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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 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.



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

RESULT ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

Highlights

- Satisfactory growth in turnover and profit despite the difficult economic environment in Hong Kong.
- Turnover increased by approximately 7% over the previous year to approximately HK\$1.4 billion.
- Profit attributable to shareholders increased by approximately 10% to HK\$72.1 million.
- Basic earnings per share increased by approximately 8% to 10.9 cents.
- Number of stores in Hong Kong increased by 20 to 166 as at 31 December 2002.
- First Circle K store in Guangzhou opened in November 2002. By end 2002, two stores were in operation in Guangzhou.
- Strong cash position with HK\$407.5 million cash on hand and free of bank borrowings as at 31 December 2002.
- Outlook of the Hong Kong retail market in 2003 expected to be uncertain which may adversely impact the Group's profitability growth.

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 31 December 2002, together with the comparative audited figures for the corresponding year ended 31 December 2001 as follows:

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	1,393,542	1,305,124
Cost of sales		(1,044,124)	(981,395)
Gross profit		349,418	323,729
Other revenues	2	114,575	98,200
Store expenses		(316,550)	(288,602)
Distribution costs		(21,509)	(18,037)
Administrative expenses		(48,237)	(46,878)
Start-up costs for China operations		(8,339)	(3,367)
Profit for the year	3	69,358	65,045
Minority interests		2,759	412
Profit attributable to shareholders		72,117	65,457
Basic earnings per share	5	10.9 cents	10.1 cents
Diluted earnings per share	5	10.7 cents	9.9 cents

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total Shareholders' equity HK\$'000
At 1 January 2001	6,769	-	177,087	13,433	(157,847)	39,442
Issuance of shares	16,390	172,095	-	-	-	188,485
Capitalisation issues	42,401	(42,401)	-	-	-	-
Expenses incurred in connection with the issue of shares	-	(25,779)	-	-	-	(25,779)
Profit for the year attributable to shareholders	-	-	-	-	65,457	65,457
At 31 December 2001	<u>65,560</u>	<u>103,915</u>	<u>177,087</u>	<u>13,433</u>	<u>(92,390)</u>	<u>267,605</u>
At 1 January 2002	65,560	103,915	177,087	13,433	(92,390)	267,605
Issuance of shares	1,162	9,529	-	-	-	10,691
Profit for the year attributable to shareholders	-	-	-	-	72,117	72,117
At 31 December 2002	<u>66,722</u>	<u>113,444</u>	<u>177,087</u>	<u>13,433</u>	<u>(20,273)</u>	<u>350,413</u>

Notes:

1. Basis of preparation

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAP”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of these new SSAPs has no significant impact on the Group’s accounts.

2. Turnover and other revenues

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

	2002	2001
	HK\$’000	HK\$’000
Turnover		
Merchandise sales revenue	1,358,685	1,265,632
Bakery sales revenue	34,759	38,491
E-fulfillment service income	98	1,001
	<u>1,393,542</u>	<u>1,305,124</u>
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Other revenues		
Promotion and support fund	92,865	80,315
Interest income	7,126	9,955
Service items income	14,584	7,930
	<u>114,575</u>	<u>98,200</u>
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Total revenues	<u><u>1,508,117</u></u>	<u><u>1,403,324</u></u>

2. Turnover and other revenues (Continued)

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.

Promotion and support fund are recognised in accordance with the terms of agreements with the vendors.

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

No activity analysis and geographical analysis are presented for the years ended 31 December 2002 and 2001 as substantially all the Group's turnover and contribution to results were derived from the operation of a chain of convenience stores in Hong Kong.

3. Profit for the year

Profit for the year is stated after charging the following:

	2002 HK\$'000	2001 HK\$'000
Amortisation of franchise licence	78	78
Cost of inventories sold	1,031,368	966,050
Depreciation of owned fixed assets	25,763	22,055
	<u> </u>	<u> </u>

4. Taxation

No Hong Kong profits tax has been provided for the years ended 31 December 2002 and 2001 as the Group has been able to utilise available tax losses brought forward from previous years to offset the assessable profit for the years.

5. Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of HK\$72,117,000 (2001: HK\$65,457,000).

