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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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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: 08052)**

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES  
RE-ELECTION OF DIRECTORS  
FINAL DIVIDEND  
TERMINATION OF EXISTING SHARE OPTION SCHEME AND  
ADOPTION OF NEW SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the Annual General Meeting of the Company to be held at the Auditorium, 1st Floor, LiFung Tower, 888 Cheung Sha Wan, Kowloon, Hong Kong on Monday, 10 May 2010 at 4:00 p.m. is set out on pages 25 to 29 of this circular. Whether or not you are able to attend the Annual General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

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 respects 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](http://www.hkgem.com) on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company at [www.cr-asia.com](http://www.cr-asia.com).*

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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme was adopted by an ordinary resolution of the Shareholders
“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; or (j) an associated company of the controlling shareholder of the Company
“AGM”	the annual general meeting of the Company for the year ended 31 December 2009 to be held at the Auditorium, 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong on Monday, 10 May 2010 at 4:00 p.m., notice of which is set out in pages 25 to 29 of this circular
“associate”	has the meaning set out in the GEM Listing Rules
“associated company”	a company in the equity share capital of which a company, directly or indirectly, has a 20% or greater beneficial interest but excluding the subsidiaries of that company
“Auditor”	the auditor for the time being of the Company
“Bankruptcy Cause”	in relation to a Grantee, having committed any act of bankruptcy or having become insolvent or having made any arrangements or composition with his creditors generally
“Board”	the board of Directors or a duly authorised committee thereof
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities

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## DEFINITIONS

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“Commencement Date”	in respect of any particular Option, the date on which that Option is deemed to have been granted in accordance with sub-paragraph 4.7 of the New Share Option Scheme or, as the case may be, under sub-paragraphs 11.4, 11.5 and 11.6(b) of the New Share Option Scheme
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Convenience Retail Asia Limited
“Directors”	the directors of the Company
“Employee”	any employee (whether full time or part time employee including any executive director) 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
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 6 January 2001 and as amended on 24 April 2002
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grantee”	any Qualifying Participant who accepts the offer of the grant of an Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the Qualifying Participant
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“holding company”	has the same meaning as ascribed to it in section 2 of the Companies Ordinance
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“immediate family members”	a spouse or person co-habiting as spouse, and any 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
“Initial Mandate Limit”	has the meaning set out in sub-paragraph 19(b) of the Appendix to this circular
“Issue Date”	the date on which Shares are issued to a Grantee pursuant to the exercise of an Option granted hereunder, and shall be deemed to be the date on which the Grantee is registered in the register of members of the Company as holder of such Shares
“Latest Practicable Date”	24 March 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“management shareholder”	has the same meaning as ascribed to it in the GEM Listing Rules
“Mandate Limit”	the Initial Mandate Limit or the Refreshed Mandate Limit (as the case may be)
“Misconduct”	in relation to a Grantee, his being guilty of serious misconduct, or having been convicted of any criminal offence involving his integrity or honesty
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the AGM
“officer”	has the same meaning as ascribed to in section 2 of the Companies Ordinance
“Option”	an option to subscribe for Share(s) granted pursuant to the New Share Option Scheme
“Option Agreement”	the offer and acceptance letter between the Company and a Grantee evidencing the terms and conditions of an individual Option. Each Option Agreement is subject to the terms and conditions of the New Share Option Scheme

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## DEFINITIONS

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“Option Period”	in respect of any particular Option, such period as the Board may in its absolute discretion determine and specify in relation to any particular Grantee in his Option Agreement during which the Option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the New Share Option Scheme, a period of 10 years from the Commencement Date)
“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
“Refreshed Mandate Limit”	has the meaning set out in paragraph 19(c) of the Appendix to this circular
“related trust and company”	in relation to a Service Provider, (a) any trust solely for the benefit of the Service Provider and/or his immediate family members, or (b) any company wholly owned by the Service Provider and/or his immediate family members
“Service Provider”	any Employee or officer of the Company or any Affiliate or any consultant, agent, advisor, business alliance, joint venture partner of or supplier of goods or services to the Group or any Affiliate or any employee of the business alliance, joint venture partner of or supplier of goods or services to the Group or any Affiliate
“Share(s)”	ordinary 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
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the New Share Option Scheme
“subsidiary”	has the meaning ascribed to it in the GEM Listing Rules



**CONVENIENCE RETAIL ASIA LIMITED**

**利亞零售有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08052)**

*Executive Director:*

Richard YEUNG Lap Bun (*Chief Executive Officer*)

