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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

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



Convenience Retail Asia Limited

利 亞 零 售 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

NOTICE OF ANNUAL GENERAL MEETING AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

This circular, for which the directors (“Directors”) of Convenience Retail Asia Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

23rd March, 2001

LETTER FORM THE CHAIRMAN



Convenience Retail Asia Limited

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Yeung Lap Bun, Richard
(Chief Executive Officer)
Li Kwok Ho, Bruno (Chief Financial Officer)

Non-Executive Directors:

Dr. Fung Kwok King, Victor (Chairman)
Dr. Fung Kwok Lun, William
Lau Butt Farn
Wong Yuk Nor, Louisa

Independent Non-Executive Directors:

Dr. Ch'ien Kuo Fung, Raymond
Au Man Chung, Malcolm

Registered Office:

Zephyr House
3rd Floor, Mary Street
George Town
Grand Cayman
British West Indies

Principal Place of Business:

12th Floor
LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
Hong Kong

23rd March, 2001

To Shareholders of the Company

Dear Sir or Madam,

PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

THE GENERAL MANDATES

On 6th January, 2001, resolutions were passed by the then shareholders of the Company giving general unconditional mandates ("general mandates") to the directors of the Company to:–

- (a) allot, issue and deal with shares of the Company not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue after completion of the public offer and placing ("Share Offer"), and the shares which might be issued pursuant to the exercise of the over allotment option ("Over Allotment") referred to in the prospectus of the Company dated 9th January, 2001;
- (b) repurchase shares not exceeding 10% of the aggregate nominal value of the shares of the Company in issue after completion of the Share Offer and Over Allotment ("Repurchase Mandate"); and

LETTER FORM THE CHAIRMAN

- (c) add to the general mandate for issuing shares set out in (a) above the number of shares repurchased by the Company pursuant to the Repurchase Mandate set out in (b) above.

These general mandates will expire at the conclusion of the annual general meeting ("Annual General Meeting") to be held on 26th April, 2001, and the purpose of this circular is to request your support to renew the general mandates at the Annual General Meeting.

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the Repurchase Mandate and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange, in particular Rule 13.08, is set out in the Schedule to this letter. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution relating to the Repurchase Mandate.

THE ANNUAL GENERAL MEETING

The following are the details of the Annual General Meeting:—

Date : 26th April, 2001
Time : 3:00 p.m.
Venue : Auditorium, 12th Floor, LiFung Centre, 2 On Ping Street,
Siu Kek Yuen, Shatin, N.T.

The notice convening the Annual General Meeting is set out on pages 7 – 11 of this circular. Resolutions 4 to 6 relate to the general mandates and will be proposed as ordinary resolutions at the Annual General Meeting for your consideration and approval. A form of proxy for the Annual General Meeting is enclosed with this circular. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the branch share registrar of the Company, Abacus Share Registrars Limited, at 2401 Prince's Building, Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the meeting. The completion of a form of proxy will not preclude you from attending and voting at the meeting in person.

RECOMMENDATION

Your Directors are of the opinion that the proposals referred to in this circular are in the best interests of the Company and its shareholders and recommend you to vote in favour of the resolutions relating to the general mandates to be proposed at the Annual General Meeting.

On behalf of the Board
Fung Kwok King, Victor
Chairman

SCHEDULE TO LETTER FROM CHAIRMAN

This is an explanatory statement given to all shareholders relating to a resolution to be proposed at the forthcoming Annual General Meeting authorizing the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 and other relevant provisions of the Rules governing the Listing of Securities on the GEM (the "GEM Listing Rules") which is set out as follows:

1. REGULATIONS OF THE GEM LISTING RULES

(a) Shareholders' approval

All repurchase of securities on the GEM by a company with its primary listing on the 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.

(b) Source of funds

Any repurchase must be financed out of funds legally available for the purpose in accordance with the Company's constitutive documents and the laws of the jurisdiction in which the Company is incorporated or otherwise established.

(c) Trading restrictions

The shares to be repurchased by a Company must be fully paid up. A company is authorized to repurchase on the GEM or on any other stock exchange recognized for this purpose by the Securities and Futures Commission in Hong Kong and the Stock Exchange the total number of shares which represents up to a maximum of 10% of the existing issued share capital of that company and warrants to subscribe for or purchase shares in the company representing up to 10% of the amount of warrants outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce a proposed issue of new securities of the type that has been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on the GEM if the result of the repurchase would be that the number of that Company's listed securities which are in the hands of the public would fall below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange. A company may only purchase shares on the GEM if (1) the purchase price is not higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the Rules of the Stock Exchange), whichever is higher; and (2) the company has not made the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange.

(d) Status of repurchased securities

The listing of all repurchased securities (whether on the 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

SCHEDULE TO LETTER FROM CHAIRMAN

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 authorized share capital of the company will not be reduced.

(e) Suspension of repurchase

A Company shall not purchase its own securities after a price-sensitive development has occurred or has been the subject of a 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-yearly report or quarterly report, the company may not purchase its securities on the GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(f) Reporting requirements

Repurchases of securities on the 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 the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total price 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 any such purchase to provide to the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange. A company shall procure that any broker appointed by it to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

(g) Connected persons

Under the GEM Listing Rules, a company shall not knowingly purchase 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 19th March, 2001, the latest practicable date prior to the printing of this circular (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 respective associates (as defined in the GEM Listing Rules) has a present intention, in the event that the Repurchase Mandate is approved by the shareholders, to sell shares to the Company.

