CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 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)

(Stock Code: 8052)

RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

Twelve Months Ended 31 December		**2005**	2004 (Restated)
• Group Turnover	+15%	HK$1,995,206,000	HK$1,736,491,000
• Group Profit Attributable To Shareholders	+11%	HK$73,578,000	HK$66,276,000
• Earnings Per Share (Basic)	+10%	10.9 HK cents	9.9 HK cents
• Earnings Per Share (Diluted)	+11%	10.9 HK cents	9.8 HK cents
• Interim Dividend Per Share	+20%	1.5 HK cents	1.25 HK cents
• Final Dividend Per Share	+20%	4.5 HK cents	3.75 HK cents

Three Months Ended 31 December		**2005**	2004 (Restated)
• Group Turnover	+18%	HK$524,188,000	HK$442,913,000
• Group Profit Attributable To Shareholders	+8%	HK$20,938,000	HK$19,393,000
• Earnings Per Share (Basic)	+7%	3.1 HK cents	2.9 HK cents
• Earnings Per Share (Diluted)	+11%	3.1 HK cents	2.8 HK cents

HIGHLIGHTS

- Turnover increased by 15% to HK$1,995,206,000.
- Net profit increased by 11% to HK$73,578,000.
- No. of stores increased from 205 to 230 in Hong Kong.
- No. of stores increased from 20 to 40 in Guangzhou.
- 5 new stores opened in Dongguan.
- Accelerate multi-city store network expansion in Pearl River Delta.
- Hong Kong market expected to remain strong, start up losses in China will peak in 2006.

CHAIRMAN'S STATEMENT

FINANCIAL OVERVIEW

I am pleased to report that Convenience Retail Asia Limited together with its subsidiaries (the "Group") were able to achieve continued sales growth of 14.9% and a net profit increase of 11% compared to 2004. This was due primarily to the Group's ability to capitalise on the solid economic growth of Hong Kong and the Chinese Mainland. Basic earnings per share increased by 10.1% from 9.9 HK cents to 10.9 HK cents.

The slower net profit growth of 8% in the fourth quarter can be attributed to a one-time write off of certain fixed assets resulting from the changeover to a new electronic point-of-sale (EPOS) system. The Group maintains a strong financial position with a net cash position of HK$597.3 million free of any bank borrowings.

REVIEW OF THE HONG KONG RETAIL MARKET

The overall economic environment in Hong Kong continued to improve in 2005. The optimistic outlook for employment, gradual increase in labour income, and strong property and stock markets all contributed to positive consumer sentiment.

This favourable economic performance was reflected in the GDP's strong growth, which registered a year-on-year increase of 8.2%* in the third quarter of 2005 with a mild inflation rate of 1.2% for the same quarter.

The retail market experienced a 6.9%** increase in retail sales value and 5.8% increase in volume for the whole year of 2005, which was mainly driven by a strong recovery in local consumption. Even though cumulative visitor arrivals registered an increase of 7.1%*** over the previous year, growth of tourist arrivals from the Chinese Mainland for the same period was only 2.4%. Spending per head is considerably lower as new arrivals from second tier cities tend to have lower income levels, while others are making their second or subsequent visits to Hong Kong.

The major challenge faced by retailers in Hong Kong in 2005 was escalating retail rental, which put considerable pressure on operating costs as well as profit margins. In order to minimise the impact of high rent as a major store expense component, we made the decision to relinquish three store sites upon lease renewal and to pass up some potentially interesting new store sites in order to avoid rental commitments that might incur long term pressure on operational costs and store contribution.

* *"Constant Price Gross Domestic Product by Economic Activity" published by Census and Statistics Department on 29 December 2005.*

** *"Provisional Statistics of Retail Sales for December 2005" published by the Census and Statistics Department on 2 February 2006.*

*** *Released by the Hong Kong Tourism Board on 20 January 2006.*

However, our observations indicate that retail rental has already peaked as of the fourth quarter of 2005. The Group intends to resume a more aggressive pace for store openings when an adjustment in the retail rental market takes place.

COMPANY INITIATIVES FOR HONG KONG OPERATION

One of the key initiatives for the Group in 2005 was to employ chain wide premium promotions to promote customer loyalty and to increase shopping frequency per customer. This was in response to growing consumer expectation of value-adding promotions, which became the decisive factor in retail outlet selection.

