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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)

CONTINUING CONNECTED TRANSACTIONS AND

PROPOSED AMENDMENTS TO THE EXISTING SHARE OPTION SCHEME

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

Independent financial adviser to Convenience Retail Asia Limited

**Deloitte & Touche
Corporate Finance Ltd**

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.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcement” page for 7 days from the date of its posting and on the website of the Company at www.cr-asia.com.

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 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

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Chairman	4
Schedule to Letter from the Chairman	15
Letter from the Independent Board Committee	20
Letter from the Independent Financial Advisor	22
Appendix — General Information	27
Notice of Annual General Meeting	43

DEFINITION

In the circular, the following expressions have the following meanings unless the context requires otherwise:

“Adoption Date”	6th January, 2001 (the date on which the share option scheme of the Company is conditionally adopted by resolution of the shareholders of the Company)
“AGM”	the annual general meeting of the Company for the year ended 31st December, 2001 to be held at the Auditorium, 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories on 24th April, 2002 at 4:00 p.m.
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of directors of the Company or a duly authorised committee thereof
“Circle K (HK)”	Circle K Convenience Stores (HK) Limited, a company incorporated in Hong Kong and wholly owned by the Company
“Company”	Convenience Retail Asia Limited
“Continuing Connected Transactions”	the provision of the Services by LFR to Circle K (HK) under the New Services Agreement and the purchase of products from JDH (Hong Kong) Limited by Circle K (HK) under the New Purchase Agreement
“DTCFL”	Deloitte & Touche Corporate Finance Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee
“Directors”	the directors of the Company
“Existing Agreements”	the Existing Purchase Agreement and the Existing Services Agreement
“Existing Purchase Agreement”	the purchase agreement dated 14th December, 2000 and entered into between Circle K (HK) and JDH (HK) for the purpose of putting on records the intention of Circle K (HK) to purchase various products (being both food and non-food products) from JDH (HK) on its standard term of business
“Existing Services Agreement”	the services agreement dated 6th January, 2001 and entered into between Circle K (HK) and LFR for the provision of the Services by LFR to Circle K (HK)

DEFINITION

“Existing Share Option Scheme”	the existing share option scheme for the employees (including executive directors) of the Group adopted by the Company on 6th January, 2001
“Existing Waiver”	the waiver granted by the Stock Exchange to the Company in January 2001 of the announcement and Shareholders’ approval requirements, under rules 20.35 and 20.36 of the GEM Listing Rules in relation to the non-exempt connected transactions as disclosed in the Prospectus
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its Subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Dr. Ch’ien Kuo Fung, Raymond and Mr. Au Man Chung, Malcolm who are the independent non-executive Directors
“Independent Shareholders”	Shareholders other than those who have an interest in the Existing and New Agreements and the Continuing Connected Transactions thereunder (including, without limitation, LFR and its associates in relation to the Existing and New Agreements and Mr. Lau Butt Farn (a Director) and its associates in relation to the Existing and New Purchase Agreements)
“JDH (HK)”	JDH (Hong Kong) Limited, a company incorporated in Hong Kong, an indirect subsidiary of LF (1937) which has an effective interest of 51.44% in JDH (Hong Kong) Limited
“Latest Practicable Date”	26th March, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Li & Fung Group”	LF (1937) and its subsidiaries together with Li & Fung Limited and its subsidiaries. Li & Fung Limited is an associated company of LF (1937) and is listed on the main board of the Stock Exchange
“LF (1937)”	Li & Fung (1937) Limited, a company incorporated in Hong Kong

DEFINITION

“LFR”	Li & Fung (Retailing) Limited, a company incorporated in Hong Kong and wholly-owned by LF (1937)
“New Agreements”	the New Purchase Agreement and the New Services Agreement
“New Purchase Agreement”	the purchase agreement dated 20th March, 2002 entered into between Circle K (HK) and JDH (HK) for the purpose of putting on records the intention of Circle K (HK) to purchase various products (being both food and non-food products) from JDH (HK) on its standard term of business
“New Services Agreement”	the services agreement dated 20th March, 2002 entered into between Circle K (HK) and LFR for the provision of the Services by LFR to Circle K (HK)
“Proposed Amendments”	the proposed amendments to the relevant clauses of the Existing Share Option Scheme as set out in Resolution 7 of the notice of AGM on pages 43 to 55 of this circular
“Prospectus”	the prospectus of the Company dated 9th January, 2001
“PRC”	The People’s Republic of China, for the purpose of this circular, excluding Hong Kong, The Macau Special Administrative Region and Taiwan
“Services”	services relating to finance and accounting, management information systems, human resources, real estate and other administrative support
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Subsidiary”	a body corporate which is for the time being a subsidiary within the meaning of the Companies Ordinance (Cap.32 of the Laws of Hong Kong)



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

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:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
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

28th March, 2002

To Shareholders of the Company

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED AMENDMENTS TO
THE EXISTING SHARE OPTION SCHEME
AND
PROPOSED GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES**

INTRODUCTION

Reference was made to the announcement dated 20th March, 2002 relating to the Continuing Connected Transactions. The Directors would like to seek the Independent Shareholders' approval of the Continuing Connected Transactions and their respective annual caps.

LETTER FROM THE CHAIRMAN

In addition, the Directors would like to seek approvals from the Shareholders for the Proposed Amendments to the Existing Share Option Scheme and granting of the general mandates to the Directors to issue and repurchase Shares.

The purpose of this circular is (i) to provide information on the Continuing Connected Transactions; (ii) to seek the Independent Shareholders' approval of resolutions relating to the Continuing Connected Transactions to be proposed at the AGM; (iii) to inform the Shareholders of the Proposed Amendments to the Existing Share Option Scheme; (iv) to seek the Shareholders' approval of the resolution relating to the Proposed Amendments to be proposed at the AGM; (v) to seek the Shareholders' approval of the resolutions relating to the General Mandates and the Repurchase Mandate (as defined below) at the AGM.

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

All option-holders and their respective associates shall abstain from voting in respect of the ordinary resolution relating to the Proposed Amendments.

THE CONTINUING CONNECTED TRANSACTIONS

THE EXISTING AGREEMENTS

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

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

THE NEW AGREEMENTS

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

Pursuant to the GEM Listing Rules, the Continuing Connected Transactions will continue to constitute non-exempt connected transactions of the Company under rule 20.26 of the GEM Listing Rules, and are subject to the approval of the Independent Shareholders as required under the GEM Listing Rules. In addition, the termination of the Existing Agreements constitutes connected transaction under the GEM Listing Rules.

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

A. **Provision of administrative services by connected person**

Transaction nature

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

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

Pricing basis

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

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

LETTER FROM THE CHAIRMAN

The amounts paid to LFR in the two years ended 31st December, 2001 were HK\$10,898,082 and HK\$7,479,986 respectively. LFR has waived HK\$2.5 million in favour of the Group after considering the then financial condition of the Group. This amount was reflected in the annual results of the Group for the year ended 31st December, 2001. The annual cap approved under the Existing Waiver in respect of the transactions under the Existing Services Agreement is HK\$13,700,000. It is expected that the aggregate consideration payable by Circle K (HK) under the New Services Agreement will increase as its business expands, but will not exceed HK\$15,500,000 for each of the three years ending 31st December, 2004 (“Annual Cap”).

The computation of Annual Cap is based on an annual growth rate of 15% over the amount incurred by the Group in 2001 of about HK\$10.0 million. (after adding back HK\$2.5 million being waived by LFR).

B. Purchase of products from connected person

Transaction nature

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

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

Pricing basis

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

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

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

The Directors considered that as JDH (HK) is one of the largest distributors in Hong Kong supplying both food and non-food products to customers including certain well known supermarkets and convenience chain stores in Hong Kong and carries exclusive distribution

rights on several products, JDH (HK) may enter into new distribution arrangements in the future for other new lines of products which are of interests to Circle K (HK). The Directors consider that the buffer included in the new annual cap of HK\$17 million would serve to facilitate potential future purchases by Circle K (HK) for such new lines of products.

Condition precedent

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

Annual review of the Continuing Connected Transactions

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

- (a) the aggregate consideration in any financial year for the three years ending 31st December, 2004 in respect of:
 - (i) the New Services Agreement shall not exceed HK\$15,500,000; and
 - (ii) the New Purchase Agreement shall not exceed HK\$17,000,000;
- (b) details of the Continuing Connected Transactions will be disclosed in the Company's annual report as described in rules 20.34(1) to (5) of the GEM Listing Rules;
- (c) the independent non-executive Directors shall review the Continuing Connected Transactions annually and confirm in the Company's next annual report and accounts that the relevant Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) save for the New Services Agreement (which shall be on arm's length terms), either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

LETTER FROM THE CHAIRMAN

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

Reasons for the execution of the New Agreements and benefits of the Continuing Connected Transactions

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

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

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

LETTER FROM THE CHAIRMAN

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

Confirmation from the Directors

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

THE EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted and approved by the Company on 6th January, 2001. As at the Latest Practicable Date, there were 714,000 outstanding options granted under the Existing Share Option Scheme.

