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CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8052)

CONTINUING CONNECTED TRANSACTION

The Board announces that Circle K (HK), a wholly-owned subsidiary of the Company, has entered into the New Purchase Agreement on 6 December 2007 with IDS (HK) on identical terms as those contained in the Existing Purchase Agreement for the purchase of various products (being both food and non-food products) by Circle K (HK) and its subsidiaries from IDS (HK) Group for a revised term from 1 January 2008 to 31 December 2010.

LF (1937) is the controlling Shareholder (51.26%) of the Company and therefore its indirect associate, IDS (HK), is considered a connected person of the Company. Accordingly, the transactions between the Group and IDS (HK) Group under the New Purchase Agreement constitute non-exempt continuing connected transaction for the Company under the GEM Listing Rules.

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

The maximum amount of the annual purchase under the New Purchase Agreement is estimated at about HK\$19,000,000 for each of the two years ending 31 December 2008 and 2009 and HK\$28,000,000 for the year ending 31 December 2010, and each of the applicable percentage ratios on an annual basis as specified in Rule 19.07 of the GEM Listing Rules is less than 2.5 per cent. Accordingly, the transaction under the New Purchase Agreement is only subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules and is exempted from the independent shareholders' approval requirement under the GEM Listing Rules.

THE NEW PURCHASE AGREEMENT

The Board announces that Circle K (HK), a wholly-owned subsidiary of the Company, has entered into the New Purchase Agreement on 6 December 2007 with IDS (HK) on identical terms as those contained in the Existing Purchase Agreement for a revised term from 1 January 2008 to 31 December 2010.

PARTICULARS OF THE CONTINUING CONNECTED TRANSACTION

Transaction nature

Circle K (HK) and its subsidiaries will purchase various products (being both food and non-food products) from IDS (HK) Group on its standard term of business for the period from 1 January 2008 to 31 December 2010.

Pricing basis

Circle K (HK) and its subsidiaries will purchase products from IDS (HK) Group in the ordinary course of business and on terms no less favourable than from independent third parties.

Under the Existing Purchase Agreement, the amount of purchase in each of the two years ended 31 December 2005 and 2006 was approximately HK\$6,779,000 and HK\$6,253,000 respectively, the amount of purchase up to 31 October 2007 was HK\$6,837,000 and it is expected that the annual purchase for the year ending 31 December 2007 will be approximately HK\$8,800,000. The maximum amount of the annual purchase under the Existing Purchase Agreement for each of the three years ended 31 December 2005, 2006 and 2007 was capped at HK\$17,000,000.

It is expected that the aggregate consideration payable by Circle K (HK) and its subsidiaries under the New Purchase Agreement will increase as its business expands, but will not exceed HK\$19,000,000 for each of the two years ending 31 December 2008 and 2009 and HK\$28,000,000 for the year ending 31 December 2010 (“Annual Caps”). The purchase price for the products will be settled in cash on a monthly basis within 60 days after the issue of the month end statement.

The Annual Caps are calculated based on the Company’s estimate of the demand of products to be purchased from IDS (HK) Group with reference to the projected amount of sale of such products by the Group. The increase in the Annual Caps from the transaction amount under the Existing Purchase Agreement is mainly attributed to the aggressive expansion in the number of Circle K convenience stores in Hong Kong and in the PRC, a series of promotional activities to be carried out, launch of new items and considerable rise in prices in the coming three years.

REASONS FOR THE EXECUTION OF THE NEW PURCHASE AGREEMENT AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

The Group is engaged in the operation of one of the leading convenience store chains in Hong Kong and a convenience store chain in the PRC under the trade name of . IDS (HK) Group 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 and in the PRC. In addition, IDS (HK) and some of its subsidiaries are the exclusive distribution agents of several products. The Directors have confirmed that the purchases made by Circle K (HK) and its subsidiaries from IDS (HK) Group 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 transaction contemplated under the New Purchase Agreement following the expiration of the term under the Existing Purchase Agreement on 31 December 2007.

CONFIRMATION FROM THE DIRECTORS

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

GENERAL

The Group is principally engaged in: (i) the operation of one of the leading convenience store chains in Hong Kong and a convenience store chain in the PRC under the trade name of ; and (ii) the operation of a chain of cake shops in Hong Kong and in the Pearl River Delta Region under the trade name of Saint Honore and a chain selling bread and buns in Hong Kong under the trade name of Bread Boutique. As at 30 September 2007, its Circle K store chain comprised 265 stores in Hong Kong and 72 stores in the PRC; its cake shop and bakery chains comprised 76 shops in Hong Kong and 16 shops in the Pearl River Delta Region.

LF (1937) is the controlling Shareholder (51.26%) of the Company and therefore its indirect associate, IDS (HK), is considered a connected person of the Company. Accordingly, the transactions between the Group and IDS (HK) Group under the New Purchase Agreement constitute non-exempt continuing connected transaction for the Company under the GEM Listing Rules. Nevertheless, the maximum amount of the annual purchase under the New Purchase Agreement is estimated at about

HK\$19,000,000 for each of the two years ending 31 December 2008 and 2009 and HK\$28,000,000 for the year ending 31 December 2010, and each of the applicable percentage ratios on an annual basis as specified in Rule 19.07 of the GEM Listing Rules is less than 2.5 per cent. Accordingly, the transaction under the New Purchase Agreement is only subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules and is exempted from the independent shareholders' approval requirement under the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“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, a company incorporated in the Cayman Islands and listed on the Growth Enterprise Market of the Stock Exchange
“Continuing Connected Transaction”	the purchase of products from IDS (HK) Group by Circle K (HK) and its subsidiaries under the New Purchase Agreement
“Directors”	the directors of the Company
“Existing Purchase Agreement”	the purchase agreement dated 10 December 2004 between Circle K (HK) and IDS (HK) whereby Circle K (HK) agreed to purchase various products (being food and non-food products) from IDS (HK) on its standard term of business as may be amended from time to time for the period from 1 January 2005 to 31 December 2007
“Group”	the Company and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong

“IDS (HK)”	IDS (Hong Kong) Limited, a company incorporated in Hong Kong, an indirect associate of LF (1937) which has an effective interest of 45.11% in IDS (Hong Kong) Limited
“IDS (HK) Group”	IDS (Hong Kong) Limited and its subsidiaries
“LF (1937)”	Li & Fung (1937) Limited, a company incorporated in Hong Kong
“New Purchase Agreement”	the purchase agreement dated 6 December 2007 entered into between Circle K (HK) and IDS (HK) whereby Circle K (HK) and its subsidiaries agreed to purchase various products (being food and non-food products) from IDS (HK) Group on its standard term of business as may be amended from time to time for the period from 1 January 2008 to 31 December 2010
“PRC”	the People’s Republic of China
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On behalf of the Board
Yeung Lap Bun, Richard
*Executive Director &
Chief Executive Officer*

Hong Kong, 6 December 2007

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

This announcement, for which the Directors of 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 (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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