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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 GEM of the Stock Exchange (“GEM Listing Rules”) 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 document 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)

(Stock Code: 8052)

HALF YEAR RESULTS

FOR THE PERIOD ENDED 30 JUNE 2004

Three Months Ended 30 June		2004	2003
• Group Turnover	+15%	HK\$432,767,000	HK\$377,603,000
• Group Profit	+11%	HK\$18,350,000	HK\$16,589,000
• Earnings Per Share (Basic)	+8%	2.7 cents	2.5 cents
• Interim Dividend Per Share	+25%	1.25 cents	1 cent
Six Months Ended 30 June		2004	2003
• Group Turnover	+15%	HK\$836,467,000	HK\$727,203,000
• Group Profit	+13%	HK\$26,859,000	HK\$23,845,000
• Earnings Per Share (Basic)	+11%	4.0 cents	3.6 cents
• Interim Dividend Per Share	+25%	1.25 cents	1 cent

HIGHLIGHTS

- Economic recovery in Hong Kong contributed to satisfactory growth in turnover and profitability.
- Well on track with new store opening program in Hong Kong; number of stores increased by two to 192 during the quarter and seven stores are scheduled to open soon.
- Expediting store openings in quality locations in Southern China will be the Group's top priority in the second half with number of stores in Guangzhou increased by two to 12 during the quarter and three stores scheduled to open soon.
- Strong cash position with HK\$495.1 million and no bank borrowings as at 30 June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

I am pleased to report the unaudited half year results of Convenience Retail Asia Limited and its subsidiaries (the “Group”) for the period ended 30 June 2004.

During the three months ended 30 June 2004, the Group’s turnover increased by 15% to HK\$432.8 million when compared to the same period last year. The increase in turnover was achieved both through the opening of new stores and an increase in turnover among comparable stores (stores in existence throughout the first and second quarter of 2003 and 2004) which registered an increase of 3% in HK and 27% in Guangzhou.

Gross margin excluding interest increased from 32.2% in 2003 to 33.7% in 2004 during the quarter, mainly as a result of an increase in the sales mix of higher margin categories such as packaged beverages and in-store bakery products, as well as increases in promotional fund and rebate income from suppliers.

During the quarter, store operating expenses as a percentage of sales increased from 22.1% in 2003 to 23.9% in 2004. The increase was mainly due to higher advertising and promotional spending, higher in store operating expenses in Guangzhou and a comparatively lower rental base during the same quarter of 2003 caused by a one-off rental concession from Hong Kong Housing Authority as a relief measure related to SARS.

During the quarter, both distribution and administration expenses were under control and their ratios expressed as a percentage of sales were at the same level as last year.

For the second quarter of 2004, net profit attributable to shareholders increased by 11% to HK\$18.4 million, as a result of increased turnover and gross margin. Net loss after minority interest from the Guangzhou operation was HK\$2.5 million in 2004 as compared to HK\$2.1 million in 2003.

The Group’s financial position continues to be strong with a total cash balance of HK\$495.1 million and no borrowings. The Board of Directors has resolved to declare an interim dividend of 1.25 cents a share.

The Group had limited foreign exchange exposure in RMB which was kept to a minimal level by maintaining the paid-in capital of the Group’s joint venture in Guangzhou in Hong Kong dollars and only converting amount needed for working capital in RMB. In addition, any future borrowings of the joint venture will be denominated in RMB.

In the six months ended 30 June 2004, the Group recorded a turnover of HK\$836.5 million and a net profit of HK\$26.9 million, an increase of 15% and 13% respectively when compared to the results for the six months ended 30 June 2003.

Operation Review – Hong Kong

Store Operations

Given the positive market environment, the only area for management concern was the escalating retail rentals. This posed considerable challenges in the quest of new store sites.

However, by carefully analysing and selecting sites with the right profile of customers, the Group was still able to secure new store sites which delivered high traffic and locational convenience to our target customers.

Employees

As at 30 June 2004, the Group had a total of 2,070 employees of whom 1,740 were based in Hong Kong, 330 in Guangzhou. Regular part-time staff accounted for 48.6% of the total headcount.

The Group continued to invest significantly in customer service training programmes for frontline staff.

Implementation of the Group's Total Quality Culture programme continued well into 2004, with new "Work Improvement Teams" being formed and assigned with new projects annually.