Using the simple mechanism of giving one free premium for every $20 purchase, the Group launched two major promotions in 2005, both of which resulted in significant incremental sales and transactions. The Mcmug promotion in the second quarter and the miffy promotion in the last quarter proved to be extremely successful, not only in generating traffic but also in building sales in core product categories.

Other major initiatives in 2005 included the launch of a brand new store frontage design and store interior model code-named "3G" ("third generation") as well as a revamp of the EPOS computer system to better support frontline operations and supply chain logistics. The Group also strove to maintain customer service excellence with continuous training and monitoring programmes.

The primary objective in implementing these initiatives was to enhance the competitiveness of the Group in what is expected to be an increasingly challenging retail market environment over the next few years.

REVIEW OF THE RETAIL MARKET ON THE CHINESE MAINLAND

On the Chinese Mainland, income and savings per capita continued to increase in 2005. Inflation was mainly driven by the rising cost of raw materials, fuel, energy and logistics. The rental level was relatively stable but labour and utility costs were subjected to upward pressure.

A continuous increase in disposable income, the affordable pricing by chain stores plus the improved shopping experience offered by modern retail outlets ensured that there were attractive incentives for consumer spending. In Guangzhou, the 34% increase in minimum wage also provided a big boost for general consumer sentiment.

The inherent price sensitive nature of the Chinese consumer and the extended operating hours of mega stores are the two primary obstacles to mass-market patronage of convenience stores. However, lifestyle changes resulting from urbanisation and an increasingly hectic pace of living still offer great opportunity for retail outlets offering location convenience, efficient transactions and guaranteed product quality. The campaign launched by the Guangzhou municipal government to promote "breakfast with ease of mind" clearly communicated the market demand for an upgrade in the hygiene standard of food services and the enormous business opportunity for convenience store chains with superior hygiene and quality food services.

Market acceptance of the Group's Hot & In offering, since the inception of the Circle K business, illustrates that this unique store model is successfully creating a market niche in the convenience store segment, and it is our intention to further build on that strength.

In 2005, the convenience store market in Guangzhou went through a process of rationalisation, and only the most competitive survived. The year closed with a total of 440 outlets operated by major chains, compared to over 300 outlets at the end of 2004. Leading chains closed down unprofitable stores, while new stores replaced them just as quickly. Attempts to upgrade store presentations and shopping environments became the industry practice.

REVIEW OF GUANGZHOU OPERATION

The Group doubled its number of stores in Guangzhou in 2005 and operated a total of 40 stores as of the end of the year. However, with the committed efforts of the operation team, store expenses were significantly reduced with double digit savings in all major expense categories.

Comparable stores are profitable, with a single-digit net margin in 2005. According to an industry source, the Group's operations in Guangzhou reported the fastest growing convenience store sales in Southern China. Despite 10% to 15% increase in raw material cost in the food commissary, the Group was able to maintain a consistent gross margin.

Another notable strategic development was the granting of a wholesale license by MOFCOM to Convenience Retail Southern China, which qualified the company to engage in wholesale activities for all retailing and manufactured products to third parties.

The Group opened five new stores in Dongguan in the fourth quarter of 2005 under the Circle K brand; all of them 100% company-owned-and-managed. While the first two stores were designed to duplicate the Guangzhou store model, a new "twin-store" concept was introduced in the last quarter of 2005. The "twin-store" concept involved partnering with a local bakery brand that offers a broad range of value-for-money bakery products. Given that the general income level in Dongguan is actually lower than in Guangzhou, the new model was well received by local consumers.

OUTLOOK FOR 2006

In accordance with the strategic focus of the three-year plan, the Group proceeded to roll out its new store-opening programme in the Pearl River Delta.

In addition to Guangzhou and Dongguan, a new office was opened in Shenzhen, in preparation for the opening of that city's first Circle K store which is scheduled to open in the first quarter of 2006.

In Macau and Zhuhai, a total of 15 Circle K stores are currently being operated by our franchisee with satisfactory sales performance and business results.

Even though the acquisition of a 60% equity stake in DG Sun-High, a franchised convenience store chain in Dongguan, has not been completed due to delays in local government approval, it is still the Group's intention to develop franchising as one of its core competencies.

