practicable Date, the CRA Group had obtained a licence to use the following registered trade marks/service marks which are or may be material in relation to the CRA Group's business:—

Trade Mark/ Service Mark	Name of Registrant	Country of Registration	Class	Registration Number	Registration Date
Ⓚ	Circle K Stores Inc.	Hong Kong	16	B02215/93	7 th July, 1989
Ⓚ	Circle K Stores Inc.	Hong Kong	30	B01565/94	7 th July, 1989
Ⓚ	Circle K Stores Inc.	PRC	16	745897	14 th May, 1995
Ⓚ	Circle K Stores Inc.	PRC	35	774538	28 st December, 1994
Ⓚ	Circle K Stores Inc.	PRC	42	772374	21 st November, 1994
Ⓚ	Circle K Stores Inc.	PRC	42	1235909	28 th December, 1998
OK便利店	The Circle K Corporation	PRC	35	1487701	7 th December, 2000
OK便利店	The Circle K Corporation	PRC	42	1487566	7 th December, 2000

As at the Latest Practicable Date, the CRA Group had obtained a licence to use the following registered trade marks/service marks which are the subject of pending applications for registration and which are or may be material in relation to the CRA Group's business:–

Trade Mark/ Service Mark	Name of Applicant	Country of Application	Class	Application Number	Application Date
®	The Circle K Corporation	Hong Kong	42	6576/92	2 nd March, 1992
®	Circle K Stores Inc.	Hong Kong	42	10254/97	21 st July, 1997
OK便利店	Circle K Stores Inc.	Hong Kong	35	26734/2000	11 th December, 2000
OK便利店	Circle K Stores Inc.	Hong Kong	42	26735/2000	11 th December, 2000

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

Directors

Disclosure of interests

- (a) Each of Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Mr. Yeung, Mr. Li Kwok Ho, Bruno, Mr. Lau Butt Farn and Ms. Wong Yuk Nor, Louisa is, to such extent as relevant to him/her, interested in the material contracts set out in the subsection headed “Summary of material contracts” in this appendix.
- (b) Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be taken up under the Share Offer and the Shares to be issued pursuant to the Over-allotment Option, once the Shares are listed, the interests of each of the Directors in the equity securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein once the Shares are listed, or will be required pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be

notified to the Company and the Stock Exchange once the Shares are listed will be as set out in this paragraph (which discloses interests in the Company and certain major associated corporations) and in paragraph (c) below:

Name of the company	Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total
Company	Dr. Fung Kwok King, Victor	–	–	467,114,000 (Note 1)	–	467,114,000
Company	Dr. Fung Kwok Lun, William	–	–	467,114,000 (Note 1)	–	467,114,000
Company	Mr. Yeung	17,896,000	–	–	–	17,896,000
Company	Li Kwok Ho, Bruno	2,676,000	–	–	–	2,676,000
Company	Lau Butt Farn	2,676,000	–	–	–	2,676,000
Company	Wong Yuk Nor, Louisa	1,338,000	–	–	–	1,338,000
Li & Fung (Gemini) Limited	Dr. Fung Kwok King, Victor	–	–	13,000,000 (Note 2)	1,500,000 (Note 4)	14,500,000
Li & Fung (Gemini) Limited	Dr. Fung Kwok Lun, William	–	–	13,000,000 (Note 2)	–	13,000,000
Li & Fung (Distribution) Limited	Dr. Fung Kwok King, Victor	(i) 130,000 (Note 5)	–	(i) 6,800,000 (full voting ordinary shares) (Note 3)	–	7,090,000 (full voting ordinary shares)
		(ii) 160,000 (Note 6)		(ii) 10,200,000 (redeemable participating preferred shares) (Note 3)		10,200,000 (redeemable participating preferred shares)

Name of the company	Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total
Li & Fung (Distribution) Limited	Dr. Fung Kwok Lun, William	-	-	(i) 6,800,000 (full voting ordinary shares) (Note 3)	-	6,800,000 (full voting ordinary shares)
				(ii) 10,200,000 (redeemable participating preferred shares) (Note 3)		10,200,000 (redeemable participating preferred shares)
Li & Fung (Distribution) Limited	Lau Butt Farn	32,500 (Note 5)	-	-	-	32,500
Li & Fung Limited	Dr. Fung Kwok King, Victor	-	-	1,180,500,000 (note 7)	50,750,000 (note 8)	1,231,250,000
Li & Fung Limited	Dr. Fung Kwok Lun, William	68,502,300 480,000 (note 10)	8,000 (note 9)	1,180,500,000 (note 7)	-	1,249,490,300
Li & Fung Limited	Lau Butt Farn	2,200,000	-	-	-	2,200,000

Notes:

- King Lun Holdings Limited through its indirect wholly owned subsidiary, LFR (a wholly owned subsidiary of LF(1937)) held 467,114,000 Shares in the Company. 1,332,840 shares in King Lun Holdings Limited, representing 50% of its issued share capital, are owned by Chase Bank & Trust Company (CI) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. 1,332,840 shares in King Lun Holdings Limited, representing 50% of its issued share capital, are owned by Dr. Fung Kwok Lun, William.
- King Lun Holdings Limited through its wholly owned subsidiary, LF(1937) held 13,000,000 shares in Li & Fung (Gemini) Limited ("LFG"). Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun Holdings Limited and LF(1937) as set out in note (1) above.
- LFG holds 6,800,000 full voting ordinary shares and 10,200,000 redeemable participating preferred shares in Li & Fung (Distribution) Limited ("LFD"). Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun Holdings Limited and LF(1937) and indirect interests in LFG as set out in notes (1) & (2) above.
- 1,500,000 shares in LFG, representing 8.83% of its issued share capital, are owned by a company which is held by Chase Bank & Trust Company (CI) Limited.

