Convenience Retail Asia Limited
利 亞 零 售 有 限 公 司

(incorporated in Cayman Islands)

Result Announcement
for the year ended 31st December, 2000

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This announcement, for which the directors of Convenience Retail Asia Limited 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 of Hong Kong Limited for the purpose of giving information with regard to Convenience Retail Asia Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: – (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.

Highlights

– Turnover increased by about 17% over the previous year to approximately HK$1,140.7 million.

– Profit attributable to shareholders increased by about 629% to HK$48.1 million.

– Basic earnings per share increased by about 654% to HK$9.8 cents.

RESULTS

The board of directors ("the Board") is pleased to announce the audited results of Convenience Retail Asia Limited ("the Company" or "CRA") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2000, together with the comparative audited figures for the corresponding year ended 31st December, 1999 as follows:

	Note	**2000** *HK$'000*	**1999** *HK$'000*
Turnover	*2*	1,140,671	972,921
Cost of sales		(856,611)	(736,290)
Gross profit		284,060	236,631
Other revenue	*2*	71,621	59,371
Store expenses		(249,956)	(236,055)
Distribution costs		(17,390)	(12,214)
Administrative expenses		(36,921)	(32,150)
Other operating income		480	–
Operating profit		51,894	15,583
Finance costs		(4,106)	(8,980)
Profit for the year		47,788	6,603
Minority interests		331	–
Profit attributable to shareholders		48,119	6,603
Basic earnings per share	*4*	9.8 cents	1.3 cents

Movements in reserves of the Group during the year are as follows:

	Merger reserve *HK$'000*	Capital reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st January, 1999	–	641	(212,569)	(211,928)
Profit for the year attributable to shareholders	–	–	6,603	6,603
At 1st January, 2000	–	641	(205,966)	(205,325)
Profit for the year attributable to shareholders	–	–	48,119	48,119
Merger reserve	177,087	–	–	177,087
Reserve arising from group reorganisation	–	12,792	–	12,792
At 31st December, 2000	177,087	13,433	(157,847)	32,673

Notes:

1. Group reorganisation and basis of preparation

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Laws (2000 Revision) of the Cayman Islands on 23rd October, 2000.

(b) On 29th December, 2000, pursuant to a corporate reconstruction to rationalise the structure of the Group in preparation for the new listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The Company issued 163,900,000 shares of HK$0.10 each at a price of HK$1.15 and has its shares listed on the GEM of the Stock Exchange on 18th January, 2001.

(c) The corporate reorganisation referred to above has been reflected in the accounts by regarding the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the group accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the Group throughout the accounting periods presented. All significant inter–company transactions and balances within the Group have been eliminated. The difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof is regarded as merger reserve included in the shareholders' equity of the Group.

(d) The accounts have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

2. Turnover

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the year are as follows:

	2000 *HK$'000*	1999 *HK$'000*
Turnover		
Merchandise sales revenue	1,094,986	924,370
Bakery sales revenue	44,799	48,551
E-fulfillment service income	886	–
	1,140,671	972,921
Other revenues		
Rebate income	62,944	55,954
Interest income	2,187	127
Others	6,490	3,290
	71,621	59,371
Total revenues	1,212,292	1,032,292

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Revenue from provisions of services is recognised when the services are rendered.

Rebate income is recognised on an accrual basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3. Taxation

No Hong Kong profits tax has been provided for as the Group has been able to utilise available tax losses brought forward from previous years to offset the assessable profit for the year (1999: assessable profit for the year was offset by tax losses brought forward from previous years).

4 Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK$48,119,000 (1999: HK$6,603,000) and 491,700,000 shares (1999: 491,700,000 shares) deemed to be in issue during the year. In determining the number of shares deemed to be in issue, the 67,690,000 shares issued before the capitalisation issue and the capitalisation issue of 424,010,000 shares made to Li & Fung (Retailing) Limited ("LFR") and four directors, namely Mr Yeung Lap Bun, Richard, Mr Li Kwok Ho, Bruno, Mr Lau Butt Farn and Ms Wong Yuk Nor, Lousia, immediately before the listing of the Company's shares on GEM, which took place on 18th January, 2001, were deemed to have been in issue on 1st January, 1999.

Diluted earnings per share for the years ended 31st December, 2000 and 1999 respectively was not disclosed as there were no dilutive potential ordinary shares outstanding.

5. **Dividends**

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2000 (1999: Nil).

CHAIRMAN'S STATEMENT

Financial Overview

We are glad to report that 2000 was an outstanding year for the Group in terms of business growth, profitability, and in achieving key business objectives.

We closed the year with 123 stores, which generated turnover of HK$1,140.7 million, represented an increase of 17%. Profit attributable to shareholders was HK$48.1 million, represented an increase of 629% over 1999. These remarkable achievements for the Group are encouraging, as they were achieved in a period of slow growth in the general retail environment and conservative consumer spending in Hong Kong.