Other key initiatives for the future include the continuous improvement of the Group's food product range and cost control measures in order to adapt to local tastes and income levels. The Group has identified category management as another major improvement opportunity, which it will pursue as soon as it recruits the right talent to achieve progressive mass customisation.

Demand still exceeds supply in the Pearl River Delta employment market, and this poses a challenge to the Group's network expansion plan. Qualified candidates with solid retail experience are difficult to recruit especially in category management and functional positions. It is the long-term goal of the Group to become the most preferred employer in order to facilitate overall recruitment programmes.

In Hong Kong, high global oil prices and rising interest rates will have a negative impact on further retail sales growth, while the threat of pandemics, continues to overhang both markets.

In a mature retail market like Hong Kong, it is inevitable for the Group to encounter increased competition in every market segment, such as the emergence of free newspaper titles in the second quarter of 2005 and the cigarette price war experienced in the third quarter of 2005. The Group was able to minimise the unfavourable impact of these market volatilities with constant vigilance and quick responses. The Group has also included tactical plans in the annual marketing calendar for 2006 to deal with such issues and to continue to grow top-line sales.

The Group will further pursue and execute its long term strategy of consistent brand building, continual nurturing of core competencies in quality customer service, category management, store operation excellence and supply chain management, with the ultimate goal of increasing our competitiveness in the convenience store market.

The strategic priority for 2006 will be the further expansion of the Group's multi-city store network in the Pearl River Delta. Encouraged by the performance of the established stores, the Group looks forward to a period of accelerated expansion. While the Group's profitability growth will be impacted by our continuous investment on the Chinese Mainland, the Group is confident of the potential and future opportunities presented by this fast developing market. The Group will be aggressively looking for non-organic growth opportunities on the Chinese Mainland and other markets as well.

The celebration of the Li & Fung Centenary in 2006 will provide a once in a century opportunity to inspire loyalty and commitment to the Group as every member of the Li & Fung family shares in the thoughtfully planned and forward-looking celebration activities.

I would like to take this opportunity to pay tribute to the management and staff of the Group's operations. The growth and development of the Circle K business in Hong Kong and the Pearl River Delta is only possible with their hard work and dedication.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Board is pleased to report the financial results of the Group for the year ended 31 December 2005. The Group's sales for the year and the fourth quarter increased to HK$1,995.2 million and HK$524.2 million respectively, representing a growth of 14.9% and 18.4% when compared to the corresponding periods in 2004.

Sales growth was attributed to the increase of new stores in both Hong Kong and Southern China as well as the increase of comparable store sales (sales for stores that were in existence in 2004 and 2005). From 31 December 2004 to 31 December 2005, the number of stores in Hong Kong increased from 205 to 230, while the number of stores in Guangzhou increased from 20 to 40. Five stores were also opened in Dongguan during the fourth quarter of 2005. Two stores were opened in Macau during the same period. The year closed with 11 stores in Macau and 4 stores in Zhuhai. The Group will accelerate its store expansion programme as the Directors believe that opening new stores will be the driver for sales and profit growth in Hong Kong and will build up the critical mass on the Chinese Mainland to achieve economy of scale. Sales in comparable stores showed an increase of 3.7% for the full year in Hong Kong and 10% for the full year in Guangzhou. The strong comparable stores sales growth was driven by our aggressive marketing and promotional programmes, category management initiatives, and the strength of the economy in Hong Kong and on the Chinese Mainland.

The increase in gross margin and other income (excluding interest income) from 32.3% to 33% of sales for the year and from 33.8% to 34.7% of sales for the fourth quarter when compared to 2004 was mainly due to the increase in rebate income and a substantial increase in the sales of phone cards and online games.

The increase in store expenses from 23.2% to 24.5% of sales for the year and 24.1% to 25.6% for the fourth quarter when compared to 2004 was mainly due to the increase in store rental, marketing and promotional expenses. The Group also incurred a one-time write off of certain fixed assets resulting from the changeover of the electronic point-of-sale system. Rapid store expansion in Guangzhou and Dongguan was also a contributing factor.

Both distribution and administration expenses were kept under control and almost in line with the percentages of sales for the full year and the fourth quarter when compared to 2004.