In view of the changes to Chapter 23 of the GEM Listing Rules which came into effect on 1st October, 2001 in relation to the share option schemes of listed issuers on the Stock Exchange, the Board proposes to amend the Existing Share Option Scheme to comply with the relevant amended rules, including the rules on:

- (1) the purpose of the Existing Share Option Scheme;
- (2) the participants of the Existing Share Option Scheme; and
- (3) the maximum number of Shares in the Company available for subscription under the Existing Share Option Scheme, including the restriction on granting options to directors, chief executive, management Shareholders and substantial Shareholders under the Existing Share Option Scheme.

LETTER FROM THE CHAIRMAN

The Proposed Amendments would allow non full-time employees (including their related trust and company) to participate in the Existing Share Option Scheme and would also allow the Company to refresh the maximum number of Shares that would be available under the scheme as permitted under the GEM Listing Rules. The Board believes this would enhance the ability of the Company in attracting the best quality employees for the development of the Group's businesses and in providing additional incentives and rewards to selected non-full time employees, including non-executive Directors, consultants, business alliance, joint venture partners and suppliers of goods for their contribution to the creation of the Shareholders value.

The Board also proposes to make other minor amendments to the Existing Share Option Scheme including to allow the Board to administer the scheme without the mandatory presence of the independent non-executive Directors. This is permissible under the new Chapter 23 of the GEM Listing Rules which came into effect on 1st October, 2001 and the Board believes that this would allow greater administration flexibility for smoother and more expedient operation of the scheme. Details of the Proposed Amendments are set out in Resolution 7 of the notice of AGM on pages 43 to 55 of this circular.

In accordance with the terms of the Existing Share Option Scheme, the Proposed Amendments are subject to the approval of the shareholders of the Company by way of an ordinary resolution at the AGM. **All option-holders and their respective associates shall abstain from voting in respect of Resolution 7 relating to the Proposed Amendments.**

Application has been made to the Stock Exchange for approving the Proposed Amendments to the Existing Share Option Scheme.

Under the Proposed Amendments, the total number of Shares which may be issued upon exercise of all options granted or to be granted under the Existing Share Option Scheme and any other schemes must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date being 65,560,000 Shares.

A copy of the Existing Share Option Scheme incorporating the Proposed Amendments will be available for inspection at the principle place of business of the Company at 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong during normal business hours up to and including 24th April, 2002.

The Company will publish an announcement on the outcome of the AGM in respect of the resolution relating to the Proposed Amendments on the business day following the date of the AGM.

THE GENERAL MANDATES

At the annual general meeting of the Company held on 26th April, 2001 general and unconditional mandates were given to the Directors to:

- (a) allot, issue and deal with shares not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at 26th April, 2001;

LETTER FROM THE CHAIRMAN

- (b) repurchase Shares not exceeding 10% of the aggregate nominal value of the shares in issue as at 26th April, 2001; and
- (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 AGM to be held on 24th April, 2002.

Approval is being sought from the Shareholders to grant a general mandate (the “General Mandates”) to the Directors to exercise the powers of the Company to allot, issue and deal with Shares not exceeding 20% of the issued Share capital of the Company as at the date of the passing of the relevant resolution to be proposed at the AGM and adding to the General Mandates the number of Shares repurchased by the Company pursuant to the Repurchase Mandate (as defined below).

In addition, an ordinary resolution will be proposed at the AGM to approve the grant of a general mandate to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the Share capital of the Company in issue as at the date of the passing of the relevant resolution (the “Repurchase Mandate”).

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the Repurchase Mandate and pursuant to the GEM Listing Rules 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 AGM

The following are the details of the AGM:

Date : 24th April, 2002

Time : 4:00 p.m.

Venue : Auditorium, 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, N.T.

The notice convening the AGM is set out on pages 43 to 55 of this circular. Resolutions 4 to 6 relate to the General Mandates, resolution 7 relates to the Proposed Amendments to the Existing Share Option Scheme and resolutions 8 to 9 relate to the Continuing Connected Transactions and the respective Annual Caps. These resolutions will be proposed as ordinary resolutions at the AGM for your consideration and approval.

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

LETTER FROM THE CHAIRMAN

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

In view of the interests as mentioned above, LFR and its associates will abstain from voting at the AGM in respect of the ordinary resolutions 8 to 11 relating to the Existing and New Agreements and Mr. Lau Butt Farn and its associates will abstain from voting at the AGM in respect of the ordinary resolutions 9 and 11 relating to the Existing and New Purchase Agreements.

In the event the Independent Shareholders do not approve the New Agreements and the Continuing Connected Transactions thereunder, the Existing Agreements and the Existing Waiver will continue to apply and the Directors will put forward to the Shareholders for consideration ordinary resolutions 10 and 11 for approving the Existing Agreements and their respective annual caps under the Existing Waiver for their respective remaining term for the year ending 31st December, 2002 at the AGM in accordance with the requirement of the Existing Waiver and the GEM Listing Rules.

A form of proxy for the AGM is enclosed with this circular. Whether or not you intend to be present at the AGM, 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 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the AGM. The completion of a form of proxy will not preclude you from attending and voting at the AGM in person.

RECOMMENDATION

(a) Continuing Connected Transactions

The Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the Continuing Connected Transactions and to advise the Independent Shareholders in this regard. DTCFL has been appointed by the Company to advise the Independent Board Committee in this regard.

The Independent Board Committee, having taken into account the advice of DTCFL, is of the opinion that the terms of the New Agreements and their respective Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders taken as a whole and accordingly recommends that the Independent Shareholders to vote in favour of the ordinary resolutions numbered 8 and 9 regarding the Continuing Connected Transactions to be proposed at the AGM.

In the event the Independent Shareholders do not approve resolutions numbered 8 and 9 relating to the Continuing Connected Transactions, the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the ordinary resolutions numbered 10 and 11 for re-approving the respective terms and annual caps of the Existing Agreements for the year ending 31st December, 2002.

LETTER FROM THE CHAIRMAN

(b) **Proposed Amendments to the Existing Share Option Scheme**

The Directors are of the opinion that the proposals relating to the Proposed Amendments to the Existing Share Option Scheme are in the best interests of the Company and the Shareholders and recommend you to vote in favour of the resolution relating to the Proposed Amendments to the Existing Share Option Scheme to be proposed at the AGM.

(c) **General Mandates and Repurchase Mandate**

The Directors are of the opinion that the proposals relating to the General Mandates and the Repurchase Mandate referred to in this circular are in the best interests of the Company and the Shareholders and recommend you to vote in favour of the resolution relating to the General Mandates and the Repurchase Mandate to be proposed at the AGM.

GENERAL

The letter from DTCFL containing its advice and recommendation to the Independent Board Committee is set out on pages 22 to 26 of this circular. The letter of advice from the Independent Board Committee containing its recommendation is set out on pages 20 to 21 of this circular.

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from DTCFL, and the information set out in the appendix of this circular.

On behalf of the Board
Fung Kwok King, Victor
Chairman

This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the AGM authorizing the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to rule 13.08 and other relevant provisions of 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 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 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which a company makes a repurchase of shares. 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 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 or has undertaken not, 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 663,090,000 Shares in issue as at the Latest Practicable Date, could result in up to 66,309,000 Shares being repurchased by the Company during the period from the passing of Resolution No. 5 as set out in the notice of the AGM 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 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 2001 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 a 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, LFR, which is a substantial Shareholder and a management Shareholder of the Company, and the other management Shareholders of the Company together held approximately 74.15% 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 AGM, the total interests of LFR and the management Shareholders of the Company in the Shares would be increased to approximately 82.39% 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 granting of the repurchase mandate on 26th April, 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 previous twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
March	1.400	1.160
April	1.630	1.400
May	2.400	1.600
June	2.775	2.275
July	2.925	2.350
August	2.925	2.525
September	3.025	2.200
October	2.600	2.300
November	2.850	2.600
December	2.800	2.400
2002		
January	2.950	2.525
February	2.950	2.700



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

28th March, 2002

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company despatched to the Shareholders dated 28th March, 2002 (the “Circular”), of which this letter forms a part. The Terms defined in the Circular shall have the same meanings as defined in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you in connection with the Continuing Connected Transactions and the respective Annual Caps, details of which are set out in the “Letter from the Chairman” contained in the Circular.

DTCFL has been appointed as the independent financial adviser to advise us regarding the terms of the New Agreements and their respective Annual Caps. Details of their advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in their letter on pages 22 to 26 of the Circular.