*Non-executive Directors:*

Dr. Victor FUNG Kwok King (*Chairman*)

Dr. William FUNG Kwok Lun

Godfrey Ernest SCOTCHBROOK

Jeremy Paul Egerton HOBBS

Louisa WONG Yuk Nor

*Independent non-executive Directors:*

Dr. Raymond CH' IEN Kuo Fung

Malcolm AU Man Chung

Anthony LO Kai Yiu

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal Place of Business:*

5th Floor

LiFung Tower

888 Cheung Sha Wan Road

Kowloon

Hong Kong

29 March 2010

*To Shareholders of the Company*

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES  
RE-ELECTION OF DIRECTORS  
FINAL DIVIDEND  
TERMINATION OF EXISTING SHARE OPTION SCHEME AND  
ADOPTION OF NEW SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**THE GENERAL MANDATES**

At the annual general meeting of the Company held on 5 May 2009, general and unconditional mandates were given to the Directors of the Company to:

- (a) allot, issue and deal with Shares of the Company not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at 5 May 2009;

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## LETTER FROM THE CHAIRMAN

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- (b) repurchase Shares not exceeding 10% of the aggregate nominal value of the Shares of the Company in issue as at 5 May 2009; and
- (c) add to the general mandate to the Directors to allot, issue and deal with additional 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 10 May 2010.

Approval is being sought from the Shareholders to grant a general mandate (the “General Mandate”) 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 Mandate 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”).

Furthermore, an ordinary resolution will be proposed at the AGM to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme.

### **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.

### **RE-ELECTION OF DIRECTORS**

Resolution 3 as contained in the notice convening the AGM relates to re-election of Directors. Mr. Jeremy Paul Egerton Hobbins, Dr. Raymond Ch’ien Kuo Fung and Mr. Richard Yeung Lap Bun will retire at the AGM pursuant to the Company’s Articles of Association and the Code on Corporate Governance Practices, and being eligible, will offer themselves for re-election. The re-election of Directors will individually be voted on by Shareholders.

Mr. Jeremy Paul Egerton Hobbins and Dr. Raymond Ch’ien Kuo Fung have not entered into any service contract with the Company or any of its subsidiaries. Each Director of the Company is entitled to a director’s fee in such an amount as determined by the Board from time to time with reference to the range of remuneration of other companies listed on GEM with similar market capitalisation, pro rata to the period during which he/she has held office. For the year ended 31 December 2009, each Director was paid a director’s fee of HK\$50,000 and an additional fee of HK\$20,000 was paid for serving as a member of each of the committees. Chairman of each of the committees was further paid an additional fee of HK\$20,000.



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## LETTER FROM THE CHAIRMAN

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We set out below the biographical details of the retiring Directors:

### **Mr. Jeremy Paul Egerton Hobbins**

Mr. Hobbins, aged 62, is also a director of various companies within the Li & Fung group including Li & Fung (1937) Limited (a substantial shareholder of the Company) and the publicly listed Integrated Distribution Services Group Limited and Trinity Limited (which was listed on the Stock Exchange on 3 November 2009). He is also the Deputy Chairman of Trinity Limited. Mr. Hobbins joined the Li & Fung group in 1999 and was Group Managing Director of Li & Fung (Retailing) Limited (a substantial shareholder of the Company) and previous Deputy Chairman of Li & Fung (Distribution) Limited. Prior to joining the Li & Fung group, Mr. Hobbins was the Chief Executive of Inchcape Marketing Services-Asia Pacific and was also the Chief Executive Officer of Inchcape Marketing Services Limited which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the Group Management Board of Inchcape plc and a director of Inchcape NRG, a business machines joint-venture with Ricoh. Previously, he was the Chief Executive Officer of Inchcape Berhad, prior to which he was the Chief Executive Officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group, he was the President and Chief Executive Officer of the Campbell Soup Company, UK & Ireland, and previously was President of the Dairy Division of Ault Foods, Canada. He had also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes. Mr. Hobbins completed Advanced Management Programmes at the London Business School, Imede and Insead.

Save as disclosed above, Mr. Hobbins does not hold any other positions with the Group nor hold any directorships in other listed public companies in Hong Kong or overseas in the last three years and has no other relationship with any Directors, senior management, management shareholders, substantial or controlling Shareholders of the Company.

Mr. Hobbins is interested in 180,000 Shares of the Company within the meaning of Part XV of the Securities and Future Ordinance.

Save as disclosed above, there is no other information which needs to be disclosed pursuant to Rule 17.50(2) subparagraphs (h) to (v) of GEM Listing Rules nor is there any other matters which needs to be brought to the attention of the Shareholders.