5. In 1999, Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn were granted share options to subscribe for 130,000 and 32,500 full voting ordinary shares of US\$0.01 each in LFD (“LFD Shares”) respectively. Of these, options in respect of 56,500 and 13,000 LFD shares are fully vested in Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn respectively. The remaining share options are to be vested in Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn in three equal lots on 31st December in each of the calendar years 2001, 2002 and 2003. The share options are exercisable at US\$1 per LFD Share within 21 business days after the earliest of (a) the date of issuance of a notice for an initial public offering of LFD Shares, (b) the date of issuance of a notice of the sale of all or substantially all of the business or shares of LFD and (c) 31st December, 2006.
6. In 1999, Dr. Fung Kwok King, Victor was granted share options to subscribe for 16,000 LFD Shares for each full percentage point by which certain LFD investors’ fully diluted aggregate estimated internal rate of return on a public share offer by LFD, or on a sale of all or substantially all of its business or shares, exceeds 30% per annum, subject to a maximum of 160,000 LFD Shares. The share options are exercisable at US\$1 per LFD Share within 21 business days after the date of issuance of a notice of public offer or sale (whichever is earlier) as described in note (5) above.
7. Out of the 1,180,500,000 shares of HK\$0.025 each in Li & Fung Limited (“LF Shares”), holdings of 49,950,800 LF Shares, 996,000,000 LF Shares and 134,549,200 LF Shares are respectively held by King Lun Holdings Limited, LF (1937) and Orient Ocean Holdings Limited (“Orient Ocean”). Orient Ocean is a private company incorporated in the British Virgin Islands. LF (1937) held 50% of the voting rights, but no beneficial interest, in Orient Ocean. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun Holdings Limited and LF (1937) as set out in notes (1) & (2) above.
8. 50,750,000 LF Shares are held by Chase Bank & Trust Company (CI) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor.
9. 8,000 LF Shares are owned by the wife of Dr. Fung Kwok Lun, William.
10. In 2000, Dr. Fung Kwok Lun, William was granted share options to subscribe for 480,000 LF Shares. The options are exercisable at a subscription price of HK\$15.26 per LF Shares during the period from 7th July, 2001 to 6th July, 2003.

(c) In addition to the interests set out in paragraph (b) above, by virtue of such interests Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William have the following indirect interests in other associated corporations of the Company which will be required to be notified as described in paragraph (b) above:

(i) *Subsidiaries of the Company*

Name	Interest (%)
Convenience Retail Asia (BVI) Limited	100.0
Circle K Convenience Stores (HK) Limited	100.0
Ming Yu Superstore Limited	100.0
Circle K Convenience Stores Limited	100.0
Web-Logistic (HK) Limited	82.0

(ii) *Subsidiaries of LF (1937)*

Name	Interest (%)
Li & Fung (Gemini) Limited	76.5
Li & Fung (Distribution) Limited	51.7
iSCM Asia Limited	51.7
iSCM Asia Pte Limited	51.7
Li & Fung Industrial Holdings Limited	51.7
Li & Fung Distribution (Overseas) Sdn Bhd	51.7
Li & Fung Distribution (Malaysia) Limited	51.7
Li & Fung Distribution (Asia) Limited	51.7
Li & Fung Distribution (Singapore) Limited	51.7

Name	Interest (%)
Li & Fung Management Services Limited	51.7
Li & Fung Distribution (International) Limited	51.7
Li & Fung Distribution (Management) Limited	51.7
LFD Technical Services Limited	51.7
Li & Fung JDH Healthcare Limited	51.7
Li & Fung IDS Logistics Limited	51.7
IDS Logistics (Hong Kong) Limited	51.7
IDS Logistics (Thailand) Limited	51.7
Li & Fung China Investments Limited	51.7
Inchcape (Shanghai) Trading Limited* (英之傑(上海)貿易有限公司)	51.7
IDS Logistics Services (M) Sdn Bhd	51.7
LFD Investment Holdings Limited	51.7
LFD (Thailand) Limited	51.7
Thai Greyfin Limited	51.7
Li & Fung Pacific Holdings Limited	51.7
LFD Properties Limited	51.7
L&F Branded Lifestyle International Limited	51.7
Branded Lifestyle International Limited	51.7
Moda Lifestyle Limited	51.7
L&F Branded Lifestyle (Singapore) Pte Limited	51.7
L&F Branded Lifestyle (Malaysia) Sdn Bhd	51.7
Gibb, Livingston & Company Limited	51.7
Li & Fung Distribution (China) Limited	51.7
Slumberland China Limited	51.7
Slumberland Harbin Limited* (斯林百蘭哈爾濱有限公司)	51.7
Slumberland Soft Furniture Shanghai Company Limited* (上海斯林百蘭軟家具有限公司)	51.7
Bomaron Limited	51.7
JDH Special Markets Limited	51.7
Borneo Agencies Limited	51.7
Northpoint Properties Sdn Bhd	51.7
Li & Fung JDH Limited	51.7
LFD Manufacturing Limited (<i>incorporated in Hong Kong</i>)	51.7
B.G.S. Limited	51.7
LFD Manufacturing Limited (<i>incorporated in Thailand</i>)	51.7
Slumberland Asia Pacific Limited	51.7
Slumberland (S) Pte Limited	51.7
Slumberland (Thailand) Limited	51.7
Slumberland Marketing Sdn Bhd	51.7
Slumberland Sdn Bhd	51.7
LFD Manufacturing Sdn Bhd	51.7
Li & Fung Industrial Limited	51.7
Anglo-Thai Company Limited	51.7
Anglo-Thai Tractors Limited	51.7
Borneo Technical (Thailand) Limited	51.7
Borneo Auto Care Limited	51.7
Borneo Technical Company (Malaysia) Sdn Bhd	51.7
B-Trak Sdn Bhd	51.7
Kwikpart Holdings Limited	51.7
Kwikpart (Thailand) Limited	51.7
Kwikpart (Singapore) Pte Limited	51.7
Kwikpart Sdn Bhd	51.7
Gilman Industrial Limited	51.7
LFD (China) Limited	51.7
JDH (Nanjing) Investment Enterprise Limited* (英和南京投資實業有限公司)	51.7
Sichling B.V.	51.7
The Borneo Company Limited	51.7
LFD Services Limited	51.7
New Investment Corporation	51.7
Li & Fung Marketing Services Limited	51.7