Having taken into account the terms of the New Agreements, the interests of the Independent Shareholders and the advice of DTCFL, we consider the New Agreements and the respective Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders taken as a whole. Accordingly, we recommend that the Independent Shareholders to vote in favour of the ordinary resolutions approving the Continuing Connected Transactions and the respective Annual Caps.

As stated in the 2001 annual report of the Company, we are of the view that the transaction in relation to the provision of the Services by LFR have been entered into in accordance with the terms of the Existing Services Agreement and the purchase of products from JDH (HK) has been entered into on terms no less favourable to the Group than terms available from the independent third parties, and each of the transactions thereunder has been entered into in the ordinary course of business of the Group and is fair and reasonable to the Company and is in the interests of the Shareholders taken as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

On this basis, in the event that the Independent Shareholders do not approve the resolutions relating to the Continuing Connected Transactions, we would recommend the Independent Shareholders to vote in favour of the resolutions for re-approving the respective terms and annual caps of the Existing Agreements for the year ending 31st December, 2002.

Your attention is drawn to the Letter from the Chairman and the “Letter from The Independent Financial Adviser” set out in the Circular.

Yours faithfully

**For and on behalf of the
Independent Board Committee**

Dr. Ch’ien Kuo Fung, Raymond
Independent non-executive Director

Au Man Chung, Malcolm
Independent non-executive Director

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**Deloitte & Touche
Corporate Finance Ltd**

28th March, 2002

The Independent Board Committee
Convenience Retail Asia Limited
12th Floor
LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
Hong Kong

Dear Sirs,

Continuing Connected Transactions

We refer to our engagement to advise the Independent Board Committee in respect of the Continuing Connected Transactions under the New Agreements and the early termination of the Existing Agreements as described in the “Letter from the Chairman” set out on pages 4 to 14 of the circular dated 28th March, 2002 to the Shareholders (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

DTCFL has been appointed as the independent financial adviser to the Independent Board Committee to give our opinion as to whether the terms of the Continuing Connected Transactions and the respective Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Details of the reasons for the execution of the New Agreements and benefits of the Continuing Connected Transactions are set out in the “Letter from the Chairman” in the Circular.

In formulating our recommendation, we have relied on the accuracy of the information and representations contained in the Circular, which have been provided by the Directors and have assumed all information and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular. We

consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group.

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

As disclosed in the “Letter from the Chairman” in the Circular, Circle K (HK) had entered into the Existing Services Agreement and the Existing Purchase Agreement with LFR and JDH (HK) in January 2001 and December 2000 for the provision by LFR of the Services to Circle K (HK) and the purchase by Circle K (HK) of various products (being both food and non-food products) from JDH (HK), respectively.

As both LFR and JDH (HK) are considered connected persons under the GEM Listing Rules, the transactions under the Existing Agreements constitute non-exempt connected transactions under rule 20.26 of the GEM Listing Rules, and were subject to the reporting, announcement and Shareholders’ approval requirements set out in rule 20.34 to 20.36 of the GEM Listing Rules. The Company had applied for and obtained the Existing Waiver from the Stock Exchange from strict compliance with the reporting and Shareholders’ approval requirements under the GEM Listing Rules in respect of those transactions in January 2001 on the conditions as described in the Prospectus.

The Company has entered into the New Services Agreement and the New Purchase Agreement both dated 20th March, 2002 with LFR and JDH (HK) respectively on identical terms as those contained in the Existing Services Agreement and the Existing Purchase Agreement respectively for a revised term from 1st May, 2002 to 31st December, 2004. Pursuant to the GEM Listing Rules, the Continuing Connected Transactions will continue to constitute non-exempt connected transactions of the Company under rule 20.26 of the GEM Listing Rules, and are subject to the approval of the Independent Shareholders as required under the GEM Listing Rules.

The respective parties to both the New Services Agreement and the New Purchase Agreement have also agreed to an early termination of the Existing Agreements before their expirations upon the approval of the New Agreements by the Independent Shareholders. The early termination of the Existing Agreements also constitutes connected transaction of the Company and will be subject to the approval of the Independent Shareholders as required under the GEM Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW AGREEMENTS

In arriving at our opinion in respect of the terms of the Continuing Connected Transactions, we have taken into consideration the following factors and reasons:

1. Services agreement with LFR

At the time of the Company’s listing in January 2001, Circle K (HK) had entered into the Existing Services Agreement with LFR for the provision by LFR to Circle K (HK) of the Services. The Existing Services Agreement was for a term of two years commencing from 1st January, 2001, subject

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

to termination by either party giving not less than six month's notice. Under the Existing Services Agreement, monthly fees payable to LFR for the Services are on a "cost reimbursement basis". Pursuant to the Existing Services Agreement, Circle K (HK) would also reimburse LFR for utility expenses, insurance premiums and other office or administrative expenses payable by LFR on behalf of Circle K (HK). The aggregate expenses payable by Circle (HK) under the Existing Services Agreement are subject to an annual cap of HK\$13.7 million for each of the two years ending 31st December, 2002.

As disclosed in the "Letter from the Chairman" in the Circular, total amount paid by Circle K (HK) to LFR for the Services under the Existing Services Agreement for the two years ended 31st December, 2001 was approximately HK\$10.9 million and HK\$7.5 million respectively. The HK\$7.5 million paid by Circle K (HK) in the year ended 31st December, 2001 as reflected in the annual results of the Group for that year was arrived at after taking into account of LFR waiving HK\$2.5 million in favour of the Group in consideration of its then financial condition.

Under the New Services Agreement, Circle K (HK) will continue to seek from LFR the provision of the Services, and will continue to reimburse LFR for utility expenses, insurance premiums and other office or administrative expenses which will be paid by LFR on behalf of Circle K (HK) under the same terms as in the Existing Services Agreement for a period from 1st May, 2002 to 31st December, 2004.

To cater for further expansion of the business of Circle K (HK) in Hong Kong in the years ahead, the Board estimated that the aggregate amount payable by Circle K (HK) to LFR pursuant to the New Services Agreement for each of the three years ending 31st December, 2004 would not exceed HK\$15.5 million.

As stated in the "Letter from the Chairman" in the Circular, LFR is the investment holding company of the retailing arm within the Li & Fung Group. As part of its role as an investment holding company, LFR provides the Services to its member companies at actual cost. The Directors considered that the arrangement between LFR and the Company under the New Services Agreement gives the Company the benefit from LFR's resources and expertise as well as enhancing the Company's operational efficiency. The Directors confirmed that the New Services Agreement was entered into on an arm's length term, the continuing connected transactions thereunder will be conducted in the ordinary course of business of the Group, and the relevant transactions will be entered into in accordance with the terms of the New Services Agreement. On that basis, we are of the opinion that the Continuing Connected Transactions under the New Services Agreement are fair and reasonable so far as the Independent Shareholders as a whole are concerned.

During the two years ended 31st December, 2001, the Group reported consolidated turnover of approximately HK\$1,140.7 million and HK\$1,305.1 million respectively, representing an increase of approximately 14.4%. The corresponding increase for the year ended 31st December, 2000 compared to the year before was approximately 17.2%. Consequently, the average annual increase in the Group's turnover for the three year period to 31st December, 2001 was approximately 15.8%. The proposed

increase of the relevant annual cap in respect of the Existing Services Agreement from HK\$13.7 million to HK\$15.5 million for each of the three years ending 31st December, 2004 represented an increase of approximately 13.1%. Accordingly, the proposed increase is lower than the Group's average turnover growth rate of 15.8% per year over the three year period from 1999 to 2001.

Furthermore, as disclosed in the "Letter from the Chairman" in the Circular, the computation of the new annual cap in respect of the New Services Agreement is based on an annual growth rate of 15% over the amount actually incurred by the Group for the Services in 2001 of approximately HK\$10 million (after adding back the HK\$2.5 million being waived by LFR) throughout the three years ending 31st December, 2004. Accordingly, the estimated increase in the Group's expenses in respect of the Services will amount to approximately HK\$15.2 million for the year ending 31st December, 2004, which we consider to be in line with the new annual cap of HK\$15.5 million. Consequently, we are of the view that the new annual cap in respect of the New Services Agreement is fair and reasonable so far as the Independent Shareholders as a whole are concerned.

2. Purchase of products from JDH (HK)

As stated in the "Letter from the Chairman" in the Circular, JDH (HK) is principally engaged in the distribution of products (being both food and non-food products) to customers including certain well known supermarkets and convenience chain stores in Hong Kong. In addition, JDH (HK) is the exclusive distribution agent of several products. Circle K (HK) has been purchasing both food and non-food items from JDH (HK) for the past five years.