### **Dr. Raymond Ch'ien Kuo Fung**

Dr. Ch'ien, aged 58, is an independent non-executive Director of the Company since January 2001. Dr. Ch'ien is Chairman of CDC Corporation as well as Chairman and a director respectively of its subsidiaries, China.com Inc. and CDC Software Corporation. Additionally, he is Chairman of MTR Corporation Limited and Hang Seng Bank Limited. Dr. Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Mercantile Exchange Limited, The Wharf (Holdings) Limited and Swiss Reinsurance Company Limited. Formerly, Dr. Ch'ien was director of HSBC Holdings plc, VTech Holdings Limited and Inchcape plc. In public service, Dr. Ch'ien is Chairman of the Hong Kong/European Union Business Cooperation Committee, an honorary President and past Chairman of the Federation of Hong Kong Industries and a former Hong Kong member of the APEC Business Advisory Council. He was appointed a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference in January 2008. From 1992 to 1997, Dr. Ch'ien was a member of the Executive Council of Hong Kong, then under British Administration. He was appointed a member of the Executive Council of the Hong Kong Special Administrative Region on 1 July 1997 and served until June 2002. Dr.

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## LETTER FROM THE CHAIRMAN

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Ch'ien received a doctoral degree in Economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal. In 2008, Dr. Ch'ien was awarded the honour of Chevalier de l'Ordre du Merite Agricole of France.

Save as disclosed above, Dr. Ch'ien does not hold any other positions with the Group nor hold any directorships in other listed public companies in Hong Kong or overseas in the last three years and has no other relationship with any Directors, senior management, management shareholders, substantial or controlling Shareholders of the Company.

Dr. Ch'ien is interested in 1,000,000 Shares of the Company within the meaning of Part XV of the Securities and Future Ordinance.

Save as disclosed above, there is no other information which needs to be disclosed pursuant to Rule 17.50(2) subparagraphs (h) to (v) of GEM Listing Rules nor is there any other matters which needs to be brought to the attention of the Shareholders.

### **Mr. Richard Yeung Lap Bun**

Mr. Yeung, aged 53, has over 20 years of experience in general management, food distribution and supply chain management. He is responsible for overseeing the Group's operations, marketing, logistics and supply chain management and he is actively involved in new business development in the Chinese Mainland. He is also the Compliance Officer of the Company under Rule 5.19 of the GEM Listing Rules. Prior to joining the Group in October 1998, he spent about ten years in senior positions at HAVI Food Services Group, managing the supply chain of McDonald's Restaurants in various countries in Asia. Mr. Yeung graduated from the University of Hawaii with a Bachelor of Business Administration degree. Mr. Yeung also holds a Master degree in Business Administration from the California State University of Los Angeles and is a Certified Public Accountant. He is also a director of Li & Fung (Retailing) Limited, a substantial shareholder of the Company.

Save as acting as director of certain subsidiaries of the Group, Mr. Yeung does not hold any other positions with the Group nor hold any directorships in other listed public companies in Hong Kong or overseas in the last three years and has no other relationship with any Directors, senior management, management shareholders, substantial or controlling Shareholders of the Company save as disclosed above.

Mr. Yeung has entered into a service contract with the Company for an initial term of three years commencing on 1 January 2001 and will continue in office 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 to the other. Pursuant to the service contract, Mr. Yeung is entitled to a basic salary and other benefits in kinds in the total sum of about HK\$3.2 million for the year ended 31 December 2009. He will also be paid an incentive bonus, the computation of which is based on the Company's consolidated profit before tax and may, at the discretion of the Board, be also granted share options pursuant to the share option scheme of the Company, as part of the remuneration package. The remuneration of Mr. Yeung is determined on the basis of his relevant experience, responsibility and contribution to the business development of the Group.

Mr. Yeung is interested in 19,196,000 Shares and option to subscribe for 1,200,000 Shares of the Company within the meaning of Part XV of the Securities and Future Ordinance.

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## LETTER FROM THE CHAIRMAN

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Save as disclosed above, there is no other information which needs to be disclosed pursuant to Rule 17.50(2) subparagraphs (h) to (v) of GEM Listing Rules nor is there any other matters which needs to be brought to the attention of the Shareholders.

### **FINAL DIVIDEND**

The Board has recommended a final dividend of 6 HK cents per Share subject to Shareholders' approval at the 2010 AGM.

The Register of Shareholders will be closed from 5 May 2010 to 10 May 2010 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 May 2010.