Net margin decreased from 3.8% to 3.7% of sales for the year and 4.4% to 4% for the fourth quarter when compared to 2004. This was mainly due to an increase in store expenses. Net profit attributable to shareholders increased by 11% to HK$73.6 million for the year and by 8% to HK$20.9 million for the fourth quarter when compared to 2004. Basic earnings per share increased by 10.1% from 9.9 HK cents to 10.9 HK cents for the year.

The Group continued to maintain a strong financial position with a net cash of HK$597.3 million without any bank borrowings. The Hong Kong business generated a free cash flow of approximately HK$86.6 million in 2005. The Group's capital expenditure in the coming year will be financed by internally generated financial resources. The Group had a limited amount of foreign exchange exposure in RMB related to the business operations in the Chinese Mainland.

OPERATION REVIEW – HONG KONG

In line with the robust growth of the overall economy, 2005 saw consistent improvement in local consumer spending. This provided a positive backdrop for healthy comparable store growth for the Group's operations in Hong Kong.

Throughout the year, keen market competition posed serious challenges to the Group's operations in Hong Kong. Competitive pressure was felt in the form of direct confrontation with our major competitor, free newspaper titles being distributed at high-traffic points and the price war of leading cigarette brands that started in the middle of the year. An exceptionally wet summer also affected customer traffic during the peak season and negatively impacted the sales of packaged drinks and other summer products. The Group nevertheless achieved incremental sales through aggressive marketing and promotional programs.

The biggest threat faced by the retail industry in 2005 was the irrational surge in retail rental, which became a serious menace to all retailers in Hong Kong and directly affected the progress of the Group's store opening programme.

Despite the less-than-favourable retail rental market condition, the Group persevered and added another 25 stores to the Circle K chain in Hong Kong during the year by selecting affordable sites in secondary retail locations and in MTR stations. This was 15 stores short of the target number of 245 by the end of 2005.

The Group executed key strategies to build its competitive edge and store network throughout the year by consistently improving the efficiency and effectiveness of the Hong Kong operations and by supporting the network expansion plans on the Chinese Mainland. To further build brand preference among our target customers, the Group further enhanced the Circle K shopping experience through free premium promotions (offering fun and novelty as incentives), continual improvements in the shopping environment and the upgrading of service quality and supply chain efficiency.

Employees

As of 31 December 2005, the Group had a total of 2,905 employees, 2,083 of whom were based in Hong Kong and 822 were based in Guangzhou, Dongguan and Shenzhen. Regular part-time staff accounted for 45% of the total headcount.

During the year, considerable resources were devoted to the recruitment, retention and development of frontline staff in order to cope with the staffing needs of the expanding store network in Hong Kong and to maintain a high standard of customer service.

Since its inception three years ago, the Total Quality Culture has been implemented in the form of Work Improvement Teams. These teams demonstrate maturity and understanding of the Total Quality Culture concept through their approach toward and insight into problem-solving exercises.

In order to promote a culture of continuous learning, the Group launched a Skill Set Allowance Scheme to encourage self-improvement by staff on work-related skills. Altogether, five skills sets were included in the Scheme, namely Use of English and Mandarin, Phonecard, Online Game and Media product knowledge. Staff who have passed examinations designed to test their skill sets are entitled to certain monthly allowances each year following the confirmation of their examination results.

Marketing and Promotion

The highlights of the 2005 marketing calendar were the Mcmug and miffy premium promotions. These two chain-wide thematic promotions were immediate hits as soon as they were launched. In addition to stimulating an instant increase in transaction value with its HK$20 minimum purchase redemption mechanic, which generated incremental top-line sales, the promotions also proved to be very worthwhile investments based upon detailed financial analysis. The popularity of these promotions also made them effective means to promote category sales. Consequently the category management team was able to line up promotion partners in leading categories and organise joint promotions, with satisfactory sales results.

In a retail market environment where shopping behaviour and retail outlet selection have become more and more promotion-driven, it is the intention of the Group to allocate more resources in the planning and implementation of non-stop marketing and promotional activities in 2006 to promote customer loyalty, generate higher frequency of purchase and increase average transactional value.

Category Management Excellence

According to A. C. Nielsen's retail sales audit report*, which covered selected categories of fast-moving packaged goods, the Group enjoyed solid growth in overall market share as well as market shares of key categories such as cigarettes, packaged ice cream, dairy milk, confectionery and food services.

The Group's consistent effort to build the in-store bakery and food service categories delivered encouraging results. Sales of Hot & In bakery products and food services are among the fastest-growing categories.