Under the terms of the Existing Waiver, purchases made pursuant to the Existing Purchase Agreement were subject to an annual cap of HK\$15 million for each of the two years ending 31st December, 2002. For each of the two years ended 31st December, 2001, such purchases by Circle K (HK) from JDH amounted to approximately HK\$8.9 million and HK\$8.2 million respectively.

Under the New Purchase Agreement, Circle K (HK) will continue to purchase various products (being both food and non-food products) from JDH (HK) on identical terms as those contained in the Existing Purchase Agreement for a revised term from 1st May, 2002 to 31st December, 2004. The Directors confirmed that the New Purchase Agreement was entered into on normal commercial terms (if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties) and will be conducted in the ordinary course of business of the Group.

As mentioned under (1) in this paragraph, the Group's average annual turnover growth rate over the three years ending 31st December, 2001 was approximately 15.8%. Based on Circle K (HK)'s total purchases of HK\$8.2 million in 2001 and assuming the same average increase of approximately 15.8% in the Group's turnover per year, the amount of purchases under the New Purchase Agreement in 2004 would be approximately HK\$12.7 million, which is approximately HK\$4.3 million lower than the proposed new annual cap of HK\$17 million. The Directors have explained in the "Letter from the Chairman" in the Circular that such increase is to serve as a buffer for additional lines of both food and non-food products which may be purchased by Circle K (HK) from JDH (HK) during the three years ending 31st December, 2004. As informed by the Directors, no specific product lines of food and non-food products has been identified as at the Latest Practicable Date. The Directors considered that

as JDH (HK) is one of the largest distributors in Hong Kong supplying both food and non-food products to customers including certain well known supermarkets and convenience chain stores in Hong Kong and carries exclusive distribution rights on several products, JDH (HK) may enter into new distribution arrangements in the future for other new lines of products which are of interests to Circle K (HK). The Directors consider that the buffer included in the new annual cap of HK\$17 million would serve to facilitate potential future purchases by Circle K (HK) for such new lines of products.

As the main purpose of the increase in annual cap is to serve as a buffer for the expected increase in purchases of new lines of products from JDH (HK), and since all the continuing connected transactions under the New Purchase Agreement will continue to be subject to the independent non-executive Directors' review and confirmation in respect of whether they are entered into either on normal commercial terms or on terms no less favourable to the Group compared to that obtained from third parties, we are of the opinion that such continuing connected transactions under the New Purchase Agreement and the corresponding proposed new annual cap are fair and reasonable as far as the Independent Shareholders as a whole are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the New Agreements, which are subsisting and are of a commercial nature, are in the interest of the Company and the Shareholders and are fair and reasonable so far as the Independent Shareholders as a whole are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolutions to approve the Continuing Connected Transactions and the respective Annual Caps at the upcoming AGM.

Yours faithfully,
For and on behalf of
Deloitte & Touche Corporate Finance Limited
Lawrence Chia
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, 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 Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular 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 circular misleading; and
- (c) 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.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of each of the Directors, chief executives and their associates in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

- (a) Interests in the Company and certain major associated corporations

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	Yeung Lap Bun, Richard	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
Company	Dr. Ch’ien Kuo Fung, Raymond	1,000,000	—	—	—	1,000,000

Name of the Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
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)
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	8,000 (Note 9)	1,180,500,000 (Note 7)	—	1,250,450,300
		480,000 (Note 10)				
		480,000 (Note 11)				
		480,000 (Note 12)				
Li & Fung Limited	Lau Butt Farn	2,200,000	—	—	—	2,200,000

Notes:

1. King Lun Holdings Limited (“King Lun”) through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited (“LFR”) (a wholly owned subsidiary of Li & Fung (1937) Limited (“LF (1937)”) held 467,114,000 Shares in the Company. 1,332,840 shares in King Lun, 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. The remaining 50% of King Lun is owned by Dr. Fung Kwok Lun, William.
2. King Lun 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 and LF (1937) as set out in note (1) above.
3. 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 and LF (1937) and indirect interests in LFG as set out in notes (1) & (2) above.
4. 1,500,000 shares in LFG 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 81,000 and 19,500 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 two equal lots on 31st December, in each of the calendar years 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, 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 interests, 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 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.
11.

In July 2001, 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\$10.50 per LF Shares during the period from 18th July, 2002 to 17th July, 2004.
12.

In August 2001, 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\$7.98 per LF Shares during the period from 28th August, 2003 to 27th August, 2005.
- (b)

Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun & LF (1937) as set out above, have the following indirect interests in the other associated corporations of the Company:

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Active Islands Group Limited	ordinary share	1
Albinina Limited	ordinary shares	2
Allegreto Company Limited	ordinary shares	2
American Discount Store Limited	ordinary shares	100
Anglo-Thai Company Limited	ordinary shares	6,859,980
Anglo-Thai Corporation Limited	ordinary shares	20,887,323
Anglo-Thai Services Limited	class A shares	160
	class B shares	3,920
Anglo-Thai Tractors Limited	ordinary shares	499,980
Appleton Holdings Limited	ordinary share	1
Asiadent Pte Limited	ordinary shares	200,000
Auto Electric Limited	ordinary shares	75,000
B.G.S. Limited	ordinary shares	2,880
	preference shares	7,120
Bacarolle Limited	ordinary shares	2
Bakehouse Company Limited	ordinary shares	1,748,949
Basic & More Fashion Limited	ordinary shares	1,000,000
Beldare Enterprises Inc.	common stock	100
Black Cat Fireworks Limited	ordinary shares	1,200,000
Blue Sky Buying Services Limited	ordinary shares	2
Bomaron Limited	ordinary shares	2
	non-voting deferred shares	10,000
Borneo Agencies Limited	ordinary shares	2,000
	preference shares	2,000
Borneo Investments (Singapore) Pte Limited	ordinary shares	4
Borneo Technical (Thailand) Limited	ordinary shares	16,000
	preference shares	5,400
Borneo Technical Co (M) Sdn Bhd	ordinary shares	4,231,002

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Borneo Technical Hong Kong Ltd	ordinary shares	1,000
Bosca Development Limited	ordinary shares	2
Branded Lifestyle International Ltd	ordinary share	1
B-Trak Holdings (Malaysia) Sdn Bhd	ordinary shares	40,000,000
Butler & Webster (Thailand) Limited	ordinary shares	100,000
Camberley Enterprises Limited	ordinary shares	250,000
Canathan Inc	ordinary shares	8,750
Circle K - Amazens Retalhistas (Macau) Limitada	quotas	2 (<i>Note a</i>)
Circle K Convenience Stores (HK) Limited	ordinary shares	183,756
Circle K Convenience Stores PRC Limited	ordinary shares	2
Circle K Convenience Stores Limited	ordinary shares	10,000
Circle K Convenience Stores PRC (BVI) Limited	ordinary share	1
Clear Lake Group Limited	ordinary shares	2
Colby Group Holdings Limited	ordinary shares	45,000
Colby International (Guatemala), Sociedad Anonima	shares	5,000
Colby International Limited	ordinary shares	1,500,000
Colby Nominees Limited	ordinary share	1
Colby Property Holdings Limited	ordinary share	1
Convenience Retail Asia (BVI) Limited	ordinary shares	10,000
Cornerstone Enterprises Limited	ordinary shares	10,000
Costume Limited	ordinary shares	2
CS Asia Limited	ordinary share	1
CS International (Offshore) Limited	ordinary share	1
CS International Limited	ordinary shares	1,000,000
Cuore Limited	ordinary shares	2
Dana International Limited	ordinary shares	2
Dephina Limited	ordinary shares	10,000
Dodwell (Korea) Limited	ordinary shares	500
Dodwell (Mauritius) Limited	ordinary A shares	300
Dodwell (Singapore) Pte Limited	ordinary shares	200
Dodwell (Taiwan) Limited	ordinary shares	1,150
Dodwell (Thailand) Limited	ordinary shares	5,000
	preference shares	15,000
Dodwell Japan KK	shares of common stock	14,800
Dodwell Limited	ordinary shares	2
Dodwell Philippines, Inc.	ordinary shares	150,000
Eclat Properties Inc.	ordinary shares	100
E-Foremost Management Limited	ordinary share	1
eLiFung.Com Limited	ordinary shares	2
Ellinwood Limited (incorporated in B.V.I.)	ordinary share	1