### **TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME**

On 6 January 2001, the Company adopted the Existing Share Option Scheme, which will expire on 5 January 2011. In view of the forthcoming expiry of the Existing Share Option Scheme, the Board proposes to terminate the operation of the Existing Share Option Scheme and adopt the New Share Option Scheme for the purpose of administrative convenience. For the avoidance of doubt, no further options will be granted under the Existing Share Option Scheme after such termination but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect. All options granted prior to such termination of the Existing Share Option Scheme and not then exercised shall remain valid.

As at the Latest Practicable Date, 51,178,000 options had been granted under the Existing Share Option Scheme and all other schemes of the Company, of which 17,864,000 options remained outstanding. At present and up to the date on which the New Share Option Scheme comes into effect and the Existing Share Option Scheme terminates, the Company has no intention to grant further options under the Existing Share Option Scheme. No further options will be offered after the Existing Share Option Scheme is terminated but in all other respects the provisions of the Existing Share Option Scheme shall remain in force.

At the AGM, an ordinary resolution will be proposed for the Company to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme. So far as the Directors are aware of, as at the Latest Practicable Date, none of the Shareholders is required to abstain from voting for the ordinary resolution to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme. With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 23 of the GEM Listing Rules.

As at the Latest Practicable Date, the issued share capital of the Company comprised of 729,915,974 Shares. Assuming that the issued share capital of the Company will remain unchanged from the Latest Practicable Date up to the date of passing the Shareholders' resolution to adopt the New Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company (including the Existing Share Option Scheme) in aggregate will be 72,991,597 Shares, representing 10% of the Shares in issue as at the date of adoption of the New Share Option Scheme.

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## LETTER FROM THE CHAIRMAN

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The Directors consider that it is not appropriate to disclose the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, exercise period, lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

None of the Directors is trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in the Appendix to this circular on pages 16 to 24. A copy of the proposed New Share Option Scheme will be available for inspection at the Company's principal place of business at 5th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong during normal business hours from the date hereof up to and including the date of the AGM.

In accordance with the requirements of the GEM Listing Rules, the Company will publish an announcement on the outcome of the AGM in respect of, among others, the resolution relating to the adoption of the New Share Option Scheme on the websites of the Company and of the Stock Exchange by 9:00 a.m. on the day following the date of the AGM.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

### THE ANNUAL GENERAL MEETING

The following are the details of the AGM:

Date : 10 May 2010

Time : 4:00 p.m.

Venue : Auditorium, 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong

The notice convening the AGM is set out on pages 25 to 29 of this circular.

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, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, 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.

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## LETTER FROM THE CHAIRMAN

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### RECOMMENDATION

The Directors are of the opinion that the grant of the General Mandate and the Repurchase Mandate, the re-election of retiring Directors, the final dividend and the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme as referred to in this circular are in the best interests of the Company and the Shareholders and recommend you to vote in favour of all the resolutions to be proposed at the AGM.

On behalf of the Board  
**Victor FUNG Kwok King**  
*Chairman*

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## SCHEDULE TO LETTER FROM CHAIRMAN

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This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the AGM authorising 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 authorised to repurchase on the GEM or on any other stock exchange recognised 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 shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the GEM.

#### **(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 laws, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

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## SCHEDULE TO LETTER FROM CHAIRMAN

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**(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 announcement of a company's annual or half-yearly or quarterly results, 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.

## **2. EXERCISE OF THE REPURCHASE MANDATE**

Exercise in full of the Repurchase Mandate, if approved, on the basis of 729,915,974 Shares in issue as at the Latest Practicable Date and assuming there is no change in the number of Shares in issue before the date of passing Resolution No. 7 as set out in the notice of the AGM, could result in up to 72,991,597 Shares being repurchased by the Company during the period from the passing of Resolution No. 7 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.

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## SCHEDULE TO LETTER FROM CHAIRMAN

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### 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 2009 Annual Report of the Company) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

### 6. UNDERTAKING

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

### 7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (within that term's meaning under the Code), depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, Li & Fung (Retailing) Limited, which is a substantial Shareholder of the Company held approximately 51.19% 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 Li & Fung (Retailing) Limited in the Shares would be increased to approximately 56.88% 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.

Saved as disclosed above, the Directors are not aware of any consequences which will arise under the Takeovers Code as a result of any purchases of Shares.



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## SCHEDULE TO LETTER FROM CHAIRMAN

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### 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 5 May 2009, whether on the Stock Exchange or otherwise.

### 9. CONNECTED PERSON

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.