The basic earnings per share is based on the weighted average of 664,448,164 (2001: 647,966,301) ordinary shares in issue during the year.

The diluted earnings per share is based on the weighted average number of 664,448,164 (2001: 647,966,301) ordinary shares in issue during the year plus the weighted average of 6,501,518 (2001: 11,095,146) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. Dividends

The directors do not recommend payment of a dividend for the year (2001: Nil).

CHAIRMAN'S STATEMENT

FINANCIAL OVERVIEW

2002 was an eventful year for the Group and we are pleased to report that the Group was able to maintain satisfactory growth despite a very difficult economic environment in Hong Kong. Sales rose 6.8% to HK\$1.4 billion, compared to 2001. Net profit increased 10.2% to HK\$72.1 million versus the prior year. Basic earnings per share increased 7.9% to 10.9 cents. At the end of 2002, the Group registered a strong balance sheet with a net cash position of HK\$407.5 million, free of any borrowings.

Even though we experienced a strong growth between 1999 and 2001, it was by no means an easy task to achieve the growth last year, in the face of continued deflationary pressure and weak consumer sentiment. In fact, it was further testimony to our robust business model, which seems able to weather market turmoil.

REVIEW OF HONG KONG RETAIL MARKET

The year in review began with the uncertainty arising from the events of September 11, which cast a shadow over economic recovery around the world.

In Hong Kong, the economy was further affected by a prolonged deflationary cycle, which started in November 1998. At the same time, consumer confidence was affected by continued unemployment, declining wages and the lackluster performance of the equity and property markets. Consumer propensity to spend declined throughout the year and was reflected by a 4.1% drop in value and 2.6% drop in volume of actual retail sales compared to 2001.

Towards the fourth quarter of 2002, economic indicators suggested that the economy had bottomed out. In addition, with an upsurge of visitor arrivals from the Chinese Mainland, the decline in retail sales value narrowed compared with the same period a year earlier. Another bright spot in the second half of the year was the strong performance of Hong Kong's export trade.

According to the November Shopometer Survey* conducted by the Hong Kong Retail Management Association, less respondents believed that the Hong Kong economy would further deteriorate (a decline from 51% to 37% among total respondents), reflecting that consumer confidence was recovering. There was also some evidence of increased allocation to investments and savings, with consumer sentiment for future spending showing a slight improvement.

However, the absence of positive news in local and overseas markets meant that the economy would remain vulnerable, even though economic decline appeared to have been temporarily arrested.

* *The Shopometer Survey presented by Hong Kong Retail Management Association and Asia Market Intelligence issued on 19 December 2002.*

COMPANY INITIATIVES FOR HONG KONG OPERATION

The Group's key challenge for its Hong Kong operation was to sustain profitability and achieve volume growth in a deflationary market environment compounded by uncertainties in the global economy.

Our success in 2002 was largely due to the focus on the Group's core competencies: an integrated marketing programme to promote the Circle K brand and build customer loyalty; intensive customer service training to achieve "speed, tidiness and friendliness"; meeting customer expectations by developing and introducing new product lines; creative promotions to build store traffic; excellence in supply chain management to improve purchase and delivery and reduce cost; shrewd application of information technology to facilitate efficiency and instant communication; and a fine-tuned formula for the selection of appropriate locations for new stores.

We also continued with our network expansion and during 2002, 22 new Circle K stores in strategic locations were opened in Hong Kong.

MOVING FORWARD IN HONG KONG

We will continue to support and invest in our Hong Kong operation with suitable resources and funding to strengthen Circle K's brand image as the preferred convenience store. Our goal is to widen the gap in service excellence and overall brand attributes versus our competitors.

With a proven business model and a track record of achieving growth and profitability in an adverse retail environment, we will continue to expand prudently. Our aim is to take advantage of future economic recovery by growing market share and maximizing profits.

REVIEW OF RETAIL MARKET IN THE CHINESE MAINLAND

In 2002, the Chinese economy recorded a remarkable GDP growth of 8.1%. However, retail sales growth in real terms slowed from 11% in 2001 to 10.3% in 2002. Despite the slight decline, retail sales were healthy in absolute terms and robust compared to sales in other countries around the world. With the Chinese Mainland's accession to the World Trade Organisation ("WTO") coupled with increased overseas and local private investment, the economy showed signs of entering a new growth cycle.

