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



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2001

| Three Months Ended 30 September | | 2001 | 2000 |
|---------------------------------|------|------------|------------|
| ● Group Turnover | +14% | HK\$350.4M | HK\$308.6M |
| ● Group Profit | +36% | HK\$20.2M | HK\$14.9M |
| ● Earnings Per Share | +3% | 3.1 cents | 3.0 cents |
| Nine Months Ended 30 September | | 2001 | 2000 |
| ● Group Turnover | +16% | HK\$978.8M | HK\$845.0M |
| ● Group Profit | +49% | HK\$49.5M | HK\$33.2M |
| ● Earnings Per Share | +13% | 7.7 cents | 6.8 cents |

HIGHLIGHTS

- Healthy growth in turnover and profitability despite unusually wet summer months and conservative consumer spending.
- Number of stores in Hong Kong increased by nine stores to 141 during the quarter. This represents an increase of 22 stores when compared to 119 stores as at 30 September 2000.
- With another 4 stores openings in progress, the company will be able to meet the target of 145 stores by end of year in Hong Kong.
- Strong cash position with \$335 million cash on hand and no bank borrowing as at 30 September 2001.
- Just obtained approval in principle from Guangzhou Government on the final structure of the joint venture. Due to additional time required to add one Guangzhou based JV partner, the store opening in Southern China is expected to have a short delay.

- Increase in unemployment and decline of Hong Kong retail sales started to accelerate in September and the retailing environment is expected to deteriorate in the coming six months.
- Profitability growth rate in the coming 6 months is expected to moderate due to the weaker retail spending in Hong Kong and increase in start-up cost from Southern China market.

CHAIRMAN'S STATEMENT

Financial Review

It gives me great pleasure to report the unaudited 3rd quarter 2001 results of Convenience Retail Asia Limited (the "Company") and its subsidiaries (together, the "Group"). During the period ended 30 September 2001, the Group recorded satisfactory increase in both turnover and profit.

For the 3rd quarter 2001, the Group's turnover increased by 14% to HK\$350.4 million when compared to the same period in the previous year. This was achieved despite very wet weather in July and August and the declining retail spending. Of the total 14% increase, 2% came from increase in sales of existing stores and 12% was due to the increase in number of stores. As at the end of the 3rd quarter of 2001, we have a total of 141 stores compared to 119 stores as at end of 3rd quarter of 2000.

As a result of better management of product costing, smarter pricing and higher volume rebate, the Group was able to increase gross margin and other income (excluding interest income) by 1.3% to 31.5% of sales during the quarter. Operating expenses edged up marginally as a result of the start-up costs for the China operations.

Satisfactory increase in store sales and higher gross margin/other income combined to contribute to a significant increase in the Group's net profit. For the 3rd quarter 2001, the Group recorded a net profit of HK\$20.2 million, which represents a 36% increase over the 3rd quarter 2000's net profit of HK\$14.9 million. Earnings per share increased by 3% from 2000's 3.0 cents to 3.1 cents in the 3rd quarter of 2001.

For the nine months ended 30 September 2001, the Group recorded turnover of HK\$978.8 million and net profit of HK\$49.5 million which represent increases of 16% and 49% respectively when compared to the results for the nine months ended 30 September 2000.

Business Outlook

For the Hong Kong market, the immediate outlook for the overall sentiment of the retail market is not optimistic. Eroding consumer confidence has affected the mood for spending, which has deteriorated rapidly as a result of the impact of the terrorist attack in September in the US and the concern for rising unemployment. This is expected to have a slightly adverse impact on our store sales in the coming few months. However, with 18 new stores already opened so far this year and with 4 additional stores opening in progress, the Group should be able to continue a double-digit year-on-year growth in turnover in the 4th quarter. The Group will be managing gross margin and controlling expenses carefully and we are confident that we will end 2001 on a positive note.