As at the Latest Practicable Date, 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>
<b>2009</b>		
March	1.84	1.82
April	1.84	1.65
May	1.97	1.79
June	2.05	1.91
July	2.49	1.93
August	2.28	2.00
September	2.08	1.90
October	2.20	2.09
November	2.05	1.91
December	2.07	1.95
<b>2010</b>		
January	2.02	1.90
February	1.99	1.81
March (up to 24 March)	2.05	1.93

The following is a summary of the principal terms of the rules of the New Share Option Scheme proposed to be approved and adopted at the AGM. Reference to the paragraph is a reference to the paragraph of this appendix.

### **1.      PURPOSE**

The purpose of the New Share Option Scheme is to attract and retain the best quality Employees for the development of the Company's businesses and to provide additional incentives or rewards to selected Service Providers for their contribution to the creation of the Company's shareholders value.

### **2.      WHO MAY JOIN**

On and subject to the terms of the New Share Option Scheme and the requirements of the GEM Listing Rules, the Board may offer to grant an Option to any Qualifying Participant as the Board may in its absolute discretion select.

### **3.      ADMINISTRATION**

The New Share Option Scheme shall be subject to the administration of the Board whose decision shall (save as otherwise provided in the New Share Option Scheme) be final and binding. The Board's administrative powers include the authority, in its discretion:

- (a) to select Qualifying Participant to whom Options may be granted under the New Share Option Scheme;
- (b) to determine, subject to the requirements of the GEM Listing Rules and the law, the time of the grant of Options;
- (c) to determine the number of Shares to be covered by each Option granted under the New Share Option Scheme;
- (d) to approve Option Agreements;
- (e) to determine the terms and conditions, not inconsistent with the terms of the New Share Option Scheme, of any Option based in each case on such factors as the Board, in its sole discretion, shall determine. Such terms and conditions may include, but are not limited to:
  - (i) the Subscription Price;
  - (ii) the Option Period, which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the New Share Option Scheme, a period of 10 years from the Commencement Date);
  - (iii) the minimum period, if any, for which an Option must be held before it vests or becomes exercisable in whole or in part;
  - (iv) the performance targets, if any, that must be achieved before the Option can be exercised;

- (v) the amount, if any, payable on application or acceptance of the Option and the period within which payments must be made; and
- (vi) the period, if any, during which Shares allotted and issued upon exercise of the Option shall be subject to restrictions on dealings, and the terms of such restrictions,

without prejudice to the generality of the foregoing and subject to paragraph 6 below, the Board may grant Options in respect of which the Subscription Price is fixed at different prices for certain periods during the Option Period;

- (f) to construe and interpret the terms of the New Share Option Scheme and Options granted pursuant to the New Share Option Scheme;
- (g) to prescribe, amend and rescind rules and regulations relating to the New Share Option Scheme, including rules and regulations relating to sub-schemes established for the purpose of qualifying for preferred treatment under foreign laws and for benefits intended solely for any particular type of Qualifying Participant; and
- (h) subject to paragraph 23 below, to vary the terms and conditions of any Option Agreement (provided that such variation is not inconsistent with the terms of the GEM Listing Rules and the New Share Option Scheme).

#### **4. GRANT OF OPTIONS**

On and subject to the terms of the New Share Option Scheme and the requirements of the GEM Listing Rules (in particular as to grant of Options to Directors, chief executives, management shareholders (if applicable), and substantial Shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years commencing on the Adoption Date (the timing of the grant being subject to the requirements of the GEM Listing Rules and the law) to make an offer for the grant of an Option to any Qualifying Participant as the Board may in its absolute discretion select.

#### **5. PAYMENT ON ACCEPTANCE OF OPTION OFFER**

An offer shall remain open for acceptance by the Qualifying Participant concerned for a period of 28 days from the date of the offer (or such longer period as the Board may specify in writing). HK\$1.00 is payable by the Grantee to the Company on acceptance of the offer of the Option. If such remittance is not made upon acceptance, acceptance of an offer shall create a promise by the relevant Grantee to pay to the Company HK\$1.00 on demand.

#### **6. SUBSCRIPTION PRICE**

The Subscription Price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the Subscription Price shall not be less than whichever is the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Commencement Date, which must be a Business Day; (b) the average closing prices of the Shares as

stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Commencement Date on which there were dealings in Shares on the Stock Exchange; and (c) the nominal value of a Share.

#### **7. OPTION PERIOD**

The period within which the Shares must be taken up under an Option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the Commencement Date.