During 2002, major changes were introduced to retail sales structures in accordance with a WTO timetable set for opening up the retail market to foreign investment. The most significant growth was witnessed in the hypermarket sector, with leading multinational retail operators such as Wal-Mart, Makro, Carrefour etc., all of which have already entered the retail market in the Chinese Mainland.

By comparison, the convenience store sector did not develop as fast. Apart from Circle K, there were only two other multinational retail operators entering into the market so far.

The economies in Guangdong Province and Shenzhen have continued to benefit from increased investment in manufacturing and enhancement of infrastructure. As a result of high employment, local residents tend to be more affluent, have more disposable income and tend to follow the life styles of Hong Kong people who are regular visitors to the area. Consumerism in Guangzhou was given a further boost by the municipal government, which adopted a strategy to modernize retail channels and to provide more shopping convenience to fulfill consumer demand.

NEW BUSINESS MODEL FOR GUANGZHOU OPERATION

Our strategy for entering into the Chinese Mainland is based on developing a strong presence in Guangzhou, one of the fastest growing consumer markets in the Chinese Mainland, whose proximity to Hong Kong allows us to provide excellent back up and support. In order to meet the new life style requirements of the Guangzhou consumers, a new business model has been specifically designed for Guangzhou, which depicts the “new generation of convenience stores”.

The first store was soft-opened at 48 Zhong Shan Ba Road, Guangzhou in November 2002. In addition to carrying core product categories, special emphasis is placed on a new range of proprietary hot-served gourmet food and drinks — in-store bakery products, fresh-brew coffee and freshly ground soya milk. With more space, in-store consumption is made possible to provide consumers a new life style experience. The store also incorporates a host of other consumer benefits, including the world’s leading dual touch-monitor electronic point-of-sale system and instant promotional redemptions.

The first day of operation was an overwhelming success and so far the preliminary sales figure is in line with expectation. By the end of 2002, two stores were opened in prominent locations in Guangzhou.

FUTURE PROSPECTS

In Hong Kong, for 2003, we are forecasting a somewhat depressed and price sensitive market. We are responding to this environment by introducing new product categories, by offering more creative promotions and by carefully controlling costs and expenses.

During the first six months of operation in Guangzhou, the Group will monitor the performance of each store and fine-tune the business model before embarking on an aggressive expansion plan. We are confident that the economy in Guangzhou will continue to strengthen and that consumers will favourably respond to Circle K’s unique product range, store environment and promotions.

Overall, we are confident, that barring any unforeseen circumstances, the Circle K operations in Hong Kong and the Chinese Mainland will be well poised to enter a period of solid volume growth and expansion even though short-term profit growth will be modest, given the uncontrollable factors in the Hong Kong economy.

In closing, I would like to express my gratitude to the management and staff of our operations in Hong Kong and the Chinese Mainland for their commitment to excellence in exceptionally demanding circumstances.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board is glad to report the satisfactory financial results of the Group for the year ended 31 December 2002. The Group's sales for the year and the fourth quarter increased to HK\$1.4 billion and HK\$360.8 million respectively, representing a growth of 6.8% and 10.6% when compared to corresponding periods in 2001. Sales of comparable stores (stores that are in existence in 2001 and 2002) showed a decline of 4.3% for the full year and a marginal decline of 0.1% for the fourth quarter. The improvement in the trend of comparable store sales during the fourth quarter is quite encouraging.

In spite of a very difficult environment in 2002, the Group continued to achieve year on year sales growth through opening of new store outlets. The directors of the Company (the "Directors") believe that the Group's continual improvements in core competencies and the building of a strong brand image are the contributing factors.

Continual improvements in category management and supplier trading terms such as advertising income resulted in increase in gross margin and other income (excluding interest income) from 31.6% to 32.8% of sales for the year and from 32.8% to 34.6% of sales for the fourth quarter when compared to 2001.

The Group was also very intent on controlling expenses especially during the current deflationary environment in Hong Kong. Despite the drop in comparable store sales, store expenses as a percentage of sales increased only slightly from 22.1% to 22.7% for the year and from 23.1% to 23.5% for the fourth quarter when compared to 2001.