As for the China market, the retail market is growing at a very fast pace. We commenced our licence application in April and in the best interest of the Guangzhou operation, we have decided to add a Guangzhou based JV partner during the quarter. In September, the final structure of the joint venture was approved in principle by the Guangzhou Government with the Company holding 65%, the Guangzhou partner 25% and the Shanghai Shen Hong Company 10%. We are now finalizing the terms of agreement with a Guangzhou state-owned company. After this step, the application will then be forwarded to the Central Government in Beijing for approval via the Guangzhou and Guangdong Government. Because of the longer than expected time required in obtaining the Guangzhou Government's approval, we will experience a few months' delay in our store opening programme. Subject to the timing in obtaining the Central Government's approval, we are now planning our resources to commence store operations in Southern China by mid-year of 2002.

FUNG Kwok King, Victor
Chairman

Hong Kong, 26 October 2001

RESULTS

The Board of Directors (“the Board”) is pleased to announce the unaudited results of the Group for the three months and nine months ended 30 September 2001, together with the comparative unaudited figures for the corresponding period in 2000 as follows:

| | | Three months ended 30 September | | Nine months ended 30 September | |
|--|--------------|--|------------------|---|------------------|
| | | 2001 | 2000 | 2001 | 2000 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 2 | 350,366 | 308,560 | 978,796 | 844,959 |
| Cost of sales | | <u>(262,395)</u> | <u>(233,160)</u> | <u>(736,715)</u> | <u>(633,780)</u> |
| Gross profit | | 87,971 | 75,400 | 242,081 | 211,179 |
| Other revenues | 2 | 25,107 | 18,428 | 71,107 | 47,544 |
| Store expenses | | (74,862) | (64,848) | (213,374) | (183,147) |
| Distribution costs | | (5,379) | (4,058) | (13,320) | (11,509) |
| Administrative expenses | | (11,686) | (10,169) | (35,062) | (27,230) |
| Start up costs for China Operations | | (1,532) | 0 | (3,345) | 0 |
| Other operating income | | <u>0</u> | <u>480</u> | <u>0</u> | <u>480</u> |
| Operating profit | | 19,619 | 15,233 | 48,087 | 37,317 |
| Finance costs | | <u>0</u> | <u>(330)</u> | <u>0</u> | <u>(4,102)</u> |
| Profit for the period | | 19,619 | 14,903 | 48,087 | 33,215 |
| Minority interest | | <u>615</u> | <u>0</u> | <u>1,462</u> | <u>0</u> |
| Profit attributable to shareholders | | <u>20,234</u> | <u>14,903</u> | <u>49,549</u> | <u>33,215</u> |
| Earnings per share | 4 | | | | |
| - Basic | | <u>3.1 cents</u> | <u>3.0 cents</u> | <u>7.7 cents</u> | <u>6.8 cents</u> |
| - Diluted | | <u>3.0 cents</u> | <u>N/A</u> | <u>7.6 cents</u> | <u>N/A</u> |

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 23 October 2000.
- (b) On 29 December 2000, pursuant to a group reorganisation 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 shares of the Company were listed on the GEM on 18 January 2001.

- (c) The results of the Group comprise the results of the Company and its subsidiaries using the merger accounting basis as if the Company had always been the holding company 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 three months and nine months ended 30 September 2001 are as follows:

| | Three months ended 30 September | | Nine months ended 30 September | |
|------------------------------|------------------------------------|------------------|-----------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Turnover | | | | |
| Merchandise sales revenue | 340,496 | 296,954 | 948,358 | 811,056 |
| Bakery sales revenue | 9,639 | 11,426 | 29,546 | 33,528 |
| E-fulfillment service income | <u>231</u> | <u>180</u> | <u>892</u> | <u>375</u> |
| | <u>350,366</u> | <u>308,560</u> | <u>978,796</u> | <u>844,959</u> |
| Other revenues | | | | |
| Rebate income | 20,550 | 16,356 | 57,076 | 42,761 |
| Interest income | 2,576 | 462 | 8,303 | 600 |
| Others | <u>1,981</u> | <u>1,610</u> | <u>5,728</u> | <u>4,183</u> |
| | <u>25,107</u> | <u>18,428</u> | <u>71,107</u> | <u>47,544</u> |
| Total revenues | <u>375,473</u> | <u>326,988</u> | <u>1,049,903</u> | <u>892,503</u> |

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 profits for the periods (2000: assessable profits for the periods were offset by tax losses brought forward from previous years).