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Ellinwood Limited (incorporated in Hong Kong)	ordinary shares	2
Epiquest Limited	ordinary shares	100
Eurosports Trading Limited	ordinary shares	2
Exportacao Dodwell (Macau) Limitada	quotas	8 (<i>Note b</i>)
Ferragamo Korea Limited	ordinary shares	658,240
Ferrinch (L) Limited	class B shares	2,250,000
Forrestgrove Limited	ordinary shares	2
Mobilia Limited	ordinary shares	2
G.S.C.M. (Marketing) Limited	ordinary shares	50,000
Gibb, Livingston & Company Limited	ordinary shares	26,600
Gibb, Livingston International Limited	ordinary shares	100,000
Gilman & Company Limited	ordinary shares	100,000
Gilman Industrial Limited	ordinary shares	610,050
	non-voting deferred shares	175,000
Golden Gate Fireworks Inc.	common stock	8,000
Golden Horn (III) L.P. (Partnership)	contribution	US\$100
Golden Horn Investments (Europe) Limited	ordinary shares	75
Golden Horn Investments Inc.	ordinary shares	75
Golden Horn N.V.	ordinary shares	61
Golden Horn Venture Capital Limited	ordinary shares	40,000
Goodwest Enterprises Limited	ordinary shares	2
GSCM (HK) Limited	ordinary shares	1,400
Hefei Dodwell Machinery Company Limited * 合肥道特威爾機械有限公司	registered capital	US\$800,000
Hillung Enterprises Limited	ordinary shares	30,000
Home Mart Limited	ordinary shares	2
Homeworks (Europe) B.V.	ordinary shares	180
Homeworks Limited	ordinary shares	2
Hua Mark Patana Limited	ordinary shares	1,000
IDS Logistics (Hong Kong) Limited	ordinary shares	10,000
IDS Logistics (Philippines), Inc	shares	100,000
IDS Logistics (Thailand) Limited	ordinary shares	1,215,000
IDS Logistics Services (M) Sdh Bhd	ordinary shares	2,000,000
IDS Logistics Services Pte Limited	ordinary shares	28,296,962
IDS Logistics, Inc.	ordinary shares	50,003
iLiFung.Com Limited	ordinary shares	2
International Sourcing Group Europe Limited	ordinary shares	20
International Sourcing Group, LLC	capital contribution	US\$200,000
iSCM Asia Limited	ordinary shares	2
iSCM Asia Pte Limited	ordinary shares	2
JDH (China) Limited	ordinary shares	400,000

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
JDH (Hong Kong) Limited	ordinary shares	2,000,000
JDH (Nanjing) Development Company Limited * 南京英和發展有限公司	registered capital	US\$800,000
JDH (Nanjing) Investment Enterprise Limited * 英和(南京)投資實業有限公司	registered capital	US\$3,000,000
JDH (Philippines), Inc.	ordinary shares	500,000
JDH (Taiwan) Limited	ordinary shares	2
JDH Borneo (Thailand) Limited	ordinary shares	160,000
	preference shares	55,000
JDH Borneo Sdn Bhd	ordinary shares	2,100,000
JDH Dental Sdn Bhd	ordinary shares	150,000
JDH Investments (S) Pte Limited	ordinary shares	2,360
JDH Logic-Med Sdn Bhd	ordinary shares	165,000
JDH Marketing (Singapore) Pte Limited	ordinary shares	300,000
	preference shares	60,000
JDH Marketing (Thailand) Limited	ordinary shares	3,762,000
JDH Marketing Sdn Bhd	ordinary shares	2,000,000
JDH Pharmaceutical Sdn Bhd	ordinary shares	400,000
JDH Services Limited	ordinary shares	380,000
	preference shares	400,000
Kijpinyo Company Limited	ordinary shares	980
Kingfort Limited	ordinary shares	2
Kingsbury International Limited	ordinary shares	2
Kistor Limited	class A shares	9,000
Kuching Hotels Sdn Bhd	ordinary shares	34,799,303
Kwikpart (Thailand) Limited	ordinary shares	24,500
	preference shares	25,500
Kwikpart Holdings Limited	ordinary share	1
Kwikpart Sdn Bhd	ordinary shares	350,000
Kwikpart Singapore Pte Limited	ordinary shares	278,600
Kwok Yue Limited	ordinary shares	100
L&F Branded Lifestyle (Malaysia) Sdn Bhd	ordinary share	12,000,000
L&F Branded Lifestyle (Singapore) Pte Limited	ordinary shares	500,000
L&F Branded Lifestyle International Limited	ordinary share	1
LF Capital (II) Limited	class A shares	110
	class B shares	115
LF Capital Management Limited	ordinary share	1
LF Corporate Capital (I) Limited	ordinary share	1
LF Distribution Centers Limited	ordinary shares	750,000

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
LF DistriCenters Development Limited	ordinary shares	2
LF Europe Limited	ordinary share	1
LF Europe Sourcing Limited	ordinary shares	100
LF European Capital Limited	ordinary share	1
LF Eurpoe Sourcing Tekstil Ticaret Limited Sirketi	ordinary shares	800
LF Eurpoe Sourcing Tekstil Ve Dis Ticaret Limited Sirketi	ordinary shares	100
LF Industrial Estates Limited	class A shares	67,500,000
	class B shares	11,500,000
LF International Inc.	common stock	202
LF International Limited	ordinary shares	50,000
LF Maclaine (Thailand) Limited	ordinary shares	40,000
LFCF Investment I (Europe) Limited	ordinary share	1
LFCF Investment I (USA) Limited	ordinary share	1
LFD (China) Limited	ordinary shares	2,000
LFD (Singapore) Pte Limited	ordinary shares	163,714,597
LFD (Thailand) Limited	ordinary shares	655,000
LFD Corporate Services Sdn Bhd	ordinary shares	14,231,002
LFD Holdings Sdn Bhd	ordinary shares	118,000,002
LFD Investment Holdings Limited	ordinary shares	44,150
LFD Manufacturing (Hong Kong) Limited	ordinary shares	2
LFD Manufacturing (Shanghai) Limited * 英和製造(上海)有限公司	registered capital	US\$5,000,000
LFD Manufacturing Limited (incorporated in Hong Kong)	ordinary shares	3,000
LFD Manufacturing Limited (incorporated in Thailand)	ordinary shares	4,695,000
LFD Manufacturing Sdn Bhd	ordinary shares	3,000,000
LFD Properties Limited	ordinary shares	2
LFD Technical Services Limited	ordinary share	1
LFD-Online Sdn Bhd	ordinary shares	2
LFIE Management (BVI) Ltd	ordinary shares	1,000
LFIE Management Ltd	ordinary shares	1,000
Li & Fung (B.V.I.) Limited	ordinary shares	400,010
Li & Fung (Bangladesh) Limited	ordinary shares	100
Li & Fung (Canada) Inc.	common shares	100
Li & Fung (Dominicana) S.A.	registered shares	200
Li & Fung (Exports) Limited	ordinary shares	10
	non-voting deferred shares	8,600
Li & Fung (Fashion Accessories) Limited	ordinary A shares	30,000
	ordinary B shares	30,000
Li & Fung (Guatemala) S.A.	common shares	5

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Li & Fung (Honduras) Limited	nominative common shares	250
Li & Fung (Hong Kong) Limited	ordinary shares	5,500
Li & Fung (India) Private Limited	equity shares	6,400,020
Li & Fung (Italia) S.r.l.	units	90
Li & Fung (Korea) Limited	common stock	40,000
Li & Fung (Mauritius) Limited	class A shares	750
Li & Fung (Philippines) Inc.	ordinary shares	5,000
Li & Fung (Portugal) Limited	ordinary shares	100
Li & Fung (Properties) Limited	ordinary shares	10,000
Li & Fung (Retailing) Limited	ordinary share	3,384,372
Li & Fung (Singapore) Pte Limited	ordinary shares	25,000
Li & Fung (South Asia) Limited	ordinary shares	2
Li & Fung (Taiwan) Limited	ordinary shares	6,300,000
Li & Fung (Thailand) Limited	ordinary shares	1,200,000
Li & Fung (Trading) Limited	ordinary shares	2
	non-voting deferred shares	100,000
Li & Fung (Zhanjiang) Limited * 利豐(湛江)商品開發有限公司	registered capital	US\$1,999,055
Li & Fung Agencia de Compras em Portugal, Limitada	quotas	2 (<i>Note c</i>)
Li & Fung Apparel (North America) Limited	ordinary shares	100
Li & Fung China Investments Limited	ordinary shares	1,076,000
Li & Fung Development (China) Limited	ordinary shares	2
Li & Fung Development (PRC) Limited	ordinary share	1
Li & Fung Development Limited	ordinary shares	2
Li & Fung Distribution (Asia) Limited	ordinary share	1
Li & Fung Distribution (China) Limited	ordinary share	1
Li & Fung Distribution (International) Limited	ordinary share	1
Li & Fung Distribution (Malaysia) Limited	ordinary share	1
Li & Fung Distribution (Management) Limited	ordinary shares	2
Li & Fung Distribution (Overseas) Sdn Bhd	ordinary shares	2
Li & Fung Distribution (Singapore) Limited	ordinary shares	50,000
Li & Fung Enterprise Development (Shenzhen) Company Limited * 利豐實業發展(深圳)有限公司	registered capital	HK\$10,000,000
Li & Fung Foods Company Limited	ordinary shares	10,000
Li & Fung IDS Logistics Limited	ordinary shares	24,000,000
Li & Fung Industrial Holdings Limited	ordinary shares	9,400,000
Li & Fung Industrial Limited	ordinary shares	2
	non-voting deferred shares	80,000,000