The Group achieved an increase in net margin from 5% to 5.2% of sales and from 4.9% to 5.4% of sales for the year and the fourth quarter respectively when compared to corresponding periods in 2001. The combined effect of an increase in sales and improvement in gross margin accounted for an increase in net margin which, to some extent, was offset by an increase in start up costs in the Chinese Mainland.

The Group was able to achieve a continuous record of growth in sales and net profit quarter on quarter since the Group's GEM listing on 18 January 2001. Net profit attributable to shareholders increased by 10.2% to HK\$72.1 million for the year and by 23% to HK\$19.6 million for the fourth quarter. Basic earnings per share increased by 7.9% to 10.9 cents for the year.

The Group's financial position continued to remain strong. The Hong Kong business generated a free cash flow of approximately HK\$60 million in 2002 and the Group had a total of HK\$407.5 million cash in the bank and without any bank borrowings at 31 December 2002. The Group had a small amount of foreign exchange exposure in RMB after starting up the joint venture operation in the Chinese Mainland. The exposure will be managed to a minimal level by depositing surplus cash in Hong Kong dollars and borrowing in RMB if such need arises in future.

OPERATION REVIEW

Store Operations

We opened 22 new stores in 2002, giving us a total of 166 outlets by year-end and missing our target of 170 by four stores. This was due to the stringent standards of our sales projection model for new store opening which meant we avoided sites that might not yield the projected traffic and sales required to make the Group's return on investment. Ten new stores were opened in the fourth quarter of 2002 and one store was closed during the fourth quarter.

Store renovation programme in synchronization with lease renewal was almost completed by end of the fourth quarter. With the exception of a few old stores, almost the entire Circle K chain in Hong Kong featured the bold and contemporary red and white signage at the store front and a tidy, well-organized and bright interior. Renovation for the few remaining stores is expected to be completed by end of first quarter in 2003.

Encouraged by the satisfactory results of the mini-store format at Mass Transit Railway ("MTR") stations, we continued to open more mini-stores at MTR stations to enjoy the high traffic flow and enhance our market presence. The Circle K mini-stores at Lok Fu and Choi Hung on the Kowloon side and Taikoo, North Point, Wanchai and Quarry Bay on the Island side have all helped to increase our brand exposure, in addition to generating healthy turnover.

Other site selection experiments, including the Circle K store at the pier of Discovery Bay in Central which caters, to the small community of commuters has also proven to be quite successful. The new store located at the lower level entrance of the Citibank Tower, Garden Road, was noteworthy too. Dedicated to serving a specific target segment of office workers, executives and professionals, it was used as a test site for a new range of gourmet hot dogs appealing to more westernized tastes.

Once proven successful, these experiments will open up more potential site opportunities for future expansion with innovative, localized operation models.

Employees

As of 31 December 2002, the Group had a total of 1,620 employees; of whom 1,500 were based in Hong Kong, 120 were based in Guangzhou. Regular part time staff accounted for 43% of the total headcount.

Human resource development initiatives were implemented through in-house training programmes conducted with the assistance of training consultants. Financial subsidies were provided for staff who enrolled for external courses. The Group's remuneration packages include a performance-related bonus scheme and share options.

In order to provide a safer working environment, Circle K made a commitment to all the staff by signing the "Occupational Safety Charter" formulated by the Labour Department and Occupational Safety and Health Council in August 2002.

Total Quality Culture Awareness was introduced to the Group in December 2002, with the support of the Academy for Productivity, a subsidiary of the Hong Kong Productivity Council. The programme was implemented through a series of training workshops organized by the Total Quality Culture Steering Committee.

Marketing and Promotion

In order to counteract the negative market sentiments and conservative spending mood, additional budget was allocated to provide adequate funding for an aggressive and innovative promotional calendar in 2002. Incremental sales and traffic were measured and registered as a result.

Creative promotion themes achieved both tangible sales results and created for Circle K such desirable image attributes as “fun” and “in”. These events included the Gundam Crown Top joint-promotion with Coca-Cola in March, the Eason & Friends Pop Concert in celebration of the 150th Store Opening in May, the “Qoo in a Can” collectable soft toy promotion in July and the Coca-Cola Christmas Tree Projection Carousel Redemption in December.