4. Earnings per share

The calculation of the Group's basic and diluted earnings per share for the three months and nine months ended 30 September 2001 is based on the respective unaudited consolidated profit attributable to shareholders of HK\$ 20,234,000 (2000: HK\$14,903,000) and HK\$49,549,000 (2000: HK\$33,215,000).

The basic earnings per share is based on the weighted average of 655,600,000 and 645,393,773 (three months and nine months ended 30 September 2000: 491,700,000) ordinary shares in issue during the three months and nine months ended 30 September 2001. In determining the weighted average number of ordinary shares, a total of 67,690,000 ordinary shares issued on the establishment of the Company and the reorganisation of the Group and a further 424,010,000 ordinary shares being the capitalisation issue immediately following the new issue of shares to the public were deemed to have been issued since 1 January 1999.

The diluted earnings per share is based on the weighted average number of 655,600,000 and 645,393,773 ordinary shares in issue during the three months and nine months ended 30 September 2001 plus the respective weighted average of 12,748,562 and 10,446,492 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

Diluted earnings per share for the three months and nine months ended 30 September 2000 is not shown as there were no dilutive potential ordinary shares.

5. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2001 (2000: Nil).

6. Movements in reserves

In January 2001, 163,900,000 shares of HK\$0.10 each were issued to the public at a premium of HK\$1.05 per share (the "New Issue"). The excess of the issue price over the par value of the shares issued, net of share issuance expenditure, amounting to approximately HK\$146 million has been credited to the share premium account of the Company.

Immediately after the New Issue, 424,010,000 shares of HK\$0.10 each were issued, allotted at par and fully paid to Li & Fung (Retailing) Limited and four directors, namely Mr Yeung Lap Bun, Richard, Mr Li Kwok Ho, Bruno, Mr Lau Butt Farn and Ms Wong Yuk Nor, Louisa, by way of the capitalisation of a sum of HK\$42,401,000 out of the credit of the share premium account of the Company.

There were no movement in reserves for the nine months ended 30 September 2000.

COMPETING INTERESTS

During the period under review, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES IN THE COMPANY AND CERTAIN MAJOR ASSOCIATED CORPORATIONS

As at 30 September 2001, the interests of each of the directors, chief executives and their associates in the equity or debt securities of the Company or any of its associated corporations*(within the meaning of the Securities (Disclosure of Interests) Ordinance ('SDI Ordinance')) as required to be recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance are as follows -

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

| Name of the Company | Name of Director | Personal Interests | Family Interests | Corporate Interests | Other Interests | Total |
|----------------------------------|------------------------------|-----------------------------------|------------------|--|------------------------------|--|
| Company | Dr. Fung Kwok King, Victor | — | — | 467,114,000 <i>(Note 1)</i> | — | 467,114,000 |
| Company | Dr. Fung Kwok Lun, William | — | — | 467,114,000 <i>(Note 1)</i> | — | 467,114,000 |
| Company | Yeung Lap Bun, Richard | 17,896,000 | — | — | — | 17,896,000 |
| Company | Li Kwok Ho, Bruno | 2,676,000 | — | — | — | 2,676,000 |
| Company | Lau Butt Farn | 2,676,000 | — | — | — | 2,676,000 |
| Company | Wong Yuk Nor, Louisa | 1,338,000 | — | — | — | 1,338,000 |
| Company | Dr. Ch'ien Kuo Fung, Raymond | 1,000,000 | — | — | — | 1,000,000 |
| Li & Fung (Gemini) Limited | Dr. Fung Kwok King, Victor | — | — | 13,000,000 <i>(Note 2)</i> | 1,500,000 <i>(Note 4)</i> | 14,500,000 |
| Li & Fung (Gemini) Limited | Dr. Fung Kwok Lun, William | — | — | 13,000,000 <i>(Note 2)</i> | — | 13,000,000 |
| Li & Fung (Distribution) Limited | Dr. Fung Kwok King, Victor | (i) 130,000 <i>(Note 5)</i> | — | (i) 6,800,000 (full voting ordinary shares) <i>(Note 3)</i> | — | 7,090,000 (full voting ordinary shares) |