Name	Interest (%)
Dodwell Japan KK	51.7
LFD Holdings Sdn Bhd	51.7
Sandakan Developments Sdn Bhd	51.7
LFD Malaysia (Holdings) Sdn Bhd	51.7
The Borneo Company (Sabah) Sdn Bhd	51.7
Champion Motors (1975) Sdn Bhd	51.7
Atarashi Moutrie Sdn Bhd	51.7
LFD Corporate Services Sdn Bhd	51.7
LFD (Singapore) Pte Limited	51.7
Malinch Associate Holdings Sdn Bhd	51.7
JDH Marketing (Singapore) Pte Limited	51.7
The Borneo Company Pte Limited	51.7
Asiadent Pte Limited	51.7
Borneo Investments (Singapore) Pte Limited	51.7
JDH Investments (S) Pte Limited	51.7
JDH (China) Limited	51.7
Gilman & Company Limited	51.7
Auto Electric Limited	51.7
JDH (Philippines), Inc	51.7
JDH Marketing Sdn Bhd	51.7
JDH (Hong Kong) Limited	51.7
JDH (Taiwan) Limited	51.7
Nanjing JDH Logistics Services Company Limited* (南京英和倉儲服務有限公司)	51.7
JDH Borneo (Thailand) Limited	51.7
JDH Logic-Med Sdn Bhd	51.7
JDH Pharmaceutical Sdn Bhd	51.7
JDH Dental Sdn Bhd	51.7
Butler & Webster (Thailand) Limited	51.7
IDS Logistics, Inc	51.7
L&F Industrial (Singapore) Pte Limited	51.7
Orient Overseas Foods Limited	51.7
Shanghai Orient Overseas Foods Limited* (上海東方海外食品有限公司)	51.7
Bakehouse Company Limited	82.3
Li & Fung (Retailing) Limited	100.0
Li & Fung Foods Co. Limited	82.3
Fotomax Holdings Limited	100.0
Fotomax (F.E.) Limited	100.0
Nice Image Limited	100.0
Orient City Properties Limited	100.0
Fotokwik Limited	100.0
Filmax Far East Limited	100.0
Fotomax Home Entertainment Limited	100.0
Li & Fung Retailing (Singapore) Pte Limited	100.0
Li & Fung Retailing (Malaysia) Sdn Bhd	100.0
Toys LiFung Limited	100.0
Toys (Labuan) Holding Limited	100.0
Toys (Labuan) Limited	82.1
Toys "R" Us Asia Limited	82.1
Toys "R" Us – Lifung Limited	82.1
Toys "R" Us – Lifung Taiwan Limited	82.1
Toys "R" Us – Singapore (Pte) Limited	82.1
Toys Lifung Netherlands B.V.	82.1
Fun Fun World Investment Limited	70.0
Strategic Assets Limited	100.0
Home Mart Limited	100.0
Fun Fun World (Hong Kong) Limited	100.0
Li & Fung Marketing (Hong Kong) Limited	100.0
Fotomax Limited	100.0
Romanov Co. Limited	100.0

Name	Interest (%)
American Discount Store Limited	100.0
Circle K – Amazens Retalhistas (Macau) Limitada	100.0
Ellinwood Limited	100.0
Viagold International Limited	100.0
Pottrix Trading Limited	100.0
Manling Property Limited	100.0
LF Industrial Estates Limited	65.2
Cornerstone Enterprises Limited	65.2
Bosca Development Limited	65.2
Dephina Limited	65.2
Promising Development Limited	65.2
Canathan Inc	55.9
Prosper Development Limited	55.9
LFIE Management (BVI) Limited	65.2
LFIE Management Limited	65.2
Neptune Pacific Limited	100.0
LFC Holdings Limited	100.0
Li & Fung Packaging Limited	100.0
Li & Fung (Warehousing) Limited	100.0
Hinchinbrook Limited	100.0

(iii) *Associated companies of LF (1937)*

Name	Interest (%)
Albinina Limited	36.2
Appleton Holdings Limited	36.2
Basic & More Fashion Limited	36.2
Beldare Enterprises Inc.	36.2
Beldare Enterprises Limited	36.2
Black Cat Fireworks Limited	36.2
Blue Sky Buying Services Limited	36.2
Camberley Enterprises Limited	36.2
Costume Limited	36.2
Dodwell (Korea) Limited	36.2
Dodwell (Mauritius) Limited	21.7
Dodwell (Singapore) Pte. Limited	36.2
Dodwell (Taiwan) Limited	36.2
Dodwell (Thailand) Limited	36.2
Dodwell Limited	36.2
Dodwell Philippines, Inc.	36.2
E-Foremost Management Limited	36.2
Ellinwood Limited	36.2
Europe Sourcing Tekstil Tic. Limited Sirketi	21.7
Europe Sourcing Tekstil Ve Dis Tic. Limited Sirketi	21.7
Exportacao Dodwell (Macau) Limitada	36.2
Forrestgrove Limited	36.2
G.S.C.M. (Marketing) Limited	36.2
GSCM (HK) Limited	36.2
Golden Gate Fireworks Inc.	36.2
Golden Horn Investments (Europe) Limited	27.2
Golden Horn Investments Inc.	27.2
Golden Horn N.V.	36.2
Golden Horn Venture Capital Limited	36.2
Hillung Enterprises Limited	36.2
Homeworks Limited	36.2
Kingfort Limited	36.2
Kingsbury International Limited	36.2
Kwok Yue Limited	36.2
L.F. Europe	36.2

Name	Interest (%)
LF Capital Management Limited	36.2
LF Corporate Capital (I) Limited	36.2
LF Europe Limited	36.2
LF Europe Sourcing Limited	21.7
LF International Inc.	36.2
LF International Limited	36.2
LF Maclaine (Thailand) Limited	36.2
LFCF Investment I (Europe) Limited	36.2
LFCF Investment I (USA) Limited	36.2
Li & Fung (B.V.I.) Limited	36.2
Li & Fung (Bangladesh) Limited	36.2
Li & Fung (Canada) Inc.	36.2
Li & Fung (Exports) Limited	36.2
Li & Fung (Fashion Accessories) Limited	36.2
Li & Fung (Guatemala) S.A.	36.2
Li & Fung (Honduras) Limited	36.2
Li & Fung (Hong Kong) Limited	36.2
Li & Fung (India) Private Limited	36.2
Li & Fung (Italia) S.r.l.	36.2
Li & Fung (Korea) Limited	36.2
Li & Fung (Mauritius) Limited	21.7
Li & Fung (Philippines) Inc.	36.2
Li & Fung (Portugal) Limited	36.2
Li & Fung (Properties) Limited	36.2
Li & Fung (Singapore) Private Limited	36.2
Li & Fung (South Asia) Limited	36.2
Li & Fung (Taiwan) Limited	36.2
Li & Fung (Thailand) Limited	36.2
Li & Fung (Trading) Limited	36.2
Li & Fung (Zhanjiang) Limited* (利豐(湛江)商品開發有限公司)	36.2
Li & Fung Agencia de Compras em Portugal, Limitada	36.2
Li & Fung Apparel (North America) Limited	36.2
Li & Fung Development (China) Limited	36.2
Li & Fung Development (PRC) Limited	36.2
Li & Fung Development Limited	36.2
Li & Fung Enterprise Development (Shenzhen) Co., Limited* (利豐實業發展(深圳)有限公司)	36.2
Li & Fung Investments (B.V.I.) Limited	36.2
Li & Fung Limited	36.2
Li & Fung Mumessillik Pazarlama Limited Sirketi	36.2
Li & Fung South Africa (Proprietary) Limited	36.2
Li & Fung Taiwan Holdings Limited	36.2
Li & Fung Taiwan Investments Limited	36.2
Lifung County Seat Limited	36.2
Lifung DistriCenters Trading Limited	36.2
Lifung Express Limited	36.2
Lifung Structure Limited	36.2
Lloyd Textile Trading Limited	36.2
Luma Trading Limited	21.7
Lux Plush Enterprises Limited	36.2
Maclaine (Singapore) Pte. Limited	36.2
Maclaine Limited	36.2
Mercury (BVI) Holdings Limited	36.2
Millwork Asia, Limited	36.2
N.E.A.L. Incorporated NV	21.7
P.T. Lifung Indonesia	36.2
Perfect Trading Inc.	21.7
Ratners Enterprises Limited	36.2
Shiu Fung Fireworks Company Limited	36.2
Studio Direct Limited	36.2