#### **8. RIGHTS ARE PERSONAL TO GRANTEE**

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 agreement so to do. Provided that where the Grantee is a related trust and company of a Service Provider, the Option shall be deemed to have been transferred where the Grantee were to cease to be a related trust and company of the Service Provider other than by reason of the death or permanent physical or mental disability of the Service Provider.

#### **9. RIGHTS ATTACHING TO SHARES ISSUED**

The Shares to be issued upon the exercise of an Option shall be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the Issue Date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Issue Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the Issue Date.

#### **10. RIGHTS ON RETIREMENT, DEATH OR PERMANENT PHYSICAL OR MENTAL DISABILITY**

If a Grantee (or, in the case of a Grantee which is a related trust and company, the relevant Service Provider) ceases to be a Qualifying Participant attributable to the fact that he dies or becomes permanently physically or mentally disabled or in the case of an Grantee being an Employee (or, in the case of a Grantee which is a related trust and company of a Service Provider, the relevant Service Provider), retires, unless otherwise provided in the Option Agreement, the Option may be exercised within such period of time as is specified in the Option Agreement (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement).

In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months (or such longer period as the Board shall decide) following the relevant Grantee's or Qualifying Participant's or Employee's (as the case may be) retirement, death or permanent physical or mental disability. The Option may be exercised within that period by the personal representatives of the Grantee.

If the Option is not exercised within the time specified, the Option shall lapse.

**11.    TERMINATION FOR MISCONDUCT**

If a Grantee being a Service Provider (or, in the event of a Grantee which is a related trust and company of a Service Provider, the relevant Service Provider) ceases to be a Qualifying Participant for Misconduct, the Option shall immediately lapse.

A resolution of the Board to the effect that the Grantee or relevant Qualifying Participant has or has not ceased to be a Qualifying Participant for Misconduct shall be conclusive.

**12.    TERMINATION FOR BANKRUPTCY CAUSE**

If a Grantee being a Service Provider (or, in the event of a Grantee which is a related trust and company of a Service Provider, the relevant Service Provider) ceases to be a Qualifying Participant for Bankruptcy Cause, the Option shall immediately lapse.

A resolution of the Board to the effect that the Grantee or relevant Qualifying Participant has or has not ceased to be a Qualifying Participant for Bankruptcy Cause shall be conclusive.

**13.    RIGHTS ON TERMINATION OTHER THAN FOR RETIREMENT, DEATH, PERMANENT DISABILITY OR MISCONDUCT OR BANKRUPTCY CAUSE**

If a Grantee (or, in the case of a Grantee which is a related trust and company of a Service Provider, the relevant Service Provider) ceases to be a Qualifying Participant other than in any of the circumstances provided under paragraphs 10 or 11 or 12 then, unless otherwise provided in the Option Agreement, a Grantee may exercise his Option within three (3) months of such cessation (or such longer period as the Board shall decide, but in no event later than the expiration of the term of such Option as set forth in the Option Agreement).

If the Option is not exercised within the time specified, the Option shall lapse.

**14.    RIGHTS ON GENERAL OFFER**

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time within twenty-one (21) days (or for such longer time as the Board shall decide) after the date on which the offer becomes or is declared unconditional.

If the Option is not exercised within the time specified, the Option shall lapse.

**15.    RIGHTS ON COMPROMISE OR ARRANGEMENT**

If a compromise or arrangement between the Company and its members or creditors is proposed, the Company shall give notice to the Grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representatives) may until the expiry of the period commencing with

such date and ending with the earlier of the date two (2) calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his Options (to the extent not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the New Share Option Scheme. The Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement.

If the Option is not exercised within the time specified, the Option shall lapse.

#### **16.    RIGHTS ON VOLUNTARY WINDING-UP OF THE COMPANY**

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of the New Share Option Scheme relating to this paragraph 16) and thereupon, each Grantee (or his or her personal representatives) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

If the Option is not exercised within the time specified, the Option shall lapse.

#### **17.    LAPSE OF OPTION**

Subject to the discretion of the Board to extend the Option Period as referred to in paragraphs 3, 10, 13, 14 and 21 and without prejudice to the authority of the Board to provide for additional situations where an Option shall lapse in any Option Agreement, an Option shall lapse and not be exercisable (to the extent not already exercised) on the earliest of (i) the expiry of the Option Period; (ii) the expiry of any of the periods referred to in paragraphs 10, 11, 12, 13, 14, 15 and 16; and (iii) the date on which the Board certifies that for the reason of a breach of paragraph 8.