| Name of the Company | Name of Director | Personal Interests | Family Interests | Corporate Interests | Other Interests | Total |
|----------------------------------|----------------------------|-----------------------------|-------------------|---|------------------------|---|
| | | (ii) 160,000 (Note 6) | | (ii) 10,200,000 (redeemable participating preferred shares) (Note 3) | | 10,200,000 (redeemable participating preferred shares) |
| Li & Fung (Distribution) Limited | Dr. Fung Kwok Lun, William | — | — | (i) 6,800,000 (full voting ordinary shares) (Note 3) | — | 6,800,000 (full voting ordinary shares) |
| | | | | (ii) 10,200,000 (redeemable participating preferred shares) (Note 3) | | 10,200,000 (redeemable participating preferred shares) |
| Li & Fung (Distribution) Limited | Lau Butt Farn | 32,500 (Note 5) | — | — | — | 32,500 |
| Li & Fung Limited | Dr. Fung Kwok King, Victor | — | — | 1,180,500,000 (Note 7) | 50,750,000 (Note 8) | 1,231,250,000 |
| Li & Fung Limited | Dr. Fung Kwok Lun, William | 68,502,300 | 8,000 (Note 9) | 1,180,500,000 (Note 7) | — | 1,250,450,300 |
| | | 480,000 (Note 10) | | | | |
| | | 480,000 (Note 11) | | | | |
| | | 480,000 (Note 12) | | | | |
| Li & Fung Limited | Lau Butt Farn | 2,200,000 | — | — | — | 2,200,000 |

* *Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun and the Company are deemed to be interested in the equity securities of certain associated corporations of the Company under the SDI Ordinance. A waiver from full compliance from Rule 18.56 of the GEM Listing Rules for the disclosure of directors' interest in the equity or debt securities of the associated corporations has been granted by the Stock Exchange on 26 October 2001. Accordingly, the companies under the section headed 'Directors' interests in equity or debt securities in the Company and certain major associated corporations' are only the major associated corporations of the Company and are not intended to be exhaustive.*

Notes:

1. King Lun Holdings Limited ('King Lun') through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited ('LFR') (a wholly owned subsidiary of Li & Fung (1937) Limited ('LF(1937)') held 467,114,000 Shares in the Company. 1,332,840 shares in King Lun, representing 50% of its issued share capital, are owned by Chase Bank & Trust Company (CI) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. The remaining 50% of King Lun is owned by Dr. Fung Kwok Lun, William.
2. King Lun through its wholly owned subsidiary, LF(1937) held 13,000,000 shares in Li & Fung (Gemini) Limited ("LFG"). Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF(1937) as set out in note (1) above.
3. LFG holds 6,800,000 full voting ordinary shares and 10,200,000 redeemable participating preferred shares in Li & Fung (Distribution) Limited ("LFD"). Dr Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF(1937) and indirect interests in LFG as set out in notes (1) & (2) above.
4. 1,500,000 shares in LFG are owned by a company which is held by Chase Bank & Trust Company (CI) Limited.
5. In 1999, Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn were granted share options to subscribe for 130,000 and 32,500 full voting ordinary shares of US\$0.01 each in LFD ("LFD Shares") respectively. Of these, options in respect of 56,500 and 13,000 LFD Shares are fully vested in Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn respectively. The remaining share options are to be vested in Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn in three equal lots on 31 December in each of the calendar years 2001, 2002 and 2003. The share options are exercisable at US\$1 per LFD Share within 21 business days after the earliest of (a) the date of issuance of a notice for an initial public offering of LFD Shares, (b) the date of issuance of a notice of the sale of all or substantially all of the business or shares of LFD and (c) 31 December 2006.
6. In 1999, Dr. Fung Kwok King, Victor was granted share options to subscribe for 16,000 LFD Shares for each full percentage point by which certain LFD investors' fully diluted