Name	Interest (%)
Tantallon Enterprises Limited	36.2
The Millwork Trading Co., Limited	36.2
Toy Island Manufacturing Company Limited	36.2
Verity Enterprises Limited	36.2
Win Certain Limited	36.2
Workbase Limited	36.2
LF Capital (II) Limited	27.2
Golden Horn (III) L.P. (Partnership)	23.9
LF European Capital Limited	27.2
Swift Return Investments Limited	27.2
Studio LF, L.P. (Partnership)	26.4
Shanghai IDS Shen Hong Logistics Company Limited* (上海英和申宏商業服務有限公司)	41.39
Shanghai Land-Ocean IDS International Container Transport Company Limited* (上海陸海英之傑國際集裝箱貨運有限公司)	25.87
Shanghai New Asia Inchcape Business System Company Limited* (上海新亞英之傑信息工程有限公司)	25.9
Trademart Wholesale Limited	47.1
Nanjing JDH Trading Company Limited* (南京英和貿易有限公司)	49.2
JDH (Nanjing) Development Company Limited* (南京英和發展有限公司)	41.4
Anglo-Thai Services Limited	26.4
Kijinyo Company Limited	25.4
Hefei Dodwell Machinery Company Limited* (合肥道特威爾機械有限公司)	31.0
JDH Jong Brothers (Malaysia) Sdn Bhd	25.9
JDH Jong Brothers (B) Sdn Bhd	25.9
PKNS-LFD Sdn Bhd	25.4
Pembangunan Jentera Perindustrian Sdn Bhd	23.8
TT Martech Sdn Bhd	20.2
JDH Borneo Sdn Bhd	36.2
Kuching Hotels Sdn Bhd	22.5
Sebor (Sabah) Sdn Bhd	20.7
Sebor (Sarawak) Sdn Bhd	20.7
Ferrinch (Labuan) Limited	25.9
Ferragamo Korea Limited	25.9
Hua Mark Patana Limited	38.3
Toys "R" Us (Malaysia) Sdn Bhd	49.3
LF Distribution Centers Limited	30.0
Lifung DistriCenters Management Limited	30.0
Orient Ocean Holdings Limited	50.0
Kistor Limited	30.0
LF DistriCenters Development Limited	30.0

* *the legal name of the relevant company is in Chinese*

- (d) The list of associated companies of LF (1937) contained in paragraph(c)(iii) above is expected to be augmented upon completion of an agreement dated 8th November, 2000 between Li & Fung Limited and other parties for the former's acquisition of all the issued shares of Colby Group Holdings Limited. Upon such completion, the following interests in and of Colby Group Holdings Limited will be added to the interests in associated companies of LF (1937) which are discloseable as set out in paragraph (c)(iii) above:

Name	Interest (%)
Colby International Limited	36.2
Colby Property Holdings Limited	36.2
Colby Group Holdings Limited	36.2
CS International Limited	36.2
CS International (Offshore) Limited	36.2
Epiquest Limited	36.2
Mighty Hurricane Holdings Inc.	36.2
International Sourcing Group Europe Limited	23.9
Active Islands Group Limited	36.2
Allegreto Company Limited	36.2
Bacarolle Limited	36.2
Colby International (Guatemala) Sociedad Anonima	36.2
CS Asia Limited	36.2
Cuore Limited	36.2
Eclat Properties Inc.	36.2
International Sourcing Group, LLC	24.1
Lineament Company Limited	36.2
Sky Million International Limited	36.2
Towards Perfect Company Limited	36.2
Yau Kit Company Limited	36.2
Colby Nominees Limited	36.2

Particulars of service contracts

Each of the executive Directors, being Mr. Yeung and Li Kwok Ho, Bruno, has entered into a service contract with the Company. Each service contract is of an initial term of three years commencing on 1st January, 2001, and may continue thereafter, subject at all times (including the initial three year period) to termination by not less than three months' notice in writing served by either party on the other. Mr Yeung is obliged to spend substantially all his working time on the affairs of the CRA Group, whereas Li Kwok Ho, Bruno is obliged so to spend such of his working time as is reasonably required. Each of the executive Directors is entitled to the basic salary, refund of housing expenses and related yearly bonus (equal to the aggregate of one month's salary and a notional amount equal to one month's housing refund) set out below, all subject to review not less frequently than every 12 months. In addition Mr. Yeung is entitled to an incentive bonus equal to 4% of the Company's consolidated profit before tax. Neither of the executive Directors is entitled to vote on Board resolutions relating to any performance related bonus payable to him. The aggregate amounts of the respective executive Directors' current basic annual salaries, housing refunds and related yearly bonuses (excluding Mr. Yeung's incentive bonus) are as follows:

HK\$

Yeung Lap Bun, Richard	2,112,500
Li Kwok Ho, Bruno	650,000

Save as disclosed, none of the Directors has entered into any service agreements with any member of the CRA Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' remuneration