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Li & Fung Investments (B.V.I.) Limited	ordinary share	1
Li & Fung JDH Healthcare Limited	ordinary shares	2
Li & Fung JDH Limited	ordinary shares	50
	non-voting deferred shares	1,500,000
Li & Fung Management Services Limited	ordinary shares	100
Li & Fung Marketing (Hong Kong) Limited	ordinary shares	2
Li & Fung Mumessillik, Pazarlama Limited Sirketi	ordinary shares	1,000
Li & Fung Pacific Holdings Limited	ordinary shares	25,371,016
Li & Fung Retailing (Malaysia) Sdn Bhd	ordinary shares	2
Li & Fung Retailing (Singapore) Pte Limited	ordinary shares	2
Li & Fung South Africa (Proprietary) Limited	ordinary shares	100
Li & Fung Taiwan Holdings Limited	ordinary shares	287,996,000
Li & Fung Taiwan Investments Limited	ordinary shares	4,912,180
Lifung County Seat Limited	ordinary shares	2
Lifung DistriCenters Management Limited	ordinary shares	3
Lifung DistriCenters Trading Limited	ordinary shares	10,000
Lifung Express Limited	ordinary A share	1
	ordinary B share	1
Lifung Structure Limited	ordinary shares	2
LiFung.Com Limited	ordinary shares	2
Lineament Company Limited	ordinary shares	2
Livring Limited	ordinary shares	2,500
Lloyd Manufacturing Limited	ordinary shares	2
Lloyd Textile Trading Limited	ordinary shares	1,000,000
Luma Trading Limited	ordinary shares	60
Lux Plush Enterprises Limited	ordinary shares	250,000
Maclaine (Singapore) Pte Limited	ordinary shares	25,000
Maclaine Limited	ordinary shares	557,015
Malinch Associate Holdings Sdn Bhd	ordinary shares	22,000,000
Manling Property Limited	ordinary shares	11,000,002
Mercury (BVI) Holdings Limited	ordinary share	1
Mighty Hurricane Holdings Inc.	preferred stock	100
	common stock	100
Millwork Asia, Limited	ordinary shares	1,000
Ming Yu Superstore Limited	ordinary shares	10,000
Moda Lifestyle Limited	ordinary shares	491
	preference shares	49,510
Moutrie Trading Sdn Bhd	ordinary shares	10,000,000
N.E.A.L. Incorporated N.V.	ordinary B shares	6,000

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Nanjing Automotive Aftermarket Parts Co., Ltd * 南京利迅汽配售有限公司	registered capital	RMB1,425,000
Nanjing JDH Logistics Services Company Limited * 南京英和倉儲服務有限公司	registered capital	US\$2,000,000
Nanjing JDH Trading Company Limited * 南京英和貿易有限公司	registered capital	RMB2,850,000
Nanjing Li & Fung JDH Trading Company Limited * 南京利豐英和商貿有限公司	registered capital	US\$4,900,000
Neptune Pacific Limited	ordinary share	1
New Investment Corporation	ordinary shares	4,071
Northpoint Properties Sdn Bhd	ordinary shares	2
Orient Ocean Holdings Limited	class A share	1
P.T. Lifung Indonesia	ordinary shares	250
Paco Trading (International) Limited	ordinary shares	2
Pembangunan Jentera Perindustrian Sdn Bhd (In Creditors' Voluntary Liquidation)	ordinary shares	470,003
Perfect Trading Inc.	ordinary shares	14,880
Pinstripe Sourcing Limited	ordinary share	1
PKNS-LFD Sdn Bhd	ordinary shares	7,350,000
PNA Product Network (Thailand) Limited	ordinary shares	2,000
	preference shares	2,100
Pottrix Trading Limited	ordinary share	1
Product Development Partners Limited	ordinary shares	2
Product Network Asia Limited	ordinary shares	2
Promising Development Limited	ordinary shares	2
Prosper Development Limited	ordinary shares	2
Ratners Enterprises Limited	ordinary share	1
Romanov Company Limited	ordinary shares	2
Sandakan Developments Sdn Bhd	ordinary shares	210,000
Sebor (Sabah) Marketing & Services Sdn Bhd	ordinary shares	9,850,000
Sebor (Sabah) Sdn Bhd	ordinary shares	4,400,000
Sebor (Sarawak) Sdn Bhd	ordinary shares	3,801,334
Shanghai IDS Distribution Company Limited * 上海英利物流有限公司	registered capital	US\$3,100,000
Shanghai IDS Shen Hong Logistics Company Limited * 上海英和申宏商業服務有限公司	registered capital	US\$4,000,000

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Shanghai Land Ocean IDS Logistics Company Limited * 上海陸海英國國際集裝箱貨運有限公司	registered capital	RMB19,915,000
Shanghai New Asia Business System Company Limited * 上海新亞信息工程有限公司	registered capital	US\$300,000
Shiu Fung Fireworks Company Limited	ordinary A shares	11,000
	ordinary B shares	11,000
Sichling B.V.	ordinary shares	50
Sky Million International Limited	ordinary shares	2
Slumberland (M) Sdn Bhd	ordinary shares	2,000,000
Slumberland (S) Pte Limited	ordinary shares	400,000
Slumberland (Thailand) Limited	ordinary shares	4,900
	preference shares	5,100
Slumberland Asia Pacific Limited	ordinary share	1
Slumberland China Limited	ordinary shares	500,000
Slumberland Harbin Company Limited * 斯林百蘭哈爾濱有限公司	registered capital	RMB3,278,000
Slumberland Marketing Sdn Bhd	ordinary shares	2
Slumberland Soft Furniture Shanghai Company Limited * 上海斯林百蘭軟家俱有限公司	registered capital	US\$1,100,000
Strategic Assets Limited	ordinary share	1
Studio Direct Limited	ordinary shares	2
Studio LF, L.P. (Partnership)	capital contribution	US\$62,999,999
Swift Return (Hong Kong) Limited	ordinary shares	4,500,000
Swift Return Investments Limited	ordinary share	1
Tantallon Enterprises Limited	ordinary share	1
The Borneo Company (Sabah) Sdn Bhd	ordinary shares	7,500,000
The Borneo Company Limited	ordinary shares	4,553,300
The Borneo Company Pte Limited	ordinary shares	8,836,152
The Millwork Trading Company Limited	9.5% preferred stock	17
	common stock	100
Towards Perfect Company Limited	ordinary shares	2
Toy Island (USA) Inc.	common shares	100
Toy Island Manufacturing Company Limited	ordinary shares	6,200,000
Toys “R” Us - Lifung Limited	ordinary shares	81,000,000
	preference shares	160,000
Toys “R” Us - Lifung Taiwan Limited	ordinary shares	34,000,000
Toys “R” Us - Singapore (Pte) Limited	ordinary shares	4,000,000
Toys “R” Us (Malaysia) Sdn Bhd	ordinary shares	8,400,000
Toys “R” Us Asia Limited	ordinary shares	2
Toys (Labuan) Holding Limited	ordinary share	1

NAME OF CORPORATION	CLASS AND/OR DESCRIPTIONS OF SECURITIES	BALANCE
Toys (Labuan) Limited	ordinary shares	16,038,447
Toys LiFung Limited	ordinary shares	2
Toys Lifung Netherlands B.V.	ordinary shares	182
Trademart Wholesale Limited	class A shares	255,000
	class B shares	200,000
T-T Martech Sdn Bhd	ordinary shares	80,000
Turbo Dragon Trading Limited	ordinary shares	2
Verity Enterprises Limited	ordinary shares	200,000
Viagold International Limited	ordinary share	1
W S Trading Limited	ordinary shares	100,000
Web-Logistic (HK) Limited	ordinary shares	12,792,000
Win Certain Limited	ordinary shares	2
Workbase Limited	ordinary shares	2
Yau Kit Company Limited	ordinary shares	2

* the legal name of the relevant company is in Chinese

Notes:

- (a) 2 quotas in issue comprising 1 quota of Patacas 9,000 and 1 quota of Patacas 1,000.
- (b) 8 quotas in issue comprising:

1 quota of Patacas 69,000
1 quota of Patacas 5,000
1 quota of Patacas 5,000
1 quota of Patacas 1,000
1 quota of Patacas 5,000
1 quota of Patacas 5,000
1 quota of Patacas 5,000
1 quota of Patacas 5,000
- (c) 2 quotas in issue comprising 1 quota of Portuguese Escudo 19,980,000 and 1 quota of Portuguese Escudo 20,000.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their associates had any interests in any equity or debt securities of the Company or any of its associated corporations.