#### **18.    CANCELLATION OF OPTION**

Options granted but not exercised or lapsed in accordance with the terms of the New Share Option Scheme may be cancelled by the Company with the consent of the Qualifying Participant. For the avoidance of doubt, the consent of the Qualifying Participant is not required where an Option lapses in accordance with paragraph 17.

Where the Company cancels Options and offers to issue new ones to the same Qualifying Participant, the issue of such new Options may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the limits set out in paragraphs 19 below.

**19. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE NEW SHARE OPTION SCHEME****(a) Overriding Limit**

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 New Share Option Scheme and any other schemes of the Company must not exceed 30% 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.

**(b) Mandate Limit**

In addition to the limit set out in sub-paragraph (a) above and prior to the approval of a Refreshed Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date being 72,991,597 Shares (the “Initial Mandate Limit”). Options lapsed in accordance with the terms of the New Share Option Scheme or any other schemes of the Company (including the Existing Share Option Scheme) will not be counted for the purpose of calculating the 10% limit.

**(c) Refreshing of Mandate Limit**

The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit provided that the Company shall issue a circular containing such information as required by the GEM Listing Rules to the Shareholders before such approval is sought. 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 (the “Refreshed Mandate Limit”) 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 any of the schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

**(d) Grant to specifically identified Qualifying Participant**

Specifically identified Qualifying Participant may be granted Options beyond the Mandate Limit. 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 Participant specifically identified by the Company and a circular containing such information as required by the GEM Listing Rules is issued to the Shareholders before such approval is sought.

**(e) Limit for each Qualifying Participant**

Subject to any contrary provision in the New Share Option Scheme contained, the number of Options that can be granted to any Qualifying Participant during any 12-month period shall be subject to the restriction that the total number of Shares issued and to be issued upon exercise of Options (whether exercised or outstanding) granted in such 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to a Qualifying Participant would result in the Shares

issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) under the New Share Option Scheme and any other scheme(s) of the Company (including the Existing Share Option Scheme) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant Qualifying Participant and his associates abstaining from voting. The date of the offer (which is made subject to such approvals set out in this sub-paragraph) in respect of such grant should be taken as the Commencement Date for such grants. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the GEM Listing Rules to the Shareholders.

## **20. EFFECTS OF REORGANISATION OF CAPITAL STRUCTURE**

In the event of any alteration in the capital structure of the Company whilst any Option may remain exercisable, whether by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue or other general offer of securities made by the Company to holders of its securities, consolidation, subdivision, reduction or similar reorganisation of the share capital of the Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the Option so far as unexercised; and/or the Subscription Price; and/or the maximum number of Shares referred to in paragraph 19 above, as the Auditor or an independent financial adviser (as the case may be) shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalisation issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any Grantee is entitled to subscribe pursuant to the Options held by him; and (iv) any such adjustments shall be made in compliance with the relevant provisions in the GEM Listing Rules governing share option and/or share schemes, the supplementary guidance issued by the Stock Exchange dated 5 September 2005 and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

For the avoidance of doubt, the issue of securities by the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

## **21. ALTERATION TO THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the New Share Option Scheme relating to, among others, matters contained in the provisions under paragraphs 1, 2, 4, 6 to 9, 17 to 21 and 23, shall not be altered to the advantage of Grantees or proposed Grantees except with the prior sanction of a resolution of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association of the Company for a variation of the rights attached to the Shares. Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature, and any change to the terms of the Options granted, shall be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall comply with the relevant



requirements of the GEM Listing Rules governing share option and/or share schemes from time to time. Any change to the authority of the Board to alter the terms of the New Share Option Scheme shall be approved by the Shareholders. Subject to the GEM Listing Rules and the terms of the New Share Option Scheme, the Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an Option Agreement on compassionate or any other grounds.

## **22. TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered after the New Share Option Scheme is terminated but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect. All Options granted prior to such termination and not then exercised shall remain valid.

## **23. OFFERS MADE TO A DIRECTOR, CHIEF EXECUTIVE, MANAGEMENT SHAREHOLDER OR SUBSTANTIAL SHAREHOLDER OF THE COMPANY OR ANY OF THEIR RESPECTIVE ASSOCIATES**

In addition to the approval requirements under sub-paragraphs 19(d) and 19(e) above, but only insofar as and for so long as the GEM Listing Rules require, where any offer of an Option is proposed to be made to a Qualifying Participant who is a Director, chief executive, management shareholder (if applicable) 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. As regards grant to a Qualifying Participant who is also a substantial Shareholder or an independent non-executive Director of the Company, please refer to the note below.