- (a) The Company's policies concerning remuneration of executive Directors are:
- (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the CRA Group;
 - (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
 - (iii) the executive Directors may, at the discretion of the board of Directors, be granted options pursuant to the Share Option Scheme, as part of their remuneration package.
- (b) No Director except Mr. Yeung received any remuneration or benefits in kind from the CRA Group in respect of the year ended 31st December, 2000. A sum of about HK\$2.03 million was paid to Mr. Yeung as remuneration and benefits in kind in respect of the year ended 31st December, 2000.
- (c) It is estimated that a sum of about HK\$3.19 million in aggregate (excluding the incentive bonus payable to Mr. Yeung as described in the paragraph headed "Particulars of service contracts" in this appendix) has been or will be paid to the Directors as remuneration and benefits in kind by the CRA Group in respect of the year ending 31st December, 2001 pursuant to the present arrangement.
- (d) No director's fee was paid to the Directors for each of the two years ended 31st December, 2000.
- (e) No Director except Mr. Yeung received any basic salary, housing refund, other allowance or benefits in kind from the CRA Group for each of the two years ended 31st December, 2000. Sums of about HK\$1.84 million and HK\$1.95 million were paid to Mr. Yeung as basic salary, housing refund and benefits in kind for the two years ended 31st December, 2000 respectively.
- (f) No contribution was made to pension schemes for Directors or past directors of the Company for the year ended 31st December, 1999. A sum of about HK\$0.08 million was contributed to pension schemes for Directors or past directors of the Company for the year ended 31st December, 2000.
- (g) No bonus was paid to the Directors for each of the two years ended 31st December, 2000.
- (h) None of the Directors or any past directors of any member of the CRA Group has been paid any sum of money for each of the two years ended 31st December, 2000 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the CRA Group or of any other office in connection with the management of the affairs of any member of the CRA Group.

- (i) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31st December, 2000.
- (j) The non-executive Directors have no set term of office but retire from office at each annual general meeting of the Company, subject to re-election. Save for annual directors' fees of HK\$50,000, none of the non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

Others

Apart from the executive Directors, four other individuals are amongst the five persons who received the highest emoluments from the CRA Group for the two years ended 31st December, 2000, and relevant particulars are as follows:

- (a) Sums of about HK\$3.41 million and HK\$4.46 million in aggregate were paid to these four individuals as basic salaries, housing allowances, other allowances and benefits in kind for the two years ended 31st December, 2000 respectively.
- (b) Sums of about HK\$0.13 million and HK\$0.13 million in aggregate were contributed to pension schemes for these four individuals for the two years ended 31st December, 2000 respectively.
- (c) Sums of about HK\$0.75 million and HK\$1.38 million in aggregate were paid as bonuses to these four individuals for the two years ended 31st December, 2000 respectively.
- (d) None of these four individuals has been paid any sum of money for each of the two financial years ended 31st December, 2000 (i) as an inducement to join or upon joining the Company or (ii) for loss of any office in connection with the management of the affairs of any member of the CRA Group.

Agency fees or commissions received

The Underwriters will receive an underwriting commission of 4% of the aggregate Offer Price of all the Offer Shares (including Shares to be issued under the Over-allotment Option), out of which they will pay any sub-underwriting commissions and the Sponsor will receive a financial advisory fee and a documentation fee as mentioned in the paragraph headed "Commission and expenses" under the section headed "Underwriting" of this prospectus.

Related party transactions

The CRA Group entered into related party transactions within the two years and eight months ended 31st August, 2000 as mentioned in note (i) under the section headed "Results" of the accountants' report set out in appendix I to this prospectus, the paragraph headed "Summary of material contracts" in this appendix, the paragraph headed "Continuing connected transactions" under the section headed "Waivers from compliance with the GEM Listing Rules and the Companies Ordinance" and the paragraph headed "Connected transactions" in the section headed "Business" of this prospectus.

Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once such securities are listed on the Stock Exchange;
- (b) none of the Directors nor any of the persons whose names are listed in the subparagraph headed “Consents of experts” under the section headed “Other information” in this appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the CRA Group, or are proposed to be acquired or disposed of by or leased to any member of the CRA Group;
- (c) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other information” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the CRA Group;
- (d) none of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other information” in this appendix has any shareholding in any member of the CRA Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the CRA Group;
- (e) none of the Directors has entered or is proposed to enter into any service agreements with the Company or any members of the CRA Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be so paid, allotted or given on the basis of the Share Offer or any related transaction as mentioned in this prospectus;
- (g) so far as is known to the Directors, none of the Directors, their respective Associates or shareholders of the Company who are interested in 5 per cent. or more of the issued share capital of the Company have any interests in the five largest customers of the CRA Group.

SHARE OPTIONS**A summary of the principal terms of the Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the shareholders of the Company dated 6th January, 2001 (which is still subject to certain conditions as referred to in the paragraph immediately following paragraph (t) in this section):

(a) *Who may join*

The Board may, at its discretion, invite any full-time employees including any executive director of any company in the CRA Group (“Qualifying Participants”) to take up options at HK\$1.00 per option to subscribe for Shares at a price calculated in accordance with sub-paragraph (d) below.

(b) *Grant of option*

Any grant of options must not be made (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules, or (ii) within the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results.

(c) *Payment on acceptance of option offer*

HK\$1.00 is payable by the Qualifying Participant to the Company on acceptance of the option offer.

(d) *Price of Shares*

The subscription price for Shares under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant on which there were dealings in Shares on the Stock Exchange and (iii) the nominal value of a Share.

(e) *Maximum number of shares*

The total number of Shares subject to the Share Option Scheme must not when aggregated with any Shares subject to any other share option schemes, including the Pre-IPO Share Option Plan, exceed 10% of the number of Shares in issue from time to time (excluding (i) any Shares which have been duly allotted and issued upon the exercise of Options granted pursuant to the Scheme and any other schemes and (ii) any pro-rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).

Upon completion of the Share Offer and the Capitalisation Issue, taking no account of Shares which may be issued pursuant to the Over-allotment Option, the total number of Shares which will be subject to the Share Option Scheme will be 45,630,000 Shares representing about 6.96% of the enlarged issued share capital of the Company at that time.

No Qualifying Participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25% of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme.

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board and notified to the relevant grantee, which period shall not expire less than 3 years nor more than 10 years from the date of grant of the option, subject to the provisions of the Share Option Scheme regarding early termination.