Promotions focusing on value offers also proved to be very popular with our customers. Successful case studies include the “Weekend Super Value” offers, which were so well received that they are now a regular promotion feature. “Counter Deals”, suggestive selling of special-priced impulse items displayed at the cashier counter, proved to be another effective promotion mechanism with repeatable results. Another innovative promotion idea, the collectable “stored value cards” as inserts for the Lucky Star tissue pack also received very positive responses and generated considerable incremental sales volume.

Category Management Excellence

The Category Management Excellence Programme took another step forward in 2002. With the appointment of an additional category manager and a category specialist, we were able to re-allocate management resources and re-define category responsibilities, resulting in a sharper focus for all the major product categories and better support for categories with high growth potential.

Overall margin improvement of 1.2% was achieved for the year 2002. This significant progress was made possible with a combination of smart pricing initiatives, satisfactory results of category management, increased volume rebates and maximized promotion support as sources of other incomes.

The cigarette category which accounted for a significant percentage of sales at Circle K stores actually bucked the downtrend in market sales. Improved product mix to broaden the range and the successful Vendor Managed Inventory Programme to centralize the replenishment process and reduce out of stock situations all worked together to outperform other retail channels.

Another major growth category in 2002 was the category of telecommunication products. A 40% increase in sales was recorded for the year, contributed mainly by the increase in sales of SIM cards, IDD calling cards and online game products which tripled in sales for the year. Factors accounting for such phenomenal growth are the enhanced product display, improved communication with customers to provide product information and intensive product knowledge training for the frontline staff.

Service Excellences

Customer Service Excellence remained the top priority among our core competencies and was continuously nurtured and improved in 2002. The staff training agenda was further extended and intensified to include store management skills, specific product knowledge training, computer skill and language ability including English and Putonghu courses. Overall time hours devoted to staff training increased by 56.8%. Average training time per staff also went up 68.4%.

Ms. Irene Dai, our Senior Store Manager of the Siu Hong Court Commercial Centre Circle K store, won the 2002 Service & Courtesy Award for the Supervisory Level, Supermarket / Convenience Stores Category from the Hong Kong Retail Management Association. It was a timely recognition of our consistent focus on customer service excellence.

Supply Chain Management and Logistics

To ensure all Circle K stores enjoyed immediate response to their stock replenishment requests, a “Fair Share Allocation System” was introduced in 2002. The mechanism was to fairly allocate merchandises with limited stock to all stores requesting stock replenishment, based on previous sales performance. Stores were classified into grades, relating to their sales volume, and are entitled to get an appropriate order quantity allocation during the stock replenishment process. This ensured that no store would be overlooked which can occur with a “first come, first serve” mechanism.

Implementation of the “Fair Share Allocation System” has effectively minimized stock out situations with the whole process being stream-lined. A simple, efficient and fair-to-all stock allocation and replenishment was achieved.

Among other supply chain management initiatives in 2002, a call centre was established early in the year to provide quick response support to the frontline and facilitate internal communication.

In the fourth quarter, preparation work was underway to get ready for the launch of centralized chilled delivery service to all stores in the first quarter of 2003.

Cost Saving Initiative

Taking advantage of the deflationary environment, the Group launched a cost saving scheme in 2002 to implement cost cutting measures in every aspect of store operations. For example, in the site development area, contractors were asked to review and reduce the store renovation and equipment maintenance costs significantly. In Business Systems Development, continuous price reduction from suppliers of computer hardware was negotiated. In the Distribution Centre, monthly fees for cleaning contracts were also reduced by 20%.

Other smart savings were achieved with innovative solutions such as combining telephone lines per store, purchasing instead of renting telephone sets in stores and slashing POS maintenance costs by handling it in-house.

Process re-engineering also contributed to major cost savings. With communication short cut and standardized procedures, running cost was greatly reduced due to less trial and error, wasted efforts and product shrinkage.

A Progress Update on the Guangzhou Operation

Currently, three generations of convenience store operation modes co-exist in the market. The traditional “mum-and-pa” family stores, “micro-supermarket” type neighbourhood stores by local chain operators and multinational convenience store chains which are faithful transplants of their overseas operation models.