Marketing and Promotion

During the second quarter, continual consumer promotions were planned at two levels: chain-wide thematic promotions and localised loyalty programmes. Both achieved significant sales results with noteworthy residual effects on the market positioning of Circle K.

The "Look for your Lucky Star at Circle K" promotion for magazines and newspapers was effective not only in boosting sales of the media category, but also in creating a major competitive advantage. In fact, the free pack of facial tissue with Lucky Star Card insert that was given out with every media purchase has already become a signature premium for the Circle K stores.

The "High Calcium" promotion for soft-serve ice cream generated over 50% incremental sales for the category while creating a point of difference for an exclusive Circle K product which has little competition in the market.

Category Excellence

By reviewing and adjusting its overall product mix and enhancing store display, the Group outperformed the market in sales growth of core product categories such as packaged drinks, confectionery, food and other key categories.

As a result, the Group's margin performance also improved significantly and exceeded budgeted figures. There were also some indications that customers were more receptive to the idea of upgrading to better quality products and more premium brands.

Service Excellence

In the latest Hong Kong Retail Management Association's Mystery Shoppers Programme for March to May 2004, Circle K's customer service performance was rated number one in the Supermarket/Convenience Stores/Drug Stores category, underscoring our strongest point of differentiation against our competition. This recognition was most gratifying, especially as a morale booster for frontline staff.

Supply Chain Management and Logistics

In order to gear up for increased demand during the peak sales season in summer, an extensive system review and process streamlining operation was conducted during the first quarter. With higher frequency deliveries and enhanced information flow, the Group's stores are getting more efficient supply chain support than ever.

A custom-built user-friendly Order Planning System (OPS) was developed in-house and launched in the second quarter. The Group also completed the installation of broadband connections in all its stores in Hong Kong.

Operation Review - Guangzhou

During the second quarter, a series of aggressive thematic promotions were launched which effectively generated incremental sales and built customer loyalty.

In order to attract student customers and cultivate their habit of shopping at Circle K, a student loyalty programme was launched which offered a range of attractive and exclusive premiums for free redemption with the accumulation of specified bonus points. The promotion was well received and succeeded in increasing the percentage of student customers from 7% to 12% of total customer base.

The successful "Bread of the Week" promotion introduced a range of bread varieties by rotation at an attractive "Trial Pricing" which provided the incentive to buy. The promotion worked very well in maintaining a substantial sales base for the Hot & In category.

On the operational front, preparation for the set up of a larger training centre was well underway, paving the way for an official opening in August 2004.

The significant increase in social costs for staff plus the price inflation of raw materials are two notable factors that might impact operating cost in future.

Prospect

In Hong Kong, the inbound tourist boom will continue to fuel optimism in the industry even though local consumer spend remains cautious and retailers relying on domestic consumption are less likely to be benefited by the boom.

It is expected that the year's retail sales will return to positive growth for the first time since 1997. However retail sales growth will slow down in the second half of the year because of the high base for comparisons a year ago when sales recorded a sharp rebound after the SARS outbreak.

Even though the improvement in the economy has only been gradual, overall favourable retail performances are likely to raise landlords' rental expectations. Rentals in prime retail areas where most Chinese tourists visit have gone up 20% to 30%. Lease renewal and new store acquisition negotiations will become more challenging. However, the Group plans to continue to exercise tight controls over other expenses.

The Group will focus on further improving its business performance in Hong Kong and ensuring a strong cash flow position, so that there will be ample cash funding for the next phase of strategic development on the Chinese Mainland.

In Southern China, the Group's primary objectives are to speed up its store network expansion programme while exerting tight control over capital expenditure and operating costs. Operational and sales data indicate that the Group is already well on track.

Consumer sentiment and spending will continue to grow, and this trend will be reflected in our comparable store growth. However, energy, labour and social benefits costs are all expected to increase, partially offsetting the favourable impact of sales growth.

The Group's top priority in the second half of 2004 is to expedite growth of stores, both within and outside Guangzhou. The Group is currently conducting feasibility studies of a market entry plan for other cities in the Pearl River Delta, due for review in the latter part of the year.