3. MATERIAL CHANGES

The Directors are not aware of any material change in the financial and trading position of the Group since 31st December, 2001, the date when the latest published audited accounts of the Company were made up.

4. EXPERT

- (a) The following is the qualification of the expert who has given its opinion or advice which are contained in this circular:

Name	Qualification
DTCFL (the “Expert”)	Registered investment adviser

- (b) The Expert does not have any shareholding, directly or indirectly, in any member of the 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 Group.
- (c) The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) The letter and recommendation given by the Expert are given as of the date of this circular for incorporation herein.

5. PARTICULARS OF DIRECTORS’ SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on 1st January, 2001 and may continue thereafter subject at all times (including the initial three years period) to termination by not less than three months’ prior notice in writing by either party on the other.

Save as disclosed, none of the Directors has entered into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than the statutory compensation.

6. DIRECTORS’ INTEREST IN CONTRACTS

None of the Directors is materially interested in any contracts or arrangements entered into by any member of the Group subsisting at the date of this circular which are significant in relation to the business of the Group.

7. SPONSOR’S INTEREST

None of the Company’s sponsor, BNP Paribas Peregrine Capital Limited (the “Sponsor”), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at the Latest Practicable Date.

Pursuant to the agreement dated 9th January, 2001 entered into between the Company and the Sponsor, the Sponsor will receive usual sponsorship fees for acting as the Company’s retained sponsor for the period from 18th January, 2001 to 31st December, 2003.

8. LITIGATION

No member of the 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 Group.

9. SIGNIFICANT INTERESTS IN THE GROUP

So far as the Directors are aware as at the Latest Practicable Date, 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 meeting of any member of the Group will be as follows:

Name of Shareholder	Name of company	Number of shares	Percentage of interest in the company
LFR	The Company	467,114,000	70.45
LF (1937) (Note 1)	The Company	467,114,000	70.45
King Lun Holdings Limited (Note 2)	The Company	467,114,000	70.45
Chase Bank & Trust Company (CI) Limited (Note 3)	The Company	467,114,000	70.45
GCM International Limited (Note 4)	Web-Logistic (HK) Limited	2,808,000	18.00

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) GCM international Limited has transferred its entire interest in Web-Logistic (HK) Limited to Masterpiece, Inc on 27th March, 2002.

10. GENERAL

- (a) The branch share registrar and transfer office in Hong Kong of the Company is Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong.
- (b) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.
- (c) The head office and principal place of business of the Company is at 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours up to and including 24th April, 2002 at the principal place of business of the Company at 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong:

- (a) the New Services Agreement;
- (b) the New Purchase Agreement;
- (c) the directors' service contracts as referred to under the paragraph "Particulars of directors' Service Contracts"; and
- (d) the Existing Share Option Scheme incorporating the Proposed Amendments.

12. MISCELLANEOUS

The English text of this circular and the form of proxy shall prevail over the Chinese text.



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 annual general meeting of Convenience Retail Asia Limited (the “Company”) will be held at the Auditorium, 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, N.T. on Wednesday, 24th April, 2002 at 4:00 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, 2001;
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 GEM Listing Rules, 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 and as amended from time to time 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 any of its

NOTICE OF ANNUAL GENERAL MEETING

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 existing share option scheme adopted by the Company on 6th January, 2001 be and is hereby amended as follows:

- (a) by inserting before the expression “Associates” in paragraph 1.1 the following new expression:

“Affiliate”

a company that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a Subsidiary of the holding company of the Company; or (c) a Subsidiary of the Company; or (d) a fellow Subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company;

- (b) by inserting before the expression “Adoption Date” in paragraph 1.1 the following new expression:

“associated company”

shall have the meaning ascribed to it in the Companies Ordinance;

- (c) by deleting the following words “formed to administer the Scheme which shall include the independent non-executive directors of the Company for the time being of the Company” in the expression “Board” in paragraph 1.1:

- (d) by inserting before the expression “Exercise Date” in paragraph 1.1 the following new expressions:

“Companies Ordinance”

the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;

“connected person”

shall have the meaning ascribed to in the GEM Listing Rules;

NOTICE OF ANNUAL GENERAL MEETING

- “control” the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company and any person who owns beneficially, either directly or through one or more controlled companies, more than 30 per cent. of the voting securities of a company (or such lower amount as may from time to time be specified in the Codes on Takeovers and Mergers approved by the Securities and Futures Commission (as amended from time to time) being the control for triggering a mandatory general offer) shall be deemed to control such company and “is controlled by” and “controlling” shall have the corresponding meanings;
- “Employee” any employee (whether full time or part time employee including any executive or non-executive directors) of the Company or any Affiliate. A Grantee shall not cease to be an Employee in the case of (a) any leave of absence approved by the Company or the relevant Affiliate; or (b) transfers between locations of the Company; or (c) transfers between the Company and any Affiliates;
- (e) by inserting before the expression “Hong Kong” in paragraph 1.1 the following new expression:
- “holding company” shall have the meaning ascribed to it in section 2 of the Companies Ordinance;
- (f) by inserting before the expression “Option” in paragraph 1.1 the following new expressions:
- “immediate family members” a spouse, a child or step-child, a parent or step-parent, a brother, sister, step-brother or step-sister; or a mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law;
- “Mandate Limit” shall have the meaning ascribed to it in paragraph 8.2 of the Scheme;
- (g) by deleting the expression “Qualifying Participant” in paragraph 1.1 and substituting therefor the following:
- “Qualifying Participant” a Service Provider or if the Service Provider requests and the Board so agrees, the related trusts and companies of the Service Provider;

NOTICE OF ANNUAL GENERAL MEETING

- (h) by inserting before the expression “Scheme” in paragraph 1.1 the following new expression:

“related trusts and companies”	in relation to a Service Provider, a trust solely for the benefit of the Service Provider and/or his immediate family members, and company wholly owned by the Service Provider and/or his immediate family members;
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- (i) by inserting before the expression “Shares” in paragraph 1.1 the following new expression:

“Service Provider”	any Employee or any consultant, agent, advisor, business alliance, joint venture partner or supplier of goods or services to the Group or any Affiliate or any employee of the business alliance, joint venture partner or supplier of goods or services to the Group or any Affiliate;
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- (j) by deleting the following words “(Cap. 32 of the Laws of Hong Kong)” in the expression “Subsidiary” in paragraph 1.1;

- (k) by adding the following as paragraph 1A:

“PURPOSE OF THE SCHEME

The purpose of the Scheme is:

- to attract and retain the best quality Employees for the development of the Company’s businesses
- to provide additional incentives or rewards to selected Service Providers for their contribution to the creation of the Company’s shareholders value.

The Board, in their absolute discretion, will consider the above purpose in selecting Qualifying Participants to participate in the Scheme.”;

- (l) by deleting in paragraph 3.1 the words “a committee of” before the words “the Board” and deleting the words “including the independent non-executive directors of the Company” after the words “the Board”;

- (m) by deleting paragraph 4.1(ii) and substituting therefore the following:

“(ii) within the period of one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange) for the approval of the Company’s quarterly, interim or annual results; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) the deadline for the Company to publish its quarterly, interim or annual results announcement and ending on the date of the results announcement.”;
- (n) by adding in paragraph 4.3 the words “Subject to the approval where required under paragraphs 8.4, 8.5 and 8.6 being obtained,” before the words “once such acceptance is made the Option shall be deemed to have been granted and to have taken effect from the date on which it was offered to the relevant Qualifying Participant”;
- (o) by adding the following as paragraph 4.7:

“Subject to paragraphs 8.4, 8.5 and 8.6 where any offer of an Option is proposed to be made to a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective Associates, such offer must first be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the proposed Service Provider in question).”;
- (p) by deleting paragraph 6.1 and substituting therefor the following:

“An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option, or enter into any contract to do so. Provided that where the Grantee is a related trust or company of the Service Provider, the Option shall be deemed to have been transferred where the Grantee were to cease to be a related trust or company of the Service Provider other than by reason of his death or total permanent physical or mental disability. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee. A resolution of the Board to the effect that the Grantee or the relevant Service Provider has or has not breached any of the foregoing shall be conclusive.”;
- (q) by altering paragraph 6.3(a) in the following manner:
 - (i) adding the words “(or in the case of a Grantee which is a related trust or company of a Service Provider, the relevant Service Provider)” after the words “in the event of the Grantee”;
 - (ii) deleting the words “Qualifying Participant” and substitute with the words “Service Provider”;
- (r) by altering paragraph 6.3(b) in the following manner:
 - (i) adding the words “(or in the case of a Grantee which is a related trust or company of a Service Provider, the relevant Service Provider) being an Employee and” after the words “in the event of the Grantee”;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) deleting the words “ a Qualifying Participant” and substitute with the words “an Employee”;
- (iii) adding the words “or the relevant Affiliate” and after the words “the Company or the relevant Subsidiary”;
- (s) by adding the following as paragraph 6.3(f):