After conducting extensive market research and focus group studies, a new business model was tailor-made for the Southern China market which is unlike any convenience store in the market so far. Hence, this is the birth of a fourth generation of convenience store, or what we would like to describe as “the new generation of convenience stores”.

In the morning of 22 November 2002 at 48 Zhong Shan Ba Road, an enthusiastic crowd gathered before the first Circle K store in Guangzhou in great anticipation, to see and experience “the new generation of convenience stores”.

With a total store area of over 112 square meters, the new store included a food service area branded “Hot & In”. Key product offerings under the “Hot & In” brand are a range of in-store-baked designer breads which are superior in quality, appearance and flavour to what the market currently offers. Served while still fresh from the oven, each bread design has an interesting name and a meaningful story that made the bread unique, interesting and memorable. Customer feedback after product trials has been unanimously positive. We have every indication that the “Hot & In” bread line will achieve its intended strategic objectives i.e. to generate repeat purchases and become the destination category for the neighbourhood.

Another potential star product in the “Hot & In” range is the freshly ground soya milk. Prepared with an innovative recipe, the “Hot & In” soya milk has a taste, consistency and smoothness superior to mass-produced soya milk drinks.

A range of gourmet coffees are also included to cater to the growing number of coffee drinkers in the market. Made from an exclusive blend of coffee beans, three fresh-brew options were offered: gourmet coffee, creamy cappuccino and mocha coffee. The consumer proposition is five-star hotel coffee quality at easily affordable mass market pricing.

A comprehensive store opening promotion package was created involving the extensive distribution of product tasting coupons for the “Hot & In” range at a very special price. Redemption rate for the coupons was most encouraging. We have high hopes for the “Hot & In” products to become not only a major contributor to sales but gross margin as well.

Among other store opening promotional offers, an interactive electronic lucky draw was designed to be played instantly on the touchscreen monitor of the EPOS, to reward customers fulfilling a minimum purchase amount. This innovative mechanism undoubtedly scored a first among retailers in Guangzhou and greatly enriched the shopping experience by injecting an element of fun and excitement.

With its innovative product range, the Circle K stores in Guangzhou are positioned to be the best outlets for “grab and go” customers with an enticing selection of freshly baked bread, superior quality soya milk and fresh-brew gourmet coffees. It is also the convenience outlet to purchase packaged drinks, snacks, cigarettes or media anytime of the day or night, with a comprehensive range of popular brands at value pricing and guaranteed authenticity. For customers shopping for household groceries, the Circle K edge is: “location convenience at hypermarket pricing”.

PROSPECTS

The outlook for 2003 is not a particularly optimistic one for Hong Kong. Deflation and high unemployment will continue to deter economic recovery. Cross-the-border consumption trend will persist and grow in popularity. The U.S. economy, which has a direct impact on the economy in Hong Kong and the Chinese Mainland, will continue to be unpredictable.

We anticipate a slight decrease in the value of the overall retail market sales in Hong Kong compared with 2002, which will be more or less in line with the continual deflation trend. Competition will become more fierce and there will be a survival match of business model versus business model, supply chain versus supply chain.

Our key objectives for 2003 will be to maintain comparable store sales value, to reduce the cost of goods sold, to generate new source of income with the introduction of new growth categories and to exercise strict cost control.

It will be important for the Group to adhere to the quality growth strategy with tactics to add value to the Circle K shopping experience; such as increasing the number of outlets to provide more location convenience and further enhancing our core competencies. The ultimate goal is to achieve and exceed our target volume and profitability growth for both Hong Kong and Guangzhou operations.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

BOARD PRACTICES AND PROCEDURES

The Company was in compliance with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 4:00 p.m. on Monday, 28 April 2003 at the Auditorium, 12/F., LiFung Centre, 2 On Ping Street, Shatin, New Territories, Hong Kong. Notice of the Annual General Meeting will be sent to the shareholders of the Company shortly.

On behalf of the Board
Convenience Retail Asia Limited
Fung Kwok King, Victor
Chairman

Hong Kong, 14 March 2003

This announcement will be available from the Company's website 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.