Initial Public Offering

CRA's shares were successfully listed on the GEM of the Stock Exchange in January 2001. The net proceeds of approximately HK$163 million are mainly used to fund CRA's expansion into the Mainland of China. We were very pleased with the strong interests from both institutional and retail investors in our company and its growth prospects. The new issue was oversubscribed 14 times by institutional investors and 6.5 times by retail investors.

Retail Market Overview

A strong economic recovery in 2000 sets the tone for an upturn in retail market for the coming year in Hong Kong. We are confident that Hong Kong will grow at a steady pace. All economic indicators look promising for continued economic growth on the Mainland of China, which will continue to fuel expansion in the retail market. This sentiment is buoyed by the fact that the Chinese government will continue to implement market reform and deregulation policy in the retail sector.

With modern lifestyle getting more hectic, convenience more than ever is a valuable everyday commodity. Because of these factors, we believe that the convenience retailing industry offers an enormous growth opportunity, despite the fact that competition will become more intense.

Growth Strategy for Hong Kong

For Hong Kong, CRA plans to continue expanding its network of high quality stores with a focus on profitability. Our goal is to maintain double digit percentage store growth per annum. There is still plenty of room for growth in the Hong Kong convenience store market segment. We see Circle K Convenience Stores (HK) Limited ("Circle K (HK)") as a solid base for profits and positive cashflow generation. The marketing focus will be to continue building the premium brand image for CRA as the fastest growing and preferred convenience store chain.

Growth Strategy for China

Upon China's WTO accession, the anticipated lowering of import tariff will in turn lower prices, provide more product choices and stimulate consumer spending in the Mainland of China. The market will also open up to foreign retailers with the deregulation in equity structure for joint ventures, geographical area and number of outlets.

New Developments

Each of these new developments brought about by WTO accession will have a positive impact on chain-operated retail businesses in the Mainland of China. At present, the convenience store industry in the Mainland of China is in an infancy stage. In order to take advantage of the opportunities offered by the WTO accession, CRA will aim for an aggressive growth strategy but will adopt a phase expansion strategy for establishing businesses in the Mainland of China, in order to manage the risk exposure involved.

Phase One will be to establish a solid business base with adequate store network coverage in Guangzhou and the Pearl River Delta in the period of 2001-2003. An important part of our entry strategy is to build a distribution centre as part of our integrated supply chain management approach and a training centre to cultivate the Company's "speed, tidiness and friendliness" operating culture.

Only after a successful adaptation of our business model and healthy profitability is achieved, will the Company commence Phase Two expansion into the Eastern China. Phase Three expansion into the Northern China will be initiated after the same conditions are achieved in Phase Two.

Finally, we are in the process of negotiating with a strong potential joint venture partner in China. This partner has a strong retail background and is in sound financial shape. The joint venture is intended to give us majority ownership and management control. Once a solid base is established in Pearl River Delta, the joint venture will serve as a springboard for our expansion into other provinces.

Conclusion

Given the proven track record of the Circle K chain in Hong Kong, a well established international brand image, and an experienced and competent management team, We are confident that we will succeed in capturing the enormous growth opportunities in the Mainland of China.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all the employees of the Group who made year 2000 a very successful year, in particular the management team for their significant contributions in developing a powerful customer driven business model: one that focuses on strong core competencies and service excellence. The performance of the Group indicates the success of the model.

Fung Kwok King, Victor
Chairman

Hong Kong, 14th March, 2001

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Board is extremely pleased to report the results of the Group for the year ended 31st December, 2000. The Group's turnover increased by 17% from HK$972.9 million in 1999 to HK$ 1,140.7 million in 2000, with almost all the turnover coming from Circle K (HK). Of the total 17% increase, 12.2% came from increase in sales of the existing stores and 4.8% from sales of new stores opened during the year.

The Directors believe that the sales increase is due to customers responding favorably to the Group's pricing policy, aggressive promotions and excellent customer services. As a result, customer traffic has increased significantly during 2000. Average daily sales per store increased by 11% to HK$26,915 per store during 2000.

Benefiting from the integrated EPOS (electronic point of sales) and supply chain systems, the Group was able to improve store productivity and to handle the increased turnover with very minimal increase in operating expenses. As a result, store operating expenses as a percentage of sales dropped from 24.3% in 1999 to 21.9% in 2000, representing a substantial saving of 2.4% of sales.

Gross margin and other income as a percentage of sales also increased by 0.8% of sales to 31.2% of sales in 2000. Higher sales volume and better management of product categories both contributed to this improvement.

The increase in turnover, the improvement in store productivity and the higher gross margin together contributed to a very significant increase in the Group's net profit. For 2000, the Group recorded a net profit of HK$48,119,000 which represents a 629% increase over 1999's net profit of HK$6,603,000. The net profit has exceeded the profit estimate of HK$45 million by 6.9%. Net profit as a percentage of sales increased from 0.7% in 1999 to 4.2% in 2000. Basic earnings per share increased by 654% from HK$1.3 cents to HK$9.8 cents.