In terms of turnover and profitability, the Management Team is cautiously confident that the favourable trend that was established in the first six months will continue into the second half of 2004.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2004**

	<i>Note</i>	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	432,767	377,603	836,467	727,203
Cost of sales		(321,380)	(284,946)	(626,439)	(549,218)
Gross profit		111,387	92,657	210,028	177,985
Other revenues	2	35,896	30,483	65,034	55,402
Store expenses		(103,414)	(83,422)	(199,999)	(167,981)
Distribution costs		(6,829)	(5,956)	(13,685)	(11,402)
Administrative expenses		(15,814)	(14,507)	(30,513)	(27,277)
Profit before taxation	3	21,226	19,255	30,865	26,727
Taxation	4	(4,199)	(3,798)	(6,561)	(5,271)
Profit after taxation		17,027	15,457	24,304	21,456
Minority interests		1,323	1,132	2,555	2,389
Profit attributable to shareholders		18,350	16,589	26,859	23,845
Dividend	5	8,385	6,685	8,385	6,685
Basic earnings per share	6	2.7 cents	2.5 cents	4.0 cents	3.6 cents
Diluted earnings per share	6	2.7 cents	2.5 cents	4.0 cents	3.6 cents

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2004**

	(Unaudited)						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained Earnings/ (accumulated Losses) <i>HK\$'000</i>	Total shareholders' equity <i>HK\$'000</i>
At 1 January 2003, as previously reported	66,722	113,444	177,087	13,433	-	(20,273)	350,413
Effect of changes in accounting policies							
- deferred tax	-	-	-	-	-	2,139	2,139
- long service payment liabilities	-	-	-	-	-	(7,200)	(7,200)
At 1 January 2003, as restated	66,722	113,444	177,087	13,433	-	(25,334)	345,352
Issue of shares	123	1,008	-	-	-	-	1,131
Exchange differences	-	-	-	-	176	-	176
Profit for the period attributable to shareholders	-	-	-	-	-	23,845	23,845
At 30 June 2003	<u>66,845</u>	<u>114,452</u>	<u>177,087</u>	<u>13,433</u>	<u>176</u>	<u>(1,489)</u>	<u>370,504</u>
At 1 July 2003	66,845	114,452	177,087	13,433	176	(1,489)	370,504
Issue of shares	76	624	-	-	-	-	700
Exchange differences	-	-	-	-	(133)	-	(133)
Profit for the period attributable to shareholders	-	-	-	-	-	36,862	36,862
Dividend	-	-	-	-	-	(6,685)	(6,685)
At 31 December 2003	<u>66,921</u>	<u>115,076</u>	<u>177,087</u>	<u>13,433</u>	<u>43</u>	<u>28,688</u>	<u>401,248</u>
At 1 January 2004	66,921	115,076	177,087	13,433	43	28,688	401,248
Issue of shares	155	1,325	-	-	-	-	1,480
Exchange differences	-	-	-	-	35	-	35
Profit for the period attributable to shareholders	-	-	-	-	-	26,859	26,859
Dividend	-	-	-	-	-	(20,106)	(20,106)
At 30 June 2004	<u>67,076</u>	<u>116,401</u>	<u>177,087</u>	<u>13,433</u>	<u>78</u>	<u>35,441</u>	<u>409,516</u>

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

2. Turnover, other revenues and segment information

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the three months and six months ended 30 June 2004 are as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover				
Merchandise sales revenue	432,767	377,603	836,467	727,203
	-----	-----	-----	-----
Other revenues				
Supplier rebate and promotion fees	29,909	25,969	53,073	45,992
Service items income	4,342	2,858	8,716	6,116
Interest income	1,645	1,656	3,245	3,294
	-----	-----	-----	-----
	35,896	30,483	65,034	55,402
	-----	-----	-----	-----
Total revenues	468,663	408,086	901,501	782,605
	=====	=====	=====	=====

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.

Supplier rebate and promotion fees are recognised in accordance with the terms of agreements with the vendors.

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

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

Primary reporting format – geographical segments

The Group operates in two geographical areas: Hong Kong and Chinese Mainland.