For avoidance of doubt, a substantial Shareholder who is not an Qualifying Participant is not eligible under the New Share Option Scheme for Options.

*Note:*

Insofar and for so long as the GEM Listing Rules so require, no Option may be granted to any 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 New Share Option Scheme and any other scheme(s) of the Company (including the Existing Share Option Scheme) in the 12-month period up to and including the date of the offer (which is made subject to such approvals set out in this sub-paragraph) in respect of 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 offer (which is made subject to such approvals set out in this sub-paragraph) in respect of such further grant, in excess of HK\$5,000,000,

unless such further grant is approved by the Shareholders in general meeting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the GEM Listing Rules to the Shareholders. At such general meeting, the grant of Options to the substantial Shareholder or independent non-executive Director of the Company, or any of their respective associates shall, for so long and insofar as the GEM Listing Rules so require, be approved by the Shareholders 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. For so long and insofar as the GEM Listing Rules so require, any variation in the terms of Option granted to a Grantee who is a substantial Shareholder or an independent non-executive Director of the Company, or any of their associates, must be approved by the Shareholders in general meeting with all connected persons of the Company interested in the relevant Option abstaining from voting.

**24.    EFFECT OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme shall take effect subject to the termination of the Existing Share Option Scheme and obtaining by the Company of the approval for listing on GEM of Shares which may be issued pursuant to the exercise of the Options.



**CONVENIENCE RETAIL ASIA LIMITED**

**利亞零售有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08052)**

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Convenience Retail Asia Limited (the “Company”) will be held at the Auditorium, 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong on Monday, 10 May 2010 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 the Auditor of the Company and its subsidiaries for the year ended 31 December 2009.
2. To declare a final dividend in respect of the year ended 31 December 2009.
3. To re-elect the following Directors:
  - (a) Mr. Jeremy Paul Egerton Hobbins;
  - (b) Dr. Raymond Ch’ien Kuo Fung; and
  - (c) Mr. Richard Yeung Lap Bun.
4. To determine the Directors’ fees and to consider and, if thought fit, pass the following resolution as an ordinary resolution:

**“THAT:**

- (a) the remuneration of each of the (i) executive Directors and non-executive Directors (including Chairman of the Board) and (ii) independent non-executive Directors shall be fixed at (i) HK\$110,000 and (ii) HK\$130,000 for the year ending 31 December 2010 and each subsequent financial year until the Company in general meeting otherwise determines; and

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- (b) additional remuneration shall be payable to the non-executive Directors and independent non-executive Directors who serve on the Board committees of the Company and such remuneration be fixed at the level as shown in the following table for the year ending 31 December 2010 and each subsequent financial year until the Company in general meeting otherwise determines:

	<i>HK\$</i>
<u>Audit Committee</u>	
Chairman	110,000
each committee member	50,000
 <u>Remuneration Committee</u>	
Chairman	110,000
each committee member	50,000.”

5. To re-appoint Auditor and authorise the Board to fix their remuneration.
6. As special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“THAT:**

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as herein after 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 options under any share option schemes adopted by the Company or similar arrangement for the time being adopted by 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 20% of the aggregate nominal amount of the

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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 laws 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 recognised regulatory body or any stock exchange applicable to the Company).”

7. 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 recognised 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;

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- (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 laws 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 by this Resolution.”
8. As special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“**THAT** conditional upon Resolutions 6 and 7 set out above being duly passed, the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with shares pursuant to Resolution 6 be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 7, provided that such an amount 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.”

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

“**THAT** subject to obtaining by the Company of the approval for listing on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited of shares at par value of HK\$0.10 each in the capital of the Company (the “Shares”) which may be issued pursuant to the exercise of the options granted pursuant to the new share option scheme (a copy of which is produced to this Meeting marked “A” and signed by the chairman of this Meeting for the purpose of identification) (the “New Share Option Scheme”), the operation of the existing share option scheme adopted by the Company on 6 January 2001 and as amended on 24 April 2002 be and is hereby terminated, and the New Share Option Scheme be and is hereby approved and adopted by the Company, and the Directors of the Company be and are hereby authorised to grant options to subscribe for Shares pursuant to the New Share Option Scheme and to allot,

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issue and deal with Shares pursuant to the exercise of any option granted under the New Share Option Scheme and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.”

On behalf of the Board  
**Victor FUNG Kwok King**  
*Chairman*

Hong Kong, 29 March 2010

*Principal Place of Business:*

5th Floor  
LiFung Tower  
888 Cheung Sha Wan Road  
Kowloon  
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 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, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, 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.