“in the event of a Grantee (or in the case of a Grantee which is a related trust or company of a Service Provider, the relevant Service Provider) (other than an Employee) ceasing to be a Service Provider for any reason other than his death, the Option shall immediately lapse and shall not be exercisable unless the Board otherwise determines, in which event the Option shall be exercisable within such period as the Board may determine following the date of such cessation. A resolution of the Board to the effect that the Grantee or the relevant Service Provider has or has not ceased to be a Service Provider and the date of cessation under this paragraph shall be conclusive;”;
- (t) by altering paragraph 7(d) in the following manner:
 - (i) adding the words “(or in the case of a Grantee which is a related trust or company of a Service Provider, the relevant Service Provider) (being an Employee)” after the words “the date on which the Grantee”;
 - (ii) deleting the words “ a Qualifying Participant” and substitute with the words “ an Employee”;
- (u) by deleting paragraph 7(f) and substitute therefor the following:

“the date on which the Board certifies that there has been a breach of paragraph 6.1; or”;
- (v) by adding the following as paragraph 7(g):

“the date on which the Grantee (or in case of a Grantee which is a related trust or company of a Service Provider, the Service Provider) (not being an Employee) ceases to be a Service Provider under paragraph 6.3(f).”;
- (w) by deleting paragraphs 8.1, 8.2 and 8.3 and substituting therefor the followings:

“8.1 The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 10% of the Shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded.

NOTICE OF ANNUAL GENERAL MEETING

- 8.2 In addition to the limit set out in paragraph 8.1, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date being 65,560,000 Shares (“Mandate Limit”). Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.
- 8.3 The Company may refresh the Mandate Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as refreshed.
- 8.4 The Company may in addition seek separate approval by its shareholders in general meeting for granting Options beyond the Mandate Limit provided the Options in excess of the limit are granted only to Qualifying Participants specifically identified by the Company before such approval is sought. The date of Board meeting for proposing such further grant should be taken as the Commencement Date for such grants.
- 8.5 The total number of Shares issued and to be issued upon exercise of Options (whether exercised or outstanding) in any 12-month period granted to each Qualifying Participant must not exceed 1% of the Shares in issue. Any further grant of Options in excess of this limit is subject to separate approval by the shareholders of the Company in general meeting with the relevant Grantee (or in the case of a Grantee which is a related trust or company of a Service Provider, the relevant Service Provider) and his Associates abstaining from voting. The date of Board meeting for proposing such further grant should be taken as the Commencement Date for such grants.
- 8.6 Unless specifically approved by the shareholders in general meeting, no Option may be granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective Associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Scheme and any other scheme(s) in the 12-month period up to and including the date of board meeting for proposing such further grant:
- (a) representing in aggregate over 0.1% of the issued share capital of the Company in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million.

NOTICE OF ANNUAL GENERAL MEETING

In such general meeting, the grant of Options to such substantial shareholder or independent non-executive director, or any of their respective Associates shall be approved by the shareholders of the Company by way of poll with all connected persons of the Company abstaining from voting, except that any connected person may vote against such resolution provided that he has informed the Company of his intention to do so and such intention has been stated in the relevant circular to shareholders.

The date of Board meeting for proposing such further grant should be taken as the Commencement Date for such grants.

In addition, any variation in the terms of Option granted to a Grantee (or in the case of a Grantee which is a related trust or company of a Service Provider, the relevant Service Provider) who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective Associates, must be approved by the shareholders in general meeting.”;

- (x) by re-numbering paragraph 8.4 to 8.7 and deleting the words “ paragraphs 8.1 and 8.3” and substitute with the words “this paragraph 8” after the words “The maximum number of Shares referred to in” and by deleting the words “or other general offer of securities made by the Company to holders of Shares,” before the word “consolidation”;
- (y) by deleting in paragraph 9.1 the words “or other general offer of securities made by the Company to holders of Shares” before the word “consolidation” and paragraph 9.1(c);
- (z) by re-numbering paragraph 9.1(d) to 9.1 (c) and deleting the wordings “ the maximum number of Shares referred to in paragraphs 8.1 and 8.3” and substitute with the words “the total number of Shares calculated under paragraph 8”;
- (aa) by altering paragraph 12 in the following manner:
 - (i) deleting paragraph 12 (a) and substituting therefor the following:

“the definitions of “Affiliate”, “Associates”, “Employee”, “Grantee”, “immediate family members”, “Option Period”, “Qualifying Participants”, “related trusts and companies” and “Service Provider” in paragraph 1.1; and”;
 - (ii) deleting paragraph 12 (b) and substituting therefor the following:

“the provisions of paragraphs 1A, 4.1, 4.3, 4.5, 4.7, 5, 6, 7, 8, 9, this paragraph 12 and/or paragraph 13”;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) adding in paragraph 12 the words “ and any change to the terms of Options granted” after the words “Any alterations to the terms and conditions of the Scheme, which are of a material nature,”;
- (iv) deleting the words “Stock Exchange” and substitute with the words “shareholders of the Company”;
- (v) adding the words “The amended terms of the Scheme shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.”; and

(bb) by adding the following as paragraph 13.5:

“Where the Company cancels Options and issues new ones to the same Qualifying Participant, the issue of such new Options may only be made under the Scheme with available unissued Options (excluding the cancelled Options) within the limits set out in paragraphs 8.1, 8.2, 8.3, 8.4 and 8.5.”

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

“**THAT** the New Services Agreement (as defined in the circular to the shareholders of the Company dated 28th March, 2002 (the “Circular”)), a copy of which marked “A” has been produced to this Meeting and signed by the Chairman hereof for the purpose of identification, entered into between Li & Fung (Retailing) Limited (“LFR”), the substantial and a management shareholder of the Company, and Circle K Convenience Stores (HK) Limited (“Circle K (HK)”), a wholly-owned subsidiary of the Company, for (a) the early termination of the Existing Services Agreement (as defined in the Circular) with effect from 1st May, 2002; and (b) the continuous 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, for the term commencing upon the termination of the Existing Services Agreement until 31st December, 2004 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 New Services Agreement provided that the aggregate consideration payable thereunder will not exceed HK\$15,500,000 for each of the three years ending 31st December, 2004”;

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

“**THAT** the New Purchase Agreement (as defined in the circular to the shareholders of the Company dated 28th March, 2002 (the “Circular”)), a copy of which marked “B” has been produced to this Meeting and signed by the Chairman hereof for the purpose of identification, entered into between Circle K Convenience Stores (HK) Limited (“Circle K (HK)”) and JDH (Hong Kong) Limited, an indirect subsidiary of the immediate holding company of Li & Fung (Retailing) Limited, the substantial and a management shareholder

NOTICE OF ANNUAL GENERAL MEETING

of the Company for (a) the early termination of the Existing Purchase Agreement (as defined in the Circular) with effect from 1st May, 2002; and (b) the continuous purchase of products by Circle K (HK) from JDH (Hong Kong) Limited on its standard terms of business, for the term commencing on 1st May, 2002 until 31st December, 2004 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 New Purchase Agreement provided that the aggregate consideration payable thereunder will not exceed HK\$17,000,000 for each of the three years ending 31st December, 2004”.

10. if the ordinary resolution numbered 8 above is not passed, 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 “C” 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 and a management 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.”;

11. If the ordinary resolution numbered 9 above is not passed, as special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“**THAT** the purchase agreement (a copy of which marked “D” has been produced to this Meeting and signed by the Chairman hereof for the purpose of identification) dated 14th December, 2000 and entered into between JDH (Hong Kong) Limited, an indirect subsidiary of the immediate holding company of Li & Fung (Retailing) Limited, the substantial and a management shareholder of the Company, and Circle K Convenience Stores (HK) Limited (“Circle K (HK)”), a wholly owned subsidiary of the Company, for the purchase of products by Circle K (HK) from JDH (Hong Kong) Limited 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

NOTICE OF ANNUAL GENERAL MEETING

which they consider necessary and expedient for the implementation of and giving effect to the Existing Purchase Agreement provided that the aggregate consideration payable thereunder in any financial year will not exceed HK\$15,000,000.”

On behalf of the Board
Fung Kwok King, Victor
Chairman

Hong Kong, 28th March, 2002

Principal Place of Business:

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

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 5th Floor., Wing On Centre, 111 Connaught Road, 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 deposited using electronic means. 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.