Building Circle K Brand

In addition to achieving favorable financial results, another major focus during 2000 was building the Circle K Brand as the preferred brand in convenience retailing in Hong Kong. The Group embarked on major initiatives to improve every interface with the customers which included:

- Store Renovation Program to upgrade stores to the new Circle K clean and modern imagery specifications

- Upgrading Product Merchandising Display

- Excellence in STF (Speed, Tidiness & Friendliness) to provide the best customer services in the industry

- Customer-driven Promotions to promote fun, value and enjoyable shopping experience

- New Layout of Stores to support 5-Easy shopping experience (easy to come in, easy to locate products, easy to decide, easy to pay and easy to leave)

The significant increase in customer traffic and store transactions achieved during 2000 indicates that customers have responded positively to these initiatives. Additional new initiatives have been planned for 2001 to build on this success and to enlarge this pool of very satisfied and loyal customers.

Building Core Competencies

One of the key reasons behind the Group's major improvement in financial results was the improvement in the Group's core competencies in convenience retailing during the year. These are the Group's capabilities to do something substantially better than our competitors, and which will create value to our customers. The Group has identified 7 core competencies that are critical to the Group's success in convenience retailing:

1. Quality Customer Service

2. Strategy Driven Marketing

3. Category Management Excellence

4. Synchronized Supply Chain Management & Logistics Processes

5. Integrated Information System

6. New Store Development

7. e-Business Capability

The Group will continue to make investments in training, technology improvement, recruitment of talented staff, and re-engineering and improvement of processes so as to further expand this competitive gap over the competitors.

Prospects

The Group will be focusing its future growth in the Hong Kong and China markets and it is the Group's vision to become the preferred and fastest-growing convenience store chains in these two markets. With the expanding urban population, faster pace of lifestyle, China's expected entry into the WTO, and increasing spending power, the demand for convenience retailing in these two markets will grow dramatically in the coming years. Based on developments in more matured markets such as Japan and Taiwan, the Group estimates that Hong Kong will be a 1,200-store market. At present, there are only two dominant convenience store brands in Hong Kong (Circle K and 7-Eleven) and between the two, there are about 525 stores, which make up only about 44% of the potential market.

As for the China market, it is at the infancy stage of development for convenience retailing. Based on a conservative assumption of 20,000 people per convenience store for China's urban population, the Group believes that this is a potential 20,000-store market. As of today, international chains have established about 120 outlets there.

The Group has prepared a business plan for exploiting the business opportunity for the period from 2001 to 2003. In a nutshell, the Group is aiming to have 200 Circle K stores operating in Hong Kong and about 100 Circle K stores in China by the end of 2003 and to achieve a healthy growth in the Group's turnover and profitability during this planning period.

GEM Listing on 18th January, 2001

To prepare for the funding needs for the expansion into the China market, the Group conducted an initial public offering with a total of 163,900,000 new shares at HK$0.10 par value representing 25% of the enlarged capital being offered to international investors and for the Hong Kong public at HK$1.15 per share. The international placing was 14 times over-subscribed while the public offer in Hong Kong was 6.5 times over-subscribed. The stock was successfully listed on the GEM of the Stock Exchange on 18th January, 2001. A total net proceeds of about HK$163 million was raised and such proceeds will be mainly used for the expansion into the China market (details as disclosed in the Company's prospectus dated 9th January, 2001).

After the listing, the Group's has a very strong cash position with cash balance of HK$291 million as at the end of January 2001 and with no bank borrowings. This together with the cashflow to be generated from its operations in Hong Kong will provide adequate funding for the Group's expansion into the China market.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the shares of the Company only commenced trading on GEM on 18th January, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

By order of the Board
Convenience Retail Asia Limited
Yeung Lap Bun, Richard
Director

Hong Kong, 14th March, 2001

NOTICE OF ANNUAL GENERAL MEETING

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

1. to receive and consider the audited financial statements and the reports of the Directors and auditors of the Company and its subsidiaries for the year ended 31st December, 2000;

2. to re-elect Directors;

3. to re-appoint auditors and authorise the Directors to fix their remuneration;

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

   "THAT:

   (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the pre-IPO share option plan adopted by the Company on 27th December, 2000 or the grant or exercise of any option under the share option scheme adopted by the Company on 6th January, 2001 or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which are convertible into shares of the Company, shall not exceed the aggregate of:

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

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

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company, or any other applicable law of the Cayman Islands, to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.

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

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

"THAT:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and which is recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, in accordance with the rules and regulations of the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and any such other stock exchange from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company, or any other applicable law of Cayman Islands, to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution";

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

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

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

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

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

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

On behalf of the Board
Fung Kwok King, Victor
Chairman

Hong Kong, 14th March, 2001

Principal Place of Business:
12th Floor
LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or persons as his proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.

3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.

This announcement will be available from the GEM website and 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.*