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CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8052)

ANNOUNCEMENT

This announcement is made in relation to a term sheet entered into by the Company with the shareholder of Korea Retail Holdings, BV in respect of an indirect investment to be made by the Company in Buy The Way Inc., a leading operator of convenience store chain in Korea.

This announcement is made in accordance with Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

On 2 August 2006, Convenience Retail Asia Limited (the "Company") entered into a non-binding term sheet (the "Term Sheet") with CCMP Capital Asia Pte. Ltd. in respect of an indirect investment to be made by the Company in Korea Retail Holdings, BV ("KRH") (KRH is currently wholly-owned by funds managed by CCMP Capital Asia Pte. Ltd.), an independent third party, in respect of its wholly-owned investment in Buy The Way Inc. ("BTW"), which is a company registered and incorporated under the laws of the Republic of Korea ("Korea"). The completion of the transaction is subject to the finalisation of definitive agreements between the shareholder of KRH and the Company.

Pursuant to the Term Sheet:–

- (i) the Company will acquire a 2.5% equity interest (directly or indirectly) in KRH for a cash consideration not exceeding HK\$30 million;
- (ii) the Company will provide to KRH or its affiliates, for a nominal consulting fee, consultancy services in relation to the investment in BTW regarding convenience store operations, including advising in its strategic and business planning and providing training to the management of BTW for a term of one year, renewable for an additional one year subject to the parties' consent; and

- (iii) in addition, an option will be granted to the Company to acquire an additional 30.5% equity interest (directly or indirectly) in KRH over a period of 2 years from 20 July 2006 at a predetermined exercise price. No premium is payable on the grant of the option. The Company will comply with all the applicable requirements of the GEM Listing Rules if and when the Company decides to exercise the option.

BTW is a leading operator of convenience store chain in Korea. It provides a wide array of confectionary, beverage, and fast-food products through a network of approximately 1,000 stores located in densely populated office, residential, entertainment and educational areas primarily in the Seoul metropolitan area in Korea. The Directors consider that the Company's strategic investment in KRH would enable the Company to benefit from economy of scale, diversify its operations and give better support to its development in Mainland China.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules.

On behalf of the Board
Fung Kwok King, Victor
Chairman

Hong Kong, 2 August 2006

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this announcement, the executive Directors of the Company are Yeung Lap Bun, Richard and Li Kwok Ho, Bruno, the non-executive Directors are Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Jeremy Paul Egerton Hobbins, Wong Yuk Nor, Louisa and Godfrey Ernest Scotchbrook, the independent non-executive Directors are Dr. Ch'ien Kuo Fung, Raymond, Au Man Chung, Malcolm and Lo Kai Yiu, Anthony.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting and will also be available from the Company's website at www.cr-asia.com.