(g) *Rights are personal to grantee*

An option may not be transferred or assigned and is personal to the grantee.

(h) *Rights on ceasing to be a Qualifying Participant*

If the grantee of an option ceases to be a Qualifying Participant for any reason other than death, misconduct or certain other grounds (including bankruptcy, insolvency or a conviction for a criminal offence involving fraud or dishonesty), the grantee may exercise the option up to the grantee's entitlement at the date of cessation (to the extent that it has become exercisable and not already been exercised) within the period of three months following the date of such cessation, failing which the option will lapse and, for the purpose of a Qualifying Participant who is so qualified as an employee of the CRA Group, such cessation date shall be the last actual working day with the relevant company in the CRA Group whether salary is paid in lieu of notice or not.

(i) *Rights on death*

If the grantee of an option dies before exercising the option in full and none of certain events which would be a ground for termination of his or her employment by the employer arises, his or her personal representative(s) may exercise the option in full (to the extent that it has become exercisable on the date of death and not already been exercised) within a period of 12 months from the date of death, failing which the option will lapse.

(j) *Effects of alterations to capital*

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of the Company as fair and reasonable will be made in the subject matter of the option so far as unexercised, the subscription price and/or the method of the

exercise of the option, provided that no alteration shall be made such that a Share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company from that to which he or she was previously entitled and no alteration shall be made, in respect of any alteration in the capital structure of the Company arising from an issue of Shares as consideration in a transaction.

(k) *Rights on take-over*

If a general offer by way of take-over is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or his or her personal representative(s)) may by notice in writing to the Company within 21 days of such notice exercise the option (to the extent that it has become exercisable on the date of such notice and not already been exercised) to its full extent or to the extent specified in such notice.

(l) *Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may, until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court, exercise any of his or her options (to the extent that it has become exercisable and not already been exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position (as nearly as possible) as would have been the case had such Shares been subject to such compromise or arrangement.

(m) *Rights on a members' voluntary winding-up*

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, the Company shall on the same date as or promptly after it despatches such notice to each member of the Company give notice thereof to all grantees, and thereupon each grantee (or his or her legal personal representative(s)) shall be entitled to exercise

all or any of his or her options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, not later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(n) *Lapse of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the period referred to in sub-paragraph (h), (i) or (k), respectively;
- (iii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in sub-paragraph (l);
- (iv) the date on which the grantee of an option ceases to be a Qualifying Participant by reason of the termination of his or her employment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence involving fraud or dishonesty;
- (v) subject to as provided in sub-paragraph (m), the date of the commencement of the winding up of the Company; or
- (vi) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option in breach of the Share Option Scheme.

(o) *Ranking of shares*

The Shares to be allotted and issued upon the exercise of an option will be subject to the articles of association of the Company for the time being in force and will rank *pari passu* with the fully paid shares in issue on the date of their allotment and issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on or after the date of exercise of the option, other than any dividend or other distribution previously declared or recommended or resolved to be made or paid if the record date therefor is before the date of exercise of the option.

Unless the context otherwise requires, references to “Shares” in the Share Option Scheme include references to shares in the Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(p) *Cancellation of options granted*

Any cancellation of options granted but not exercised must be approved by shareholders of the Company in general meeting, with grantees and their Associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

(q) *Period of Share Option Scheme*

The Share Option Scheme will remain valid for a period of 10 years commencing on 6th January, 2001 after which period no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(r) *Alteration to Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of the Company in general meeting (with grantees and their Associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the shareholders of the Company under the articles of association of the Company for the time being for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of the Share Option Scheme, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(s) *Termination of the Share Option Scheme*

The Company may by resolution in general meeting terminate the operation of the Share Option Scheme at any time and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force.

(t) *Administration*

The Share Option Scheme is administered by a committee of the Board including the independent non-executive Directors of the Company.

The Share Option Scheme is conditional on the GEM Listing Committee granting the listing of and permission to deal in the Shares in issue at the date of adoption of the Share Option Scheme and the Shares which fall to be issued pursuant to the exercise of options granted under the Share Option Scheme.

Application has been made to the GEM Listing Committee for the listing of and permission to deal on GEM in the Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

A summary of the principal terms of the Pre-IPO Share Option Plan

The purpose of the Pre-IPO Share Option Plan is to recognise the contribution of certain employees of the CRA Group to the growth of the CRA Group and/or the listing of Shares on GEM. The principal terms of the Pre-IPO Share Option Plan, conditionally approved by a written resolution of the shareholder of the Company dated 27th December, 2000 (which is still subject to certain conditions as referred to in “Shareholder’s resolution of the Company passed on 27th December, 2000” above) are the same as the terms of the Share Option Scheme except that:

- (a) the subscription price for Shares is 80% of the Offer Price;
- (b) the total number of Shares subject to the Pre-IPO Share Option Plan is 19,930,000;
- (c) the definition of “Qualifying Participant” includes any full-time or part-time employees of the CRA Group; and
- (d) save for the options which have been granted under the Pre-IPO Share Option Plan (see below), no further options will be offered or granted under the Pre-IPO Share Option Plan, as the right to do so has been terminated.

Application has been made to the GEM Listing Committee for the listing of and permission to deal on GEM in the Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Plan.

Outstanding Options under the Pre-IPO Share Option Plan

As at the date of this prospectus, options to subscribe for 19,930,000 Shares in aggregate (representing about 3.04% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and Capitalisation Issue, assuming the Over-allotment Option is not exercised) at an exercise price equal to 80% of the Offer Price have been conditionally granted by the Company at a consideration of HK\$1.00 per grant under the Pre-IPO Share Option Plan. Particulars of the outstanding options to subscribe for 200,000 Shares

or more which have been conditionally granted to 25 senior employees of the CRA Group under the Pre-IPO Share Option Plan are set out below:

Name of grantee	Position held	Address	Number of Shares subject to the options	Approximate percentage of Shares in issue immediately after the Share Offer and the Capitalisation Issue
1. Kan Wing Chuen, Raphael	General manager – Business development	5/F, Flat B, Block B, Golden Villa, 200 Castle Peak Road Tsuen Wan	1,500,000	0.23%
2. Tsui Yiu Ming, Benjamin	Divisional manager – Business development	18, Castle Road, 3/F, Mid-Level, Central	500,000	0.08%
3. Pak Chi Kin	Divisional manager – Supply chain and business logistics	Flat G, 20/F, Block 30, South Horizons, Apleichau	500,000	0.08%
4. Tse Yiu Hon, Wallace	Divisional manager – Buying and marketing	51C, 12/F, Broadway, Mei Foo Sun Chuen, Sham Shui Po	500,000	0.08%
5. Ko Kam Cheong	Divisional manager – Sales & operation	Flat C, 21/F, Block 4 Phase 3, Belvedere Garden, Tsuen Wan	500,000	0.08%
6. Li Kam Hung, Mody	Divisional manager – Site development	89, Street 2, Section H, Fairview Park, Yuen Long	500,000	0.08%
7. Yiu Chi Chung, Joseph	Divisional manager – Real estate	Flat D, 12/F, Fulland Court, 254-262 Fa Yuen Street, Mong Kok	500,000	0.08%
8. Lam Siu Tak, Jimmy	Divisional manager – Finance & accounting	Flat A, 27/F, Block1, San Po Kong Plaza, 33 Shung Ling Street Wong Tai Sin	500,000	0.08%

APPENDIX V
STATUTORY AND GENERAL INFORMATION

Name of grantee	Position held	Address	Number of Shares subject to the options	Approximate percentage of Shares in issue immediately after the Share Offer and the Capitalisation Issue
9. Wu Tsz Kin, Chris	Divisional manager – Human resources & administration	Flat B, 3/F, Block 3, City Garden, North Point	500,000	0.08%
10. Lee Hon Choi, Keith	District manager	A6, 3/F., Ting Fook Villas, Yuen Long	500,000	0.08%
11. Chan Sze Kee, Grace	Category manager	Flat E, 7/F, 39 Broadcast Drive, Kowloon Tong	200,000	0.03%
12. Siu Kai Man	Senior Zone manager	Flat F, 1/F, Tower 2, Kwun King Mansion, 57 Tai Hong Street, Lei King Wan, Shau Kei Wan, Hong Kong	200,000	0.03%
13. Lau Bik Fung	Assistant category manager	Rm. 920 Lok Him Hse, Lok Fu, Wong Tai Sin	200,000	0.03%
14. Yeung Lock See, Rose	Marketing manager	Rm. 1232, Wah Tai House, Wah Fu Estate, Aberdeen	200,000	0.03%
15. Chan Kwok Hung, Roney	Assistant divisional manager – Site development	Flat 7, 28/F., Wing Lun Hse, Siu Lun Court, Tuen Mun	200,000	0.03%
16. Tang Pui Shan, Krystie	Category manager	1/F., Block L, Kwan Tak Bldg., Hong Lok Road, Yuen Long	200,000	0.03%
17. Leung Kwok On, Wilson	District manager	Flat C, 3/F., Wah Kay House, 11 Yak Wah Crescent, Tsz Wan Shan	200,000	0.03%
18. Lai Chun Pang	Assistant divisional manager-Operation	Flat D, 39/F., Block 6, Sun Tuen Mun Centre, Tuen Mun	200,000	0.03%
19. Wan Chong Chi	Distribution manager	Unit A, 8/F., Block 2, Sunningdale Garden, Chi Cheong Road, Sheung Shui	200,000	0.03%
20. Wong Ying Kwan, Wilson	District manager	Flat 1616, 16/F., Foon Yan House, Tung Yan Court, Shau Kei Wan	200,000	0.03%

Name of grantee	Position held	Address	Number of Shares subject to the options	Approximate percentage of Shares in issue immediately after the Share Offer and the Capitalisation Issue
21. Law Ping Lun, Alan	Customer service manager	Flat A, 37/F, Tower I, Kornhill, 38 Yan Man Street, Quarry Bay, Hong Kong	200,000	0.03%
22. Chan Chun Chiu, Terence	Assistant divisional manager – Business system development	Flat 02, 6/F., Block 35, Heng Fa Chuen, Chai Wan	200,000	0.03%
23. Hung Chiu Kwan, Eric	Department manager – Finance & accounting	Flat G, 14/F, Blk 4, Dawning Views, 23 Yat Ming Rd., Fanling	200,000	0.03%
24. Ho Yuen Ling, Maisy	Assistant divisional manager – Human resources	Flat 30, 7/F., Cheung Mei Building, 153 Tai Kok Tsui Road, Tai Kok Tsui	200,000	0.03%
25. Li Che Wa, Paul	Department manager – Human resources	6/F, 145 Tai Woo Chuen, Tai Po	200,000	0.03%

Such options vested in the grantees named above immediately upon the respective dates of grant.

The Company has applied for a waiver from the Securities and Futures Commission in relation to full compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in relation to the Pre-IPO Share Option Plan grantees who have been granted options in respect of less than 200,000 Shares. The application has been made on the grounds that, given the large number of grantees, full compliance with these disclosure requirements would be unduly burdensome for the Company. The Securities and Futures Commission has granted such waiver to the Company pursuant to Section 342A of the Companies Ordinance on the conditions that:

- (a) full details of all the options granted by the Company under the Pre-IPO Share Option Plan to grantees who hold options in respect of 200,000 Shares or more are disclosed in the prospectus, such details to include all the particulars required under paragraph 10 of the Third Schedule to the Companies Ordinance; and
- (b) a full list of all the grantees who have been conditionally granted options to subscribe for shares under the Pre-IPO Share Option Plan containing all the relevant particulars required under paragraph 10 of the Third Schedule to the Companies Ordinance, as referred to in the paragraphs headed “A summary of the principal terms of the Pre-IPO Option Plan” and “Outstanding Options under the Pre-IPO Option Plan” in appendix V to this prospectus, will be made available for public inspection in accordance with the paragraph headed “Documents available for inspection” in appendix VI to this prospectus.

Accordingly, this section sets out information in compliance with item (a) above and in compliance with item (b) above, full list of all the 228 grantees (including the 25 senior employees of the CRA Group mentioned above), containing in respect of each option all the particulars required under Paragraph 10 of the Third Schedule to the Companies Ordinance, is available for inspection as mentioned therein.

Save as disclosed above, no options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Plan. No further options will be offered or granted by the Company under the Pre-IPO Share Option Plan as the right to do so has been terminated.