2. EXERCISE OF THE REPURCHASE MANDATE

Exercise in full of the Repurchase Mandate, on the basis of 655,600,000 shares in issue as at the Latest Practicable Date, could result in up to 65,560,000 shares being repurchased by the Company during the period from the passing of Resolution No. 5 as set out in the notice of the Annual General Meeting 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

SCHEDULE TO LETTER FROM CHAIRMAN

the Company or any applicable laws to be held; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the shareholders in general meeting, whichever occurs first.

3. REASONS FOR REPURCHASES

Repurchases of shares will only be made when the Directors believe that such a repurchase will benefit the Company and the shareholders. 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.

4. FUNDING OF REPURCHASES

In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of the Cayman Islands. The Company may not purchase its own securities on the 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.

5. 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 the audited financial statements contained in the 2000 annual report of the Company) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS

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 purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert (within that term's meaning under 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.

As at the Latest Practicable Date, Li & Fung (Retailing) Limited, which is a substantial shareholder and an initial management shareholder of the Company, and the other initial management shareholders of the Company together held approximately 75% of the shares issued by the Company. In the event that the Directors exercised in full the power to repurchase shares in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the total interests of Li & Fung (Retailing) Limited and the

SCHEDULE TO LETTER FROM CHAIRMAN

initial management shareholders of the Company in the shares would be increased to approximately 83.34% of the issued shares and they would not be obliged to make a mandatory offer under Rule 26 of the Takeovers Code in this respect.

However, as the minimum amount of shares to be held by the public cannot be less than 20% of the issued shares of the Company, the Directors do not intend to exercise in full the power to repurchase shares under the Repurchase Mandate.

8. SHARE PURCHASE MADE BY THE COMPANY

No purchases of shares have been made by the Company since the listing of its shares on the GEM on 18th January, 2001, whether on the Stock Exchange or otherwise.

9. CONNECTED PERSON

No connected person (as defined in the GEM Listing Rules) has notified the Company that it has a present intention to sell shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders.

10. SHARE PRICES

The highest and lowest prices at which the shares were traded on the GEM during each of the calendar months since listing of the shares on the GEM on 18th January, 2001 were as follows:

| | Shares | |
|---|-----------------|----------------|
| | Highest HK\$ | Lowest HK\$ |
| 2001 | | |
| January | 1.35 | 1.14 |
| February | 1.21 | 1.13 |
| March (up to the Latest Practicable Date, 19th March, 2001) | 1.20 | 1.16 |

11. PROXY

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Whether or not you intend to attend the meeting, shareholders are requested to complete and return the form of proxy to the branch share registrar of the Company in Hong Kong, Abacus Share Registrars Limited, at 2401 Prince's Building, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Annual General Meeting should the shareholders so desire.

NOTICE OF ANNUAL GENERAL MEETING



Convenience Retail Asia Limited

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN THAT the first annual general meeting of the shareholders of Convenience Retail Asia Limited (the "Company") will be held at the Auditorium, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, N.T., on Thursday, 26th April, 2001 at 3:00 p.m. for the following purposes:—

1. to receive and consider the audited financial statements and the reports of the Directors and auditors of the Company and its subsidiaries for the year ended 31st December, 2000;
2. to re-elect Directors;
3. to re-appoint auditors and authorise the Directors to fix their remuneration;
4. as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT:

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the pre-IPO share option plan adopted by the Company on 27th December, 2000 or the grant or exercise of any option under the share option scheme adopted by the Company on 6th January, 2001 or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or

NOTICE OF ANNUAL GENERAL MEETING

any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which are convertible into shares of the Company, shall not exceed the aggregate of:

- (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
- (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution).

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution 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 Memorandum and Articles of Association of the Company, or any other applicable law of the Cayman Islands, to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company);

NOTICE OF ANNUAL GENERAL MEETING

5. as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and which is recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, in accordance with the rules and regulations of the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and any such other stock exchange from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
 - (c) for the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution 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 Memorandum and Articles of Association of the Company, or any other applicable law of Cayman Islands, to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution”;
6. as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“THAT the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no.4 set out in the notice convening this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution”;

NOTICE OF ANNUAL GENERAL MEETING

7. as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“THAT the services agreement (a copy of which marked “A” has been produced to this Meeting and signed by the Chairman hereof for the purpose of identification) dated 6th January, 2001 and entered into between Li & Fung (Retailing) Limited (“LFR”), the substantial shareholder of the Company, and Circle K Convenience Stores (HK) Limited (“Circle K (HK)”), a wholly owned subsidiary of the Company, 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 major terms of the services agreement being set out in the prospectus of the Company dated 9th January, 2001) be and is hereby approved, ratified and confirmed **AND THAT** the Directors be and are hereby authorised to do all acts and things which they consider necessary and expedient for the implementation of and giving effect to the services agreement provided that the aggregate consideration payable thereunder in any financial year will not exceed HK\$13,700,000”; and

8. as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“THAT the purchase of products by Circle K Convenience Stores (HK) Limited from JDH (Hong Kong) Limited, an indirect subsidiary of the immediate holding company of the substantial shareholder of the Company, on its standard terms of business (further information about the purchase from JDH (Hong Kong) Limited being set out in the prospectus of the Company dated 9th January, 2001) be and is hereby approved, ratified and confirmed **AND THAT** the Directors be and are hereby authorised to do all acts and things which they consider necessary and expedient for the implementation of and giving effect to such purchase provided that the aggregate consideration payable in respect thereof in any financial year will not exceed HK\$15,000,000.”

On behalf of the Board
Fung Kwok King, Victor
Chairman

Hong Kong, 14th March, 2001

Principal Place of Business:

12th Floor
LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or persons as his proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.