aggregate estimated internal rate of return on a public share offer by LFD, or on a sale of all or substantially all of its business or shares, exceeds 30% per annum, subject to a maximum of 160,000 LFD Shares. The share options are exercisable at US\$1 per LFD Share within 21 business days after the date of issuance of a notice of public offer or sale (whichever is earlier) as described in note (5) above.

7. Out of the 1,180,500,000 shares of HK\$0.025 each in Li & Fung Limited (“LF Shares”), holdings of 49,950,800 LF Shares, 996,000,000 LF Shares and 134,549,200 LF Shares are respectively held by King Lun, LF(1937) and Orient Ocean Holdings Limited (“Orient Ocean”). Orient Ocean is a private company incorporated in the British Virgin Islands. LF(1937) held 50% of the voting rights, but no beneficial interests, in Orient Ocean. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF(1937) as set out in notes (1) & (2) above.
8. 50,750,000 LF Shares are held by Chase Bank & Trust Company (CI) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor.
9. 8,000 LF Shares are owned by the wife of Dr. Fung Kwok Lun, William.
10. In 2000, Dr. Fung Kwok Lun, William was granted share options to subscribe for 480,000 LF Shares. The options are exercisable at a subscription price of HK\$15.26 per LF Shares during the period from 7 July 2001 to 6 July 2003.
11. In July 2001, Dr. Fung Kwok Lun, William was granted share options to subscribe for 480,000 LF Shares. The options are exercisable at a subscription price of HK\$10.50 per LF Shares during the period from 18 July 2002 to 17 July 2004.
12. In August 2001, Dr. Fung Kwok Lun, William was granted share options to subscribe for 480,000 LF Shares. The options are exercisable at a subscription price of HK\$7.98 per LF Shares during the period from 28 August 2003 to 27 August 2005.

Save as disclosed above, as at 30 September 2001, none of the directors or any of their associates had any interests in any equity or debt securities of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT DEBENTURES

On 6 January 2001, a share option scheme ('Share Option Scheme') was approved by a written resolution of the shareholders of the Company under which the board of Directors may, at its discretion, grant options to the full-time employees of the Group (including executive directors) entitling them to subscribe for shares representing up to a maximum of 10% of the shares in issue from time to time (excluding (i) any shares which have been allotted and issued upon the exercise of options granted pursuant to the Share Option Scheme and any other schemes and (ii) any pro-rata entitlements to further shares issued in respect of those shares mentioned in (i)). On 21 September 2001, options to subscribe for an aggregate of 714,000 Shares were granted to the full-time employees of the Group. None of the directors, as at 30 September 2001, have been granted share options by the Company under the Share Option Scheme.

Save as disclosed in the section headed 'Directors' interests in equity or debt securities in the Company and certain major associated corporations' and apart from the above, at no time during the period was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that Li & Fung (Retailing) Limited held 467,114,000 shares in the Company. Other than such interests and those as disclosed in the section headed 'Directors' interests in equity or debt securities in the Company and certain major associated corporations' above, the Company has not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital.

SPONSOR'S INTERESTS

None of the Company's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 September 2001.

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

AUDIT COMMITTEE

The Company established an audit committee on 6 January 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, namely Dr. Ch'ien Kuo Fung, Raymond, Mr. Au Man Chung, Malcolm, (being the independent non-executive Directors) and Mr. Lau Butt Farn (being a non-executive Director). The chairman of the audit committee is Dr. Ch'ien Kuo Fung, Raymond.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board
Richard Yeung Lap Bun
Chief Executive Officer

Hong Kong, 26 October 2001

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