The range of fast-food products, which currently includes chilled meal boxes under the house brands of "一叮飯" and "飯飯店", sandwiches, fresh fruit juice, hot dogs and hot drinks, reported one of the highest levels of sales growth among all categories. Judging from the sales momentum and customer feedback, which indicate strong market potential for the future growth of this product category, it also signals the beginning of a lifestyle trend to use convenience stores as fast-food stops.

* *Source : Circle K Business Review prepared by AC Nielsen, data up to December 2005.*

The growing appeal of the in-store bakery and the food service offerings not only enables us to offer exclusive products for destination shopping, but also provides us with a competitive edge that cannot be easily duplicated by our competition.

Even though newspaper sales were affected by the distribution of free newspapers, magazine sales enjoyed a double-digit increase in the media department. Sales of online games and phone cards registered strong year-on-year growth. By offering attractive value pricing during promotions, sales in the grocery category enjoyed significant increases during the year.

Service Excellence

After years of training and practice, quality customer service has become an integral part of the company culture for the Group's operations.

Service benchmarks such as "speed, tidiness and friendliness" are deeply entrenched in the daily service attitude of frontline staff. Comprehensive training programmes are designed to cover every aspect of job requirements, including English and Mandarin, product knowledge of phone cards, online game cards and other media products.

In order to retain frontline staff and minimise staff turnover, a "Mentor" System was introduced in 2005. This was designed to ensure that personal care and attention is provided to every new recruit. A "Master" Program was also created to reinforce and monitor product knowledge and selling skills with corresponding skill-set certification.

Leadership training was another ongoing human resource management initiative targeting potential store managers and managers in the support functions. Leadership attributes were cultivated during the training process and cascaded throughout the organisation.

Supply Chain Management and Logistics

To ensure that every Circle K store is adequately stocked with products on promotion, a Product Allocation System (PAS) was devised and launched in the last quarter of 2005. Implementation of the PAS effectively minimised any potential out-of-stock situation with a streamlined and automated ordering process that is simple, precise and efficient.

Since the introduction of pocket computers to help frontline staff with stock taking and ordering, a Computer Aided Ordering system has been in development. Phase 1 and Phase 2 were completed in 2005. The system is now able to provide sales information for the last eight days together with the last received order quantity, average daily sales and estimated stock balance. Once the whole system is completed, daily order time will be minimised. The overall result will be a higher quality of product orders from stores, based on the most updated sales information.

In the last quarter of 2005, user acceptance testing was rolled out among users in order to prepare for the launch of the new retail management system that will be used in all Circle K stores in the first quarter of 2006.

OPERATION REVIEW – GUANGZHOU

For the first eleven months of 2005, growth of the total retail sales value of consumer products in Guangdong province hit a record high of 14.9%, a record increase for the past 10 years.**

Compared with the same period in the previous year, consumer prices for the year of 2005 increased by 1.5% while raw materials, fuel and energy prices increased by 8.3%. Meanwhile, average income per capita grew by 9.6% and disposable income of urban residents grew by 8.2% for the year. Personal bank account savings increased by about 5%. All economic indicators reflected a steadily growing consumer market and a favourable operating environment.***

Four key categories contributed to almost 80% of total store sales: Hot & In food services, packaged drinks, confectionery and cigarettes. In order to provide adequate support for the growing demand of the Hot & In services, a new food factory was commissioned and completed in the last quarter of 2005. The factory has a total floor space of 5,500 square metres and is licensed for export manufacturing.

The Hot & In food service remains the most popular product category and differentiating factor compared with the competition. The introduction of Chinese hot snacks such as fish balls broadened the service's appeal by attracting customers with more traditional taste preferences. However, in lower-income neighborhoods, the pricing of some of the premium products in the Hot & In range were found to be slightly above what local residents can afford. A review of product costing and pricing levels will be conducted shortly to address the issue. An immediate solution is to introduce a range of traditional Chinese meal boxes during lunchtime that will offer great value at very competitive price levels.

With a total of 40 stores, the Group is now in a stronger position to negotiate with vendors. The Group will also build on its core strength of category management by adding new recruits and buyers who are experienced in this area on the Chinese Mainland.

To meet the growing demand for operational staff to manage the new stores, the Group expanded the training centre to serve as an academy for new recruits.