	(Unaudited)		
	Hong Kong	Chinese Mainland	Group
	Six months ended 30 June		
	2004	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover from external customers	825,060	11,407	836,467
Other revenues from external customers	60,743	1,046	61,789
	-----	-----	-----
	885,803	12,453	898,256
	=====	=====	=====
Segment results	35,006	(7,386)	27,620
	=====	=====	
Interest income			3,245

Profit before taxation			30,865
Taxation			(6,561)

Profit after taxation			24,304
Minority interests	-	2,555	2,555
	=====	=====	-----
Profit attributable to shareholders			26,859
			=====

	(Unaudited)		Group
	Hong Kong	Chinese Mainland	
	Six months ended 30 June		
	2003	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover from external customers	723,888	3,315	727,203
Other revenues from external customers	51,774	334	52,108
	-----	-----	-----
	775,662	3,649	779,311
	=====	=====	=====
Segment results	30,183	(6,750)	23,433
	=====	=====	
Interest income			3,294

Profit before taxation			26,727
Taxation			(5,271)

Profit after taxation			21,456
Minority interests	71	2,318	2,389
	=====	=====	-----
Profit attributable to shareholders			23,845
			=====

There are no sales between the geographical segments.

3. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Crediting</i>				
Net write-back of provision for inventories	-	32	-	32
	=====	=====	=====	=====
<i>Charging</i>				
Amortisation of franchise licence	20	20	39	39
Depreciation of owned fixed assets	9,416	8,594	19,272	16,712
Loss on disposal of fixed assets	-	67	15	323
Provision for doubtful debts	82	-	123	-
Provision for inventories	667	-	667	-
	=====	=====	=====	=====

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the three months and six months ended 30 June 2004 and 2003. No provision for overseas profits tax has been made as the Group has no overseas estimated assessable profit for the three months and six months ended 30 June 2004 and 2003.

The amount of taxation charged to the consolidated profit and loss account represents:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current taxation – Hong Kong profits tax	4,635	2,930	5,972	2,930
Deferred taxation relating to the origination and reversal of temporary differences	(436)	868	589	2,541
Deferred taxation resulting from an increase in tax rate	-	-	-	(200)
	<u>4,199</u>	<u>3,798</u>	<u>6,561</u>	<u>5,271</u>

5. Dividend

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim dividend – proposed after balance sheet date of 1.25 HK cents (2003: 1 HK cent) per share	<u>8,385</u>	<u>6,685</u>	<u>8,385</u>	<u>6,685</u>

This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004.

6. Earnings per share

The calculation of the Group's basic and diluted earnings per share for the three months and six months ended 30 June 2004 is based on the respective unaudited consolidated profit attributable to shareholders of HK\$18,350,000 (2003: HK\$16,589,000) and HK\$26,859,000 (2003: HK\$23,845,000).

The basic earnings per share is based on the weighted average of 670,410,220 (2003: 668,253,297) and 669,978,956 (2003: 667,948,011) shares of HK\$0.10 each (the "Shares") in issue during the three months and six months ended 30 June 2004 respectively.

The diluted earnings per share is based on the weighted average number of 670,410,220 (2003: 668,253,297) and 669,978,956 (2003: 667,948,011) Shares in issue during the three months and six months ended 30 June 2004 plus the respective weighted average of 3,330,495 (2003: 3,069,716) and 3,705,406 (2003: 3,396,066) Shares deemed to be issued at no consideration if all outstanding options had been exercised.

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.

BOARD PRACTICES AND PROCEDURES

The Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee on 6 January 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 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 four members, namely Dr. Ch'ien Kuo Fung, Raymond, Mr. Au Man Chung, Malcolm, Mr. Godfrey Ernest Scotchbrook (being 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.

The audit committee has reviewed with management the unaudited half year report for the period ended 30 June 2004.

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.

INTERIM DIVIDEND

At a meeting held on 4 August 2004, the Board of Directors has resolved to declare an interim dividend of 1.25 HK cents (2003: 1 HK cent) per Share for the six months ended 30 June 2004 absorbing a total of HK\$8,385,275 (2003: HK\$ 6,684,500) on 670,822,000 Shares issued as at 4 August 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 23 August 2004 to 26 August 2004, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 20 August 2004. Dividend warrants will be despatched on 30 August 2004.

On behalf of the Board

Fung Kwok King, Victor

Chairman

Hong Kong, 4 August 2004

Executive Directors:

Yeung Lap Bun, Richard

Li Kwok Ho, Bruno

Independent non-executive Directors:

Dr. Ch'ien Kuo Fung, Raymond

Au Man Chung, Malcolm

Godfrey Ernest Scotchbrook

Non-executive Directors:

Dr. Fung Kwok King, Victor (Chairman)

Dr. Fung Kwok Lun, William

Lau Butt Farn

Wong Yuk Nor, Louisa

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.