OTHER INFORMATION

Estate duty and tax indemnities

LFR has given in favour of the CRA Group indemnities in connection with, among other things, any liability for Hong Kong estate duty which might be payable by any member of the CRA Group, by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 11 of the Laws of Hong Kong)) to any member of the CRA Group, and any other tax liabilities of the CRA Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued, or received, on or before the date on which the Share Offer becomes unconditional.

However, LFR will have no liability as aforesaid:–

- (i) to the extent that provision (if any) has been made for such taxation in the audited accounts of the Company or any member of the CRA Group for an accounting period ended on or before 31st August, 2000;
- (ii) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by, any member of the CRA Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), or any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received, otherwise than in the ordinary course of business or in the ordinary course of acquiring or disposing of capital assets after 31st August, 2000;
- (iii) to the extent that such taxation or liability is discharged by another person who is not a member of the CRA Group and that no member of the CRA Group is required to reimburse such person in respect of the discharge of the taxation or liability;
- (iv) to the extent that such taxation or liability arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other statutory or governmental authority in Hong Kong or any other part of the world coming into force after 6th January, 2001 or to the extent that such taxation arises or is increased by an increase in rates of taxation after such date with retrospective effect; and

- (v) to the extent of any provision or reserve made for taxation in the accounts referred to in (i) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce LFR's liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the British Virgin Islands, being jurisdictions in which one or more of the companies comprising the CRA Group are incorporated.

Significant interests in the CRA Group

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be taken up under the Share Offer and assuming that the Over-allotment Option is not exercised, so far as the Directors are aware, the persons (not being Directors or the chief executive officer of the Company) who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the CRA Group will be as follows:—

Name of shareholder	Name of company	Number of shares in the company	Percentage of interest in the company
LFR	The Company	467,114,000	71.25
LF (1937) (Note 1)	The Company	467,114,000	71.25
King Lun Holdings Limited (Note 2)	The Company	467,114,000	71.25
Chase Bank & Trust Company (CI) Limited (Note 3)	The Company	467,114,000	71.25
Web-Logistic (AP) (Note 4)	Web-Logistic (HK)	2,808,000	18

Notes:

- (1) LFR is a wholly-owned subsidiary of LF (1937)
- (2) LF (1937) is a wholly-owned subsidiary of King Lun Holdings Limited
- (3) 1,332,840 shares in King Lun Holdings Limited, representing 50% of its issued share capital, are owned by Chase Bank & Trust Company (CI) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King Victor
- (4) Pursuant to a shareholders' agreement entered into between Web-Logistic (AP), CRA(BVI) and Web-Logistic (HK) dated 18th September, 2000, Web-Logistic (AP) was granted an option to purchase from CRA(BVI) that number of shares in Web-Logistic (HK) representing 12% of the enlarged issued share capital of Web-Logistic (HK) on or before 31st July, 2001, at a total consideration of, based on the existing issued share capital of Web-Logistic (HK), HK\$1,872,000. If this option is exercised in full by Web-Logistic (AP), the CRA Group's shareholding interests in Web-Logistic (HK) will be reduced from 82% to 70%.

Litigation

No member of the CRA Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the CRA Group.

Address for service of process and notices

Li Kwok Ho, Bruno has been nominated as the agent to accept service of process and notices for and on behalf of the Company. The address for service of process and notices is 12th Floor, LiFung Centre, On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

Sponsor

The Sponsor has made an application on behalf of the Company to the GEM Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein.

Preliminary expenses

The preliminary expenses of the Company are estimated to be about HK\$20.7 million and are payable by the Company.

Promoter

The promoter of the Company is LFR.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
BNP Paribas Peregrine Capital Limited	Registered investment adviser
PricewaterhouseCoopers	Certified public accountants
Greater China Appraisal Limited	Chartered surveyors and independent valuers
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law

Consents of experts

Each of BNP Paribas Peregrine Capital, PricewaterhouseCoopers, Greater China Appraisal Limited, and Conyers Dill & Pearman, Cayman has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.
- (b) None of BNP Paribas Peregrine Capital, PricewaterhouseCoopers, Greater China Appraisal Limited or Conyers Dill & Pearman, Cayman:
- (i) is interested beneficially or non-beneficially in any shares in any member of the CRA Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the CRA Group.
- (c) No company within the CRA Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “Consents of experts” in appendix V to this prospectus, and copies of the material contracts referred to in the section headed “Summary of material contracts” in appendix V to this prospectus (in respect of the Amendment agreement referred to in sub-paragraph (A) of the section headed “Summary of material contracts” in appendix V to this prospectus, the percentages of gross sales for calculating the monthly royalty payable by the CRA Group to Circle K (US) will be omitted as described in the section headed “Waivers from compliance with the GEM Listing Rules and the Companies Ordinance”).

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Johnson Stokes & Master, 16th-19th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including 23rd January, 2001:

- (i) the memorandum and articles of association of the Company;
- (ii) the accountants’ report on the CRA Group prepared by PricewaterhouseCoopers, the text of which is set out in appendix I to this prospectus;
- (iii) such financial statements as have been prepared for each of the companies comprising the CRA Group for each of the two years ended 31st December, 1999 and the eight months ended 31st August, 2000;
- (iv) the letters relating to the profit estimate, the texts of which are set out in appendix II to this prospectus;
- (v) the full valuation report relating to the property interests of the CRA Group prepared by Greater China Appraisal Limited, of which the text of the letter and summary of valuation is set out in appendix III to this prospectus;
- (vi) the letter of advice prepared by Conyers, Dill & Pearman, Cayman referred to in the section headed “General” in appendix IV to this prospectus summarising certain aspects of Cayman Islands company law;
- (vii) the Companies Law;
- (viii) the material contracts referred to in the section headed “Summary of material contracts” in appendix V to this prospectus (subject to the omission of particulars referred to in the preceding paragraph headed “Documents Delivered to the Registrar of Companies”);

- (ix) the written consents referred to in the section headed “Consents of experts” in appendix V to this prospectus;
- (x) the service contracts referred to in the section headed “Particulars of service contracts” in appendix V to this prospectus;
- (xi) the rules of the Share Option Scheme;
- (xii) the rules of the Pre-IPO Share Option Plan; and
- (xiii) a full list of the persons who have been conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Plan, containing all the relevant details as required under paragraph 10 of the Third Schedule to the Companies Ordinance, as referred to in the paragraphs headed “A summary of the principal terms of the Pre-IPO Share Option Plan” and “Outstanding options under the Pre-IPO Share Option Plan” in appendix V to this prospectus.