An Update of the Dongguan Market Entry

In Dongguan, the acquisition of a 60% equity stake in DG Sun-High, the operator of a franchised convenience store chain in Dongguan with about 200 stores, was delayed pending final Government approval.

** *Released by the Comprehensive Statistics Department, Guangzhou Municipal Bureau of Statistics on 24 January 2006.*

*** *Released by National Bureau of Statistics of China on 25 January 2006.*

Regardless of the unforeseen delay, the Group proceeded to open five Circle K stores in Dongguan in the second half of 2005. In order to experiment with a "twin-store" concept, the Group identified a local bakery chain (采蝶軒) that offers a comprehensive range of bakery products from chilled cakes to baked buns, including traditional Chinese pastries and Japanese desserts at very attractive value pricing. A strategic partnership enabled new stores in Dongguan to offer the dual benefit of a convenience store cum local bakery shopping experience.

Consumer feedback for the last three stores that were opened with the "twin-store" concept has been quite positive, and the value pricing perception of the bakery products also reflected favourably on the convenience store products. The CDX bakery store model, though faithfully following the original store model, is 100% operated by the Circle K store management team.

Competition and New Entries

In 2005, no new entry was reported in the chain convenience store market in Guangzhou. The keys players remain 7-Eleven with about 140 stores, Quik with 120 stores, C-store with close to 90 stores, and Kedi with about 50 stores.

The major challenge for all these chain operators is to achieve store profitability. Unprofitable stores usually have a very short lifespan regardless of brand image or market perception. It is indeed a case of survival of the fittest when it comes to individual store sites.

Recent research conducted by the Group reveals that the top three brands in terms of recall in the Guangzhou convenience store market are 7-Eleven, Circle K and Quik. C-store and Kedi have a much lower profile due to their lack of distinguishing features and brand image differential. However, Quik is building a presence in the market based on its growing number of outlets, lower incidence of store closings and its latest revamp in store presentation.

The good news about the competitive market in Guangzhou is that there has been no attempt to compete on pricing. However, efforts to improve food service offerings have been observed in every major convenience store chain.

FUTURE PROSPECTS

Looking ahead to 2006 in Hong Kong, we expect to see sustained improvement in the employment market with increased job opportunities and slightly higher salary levels. Price inflation will be minimal.

Good news such as this will provide a healthy backdrop for boosting consumer confidence and providing the motivation to spend. This is assuming that any pandemic outbreak or fuel supply crisis remains a threat only. Positive local consumer sentiment is important for overall retail sales performance if spending per head from Mainland Chinese visitors continues to decrease, as is indicated in the latest reports.

We expect that retail rental for new stores has already peaked as of the fourth quarter of 2005, but individual store lease renewal will still be under pressure. The public listing of Link is also a source of concern in view of the fact that there are about 61 Circle K stores located in Government housing estates under the Link Management. Another factor that could have a negative impact on store expenses is staff salary, which appears to be on the rise as a result of a more buoyant market environment.

A market reality is the increasingly head-on confrontations with our competition both in close proximity of geographical store sites and co-incidental timing of promotional activities. The strategy of the Group is to compete smartly and effectively, and to close the gap in store numbers with an aggressive store-opening programme. Ultimately, the battleground will be in terms of consumer preference and how to meet consumer demands effectively.

To achieve this objective, the Group will continue to improve its core competencies, upgrade all aspects of the Circle K shopping experience and steadily increase the number of Circle K stores.

On the Chinese Mainland, overall economic growth will be sustained even though there may be a deceleration as well as healthy adjustments. A much more aggressive strategy will be adopted for store openings, and the Group will continue to explore opportunities for business acquisition and strategic partnership.

With the first store in Shenzhen already scheduled to open in the first quarter of 2006, the Group is well on track to launch the Circle K brand in the market according to the strategic plan. In 2006, the Circle K store network in the Pearl River Delta will span Guangzhou, Dongguan and Shenzhen with 100% company-owned-and-managed stores, while Macau and Zhuhai will be covered by franchised stores.

In 2006, the Group plans to add not less than 100 Circle K stores in Hong Kong and the Pearl River Delta and should finish the year with about 380 stores. The Group will continue to explore acquisition opportunities to further expedite the growth in Mainland China.

RESULTS

The board of directors (the "Board") is pleased to announce the audited results of Convenience Retail Asia Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2005, together with the comparative audited figures for the corresponding year ended 31 December 2004 as follows:

	Note	**2005** HK$'000	**2004** HK$'000 (Restated)
Turnover	*2*	1,995,206	1,736,491
Cost of sales		(1,509,403)	(1,312,920)
Gross profit		485,803	423,571
Other revenues	*2*	187,901	146,084
Store expenses	*3*	(488,364)	(402,155)
Distribution costs	*3*	(34,625)	(29,128)
Administrative expenses	*3*	(69,053)	(63,454)
Profit before income tax		81,662	74,918
Income tax expenses	*4*	(14,048)	(13,673)
Profit for the year		67,614	61,245
Profit attributable to:			
Shareholders of the Company		73,578	66,276
Minority interests		(5,964)	(5,031)
		67,614	61,245
Dividends	*5*	40,483	33,590
Earnings per share for profit attributable to the shareholders of the Company			
- Basic earnings per share	*6*	HK10.9 cents	HK9.9 cents
- Diluted earnings per share	*6*	HK10.9 cents	HK9.8 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Non-current assets			
Intangible assets		-	19
Fixed assets		89,827	81,339
Lease premium for land		15,142	15,450
Rental deposits		25,523	22,413
Deferred tax assets		1,361	1,651
		131,853	120,872
Current assets			
Inventories		79,065	67,361
Rental deposits		11,680	8,672
Trade receivables	*7*	26,647	19,828
Other receivables, deposits and prepayments		32,469	30,605
Lease premium for land		425	422
Bank balances and cash		597,310	531,360
		747,596	658,248
Current liabilities			
Amount due to immediate holding company		177	676
Trade payables	*8*	321,936	270,730
Other payables and accruals		66,224	58,647
Taxation payable		1,665	4,389
		390,002	334,442
Net current assets		357,594	323,806
Total assets less current liabilities		489,447	444,678
Financed by:			
Share capital		67,367	67,202
Reserves		386,738	350,098
Proposed final dividend		30,392	25,205
Shareholders' funds		484,497	442,505
Minority interests		(2,912)	(6,613)
		481,585	435,892
Non-current liabilities			
Long service payment liabilities		7,862	7,721
Deferred tax liabilities		-	1,065
		489,447	444,678

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2005

	Attributable to shareholders of the Company							Minority interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1 January 2004, as previously reported as equity	66,921	115,076	177,087	13,433	-	43	28,688	-	401,248
At 1 January 2004, as previously separately reported as minority interests	-	-	-	-	-	-	-	(1,560)	(1,560)
Effect of changes in accounting policies									
- employee share option benefits	-	-	-	-	118	-	(118)	-	-
- amortisation of lease premium for land	-	-	-	-	-	-	(88)	-	(88)
At 1 January 2004, as restated	66,921	115,076	177,087	13,433	118	43	28,482	(1,560)	399,600
Issue of shares	281	2,484	-	-	-	-	-	-	2,765
Employee share option benefits	-	-	-	-	838	-	-	-	838
Exchange differences	-	-	-	-	-	(43)	-	(22)	(65)
Profit/(loss) for the year	-	-	-	-	-	-	66,276	(5,031)	61,245
Dividends	-	-	-	-	-	-	(28,491)	-	(28,491)
At 31 December 2004	67,202	117,560	177,087	13,433	956	-	66,267	(6,613)	435,892
At 1 January 2005, as previously reported as equity	67,202	117,560	177,087	13,433	-	-	67,156	-	442,438
At 1 January 2005, as previously separately reported as minority interests	-	-	-	-	-	-	-	(6,613)	(6,613)
Effect of changes in accounting policies									
- employee share option benefits	-	-	-	-	956	-	(956)	-	-
- amortisation of lease premium for land	-	-	-	-	-	-	67	-	67
At 1 January 2005, as restated	67,202	117,560	177,087	13,433	956	-	66,267	(6,613)	435,892
Issue of shares	165	1,804	-	-	-	-	-	-	1,969
Employee share option benefits	-	93	-	-	1,510	-	29	-	1,632
Exchange differences	-	-	-	-	-	123	-	67	190
Profit/(loss) for the year	-	-	-	-	-	-	73,578	(5,964)	67,614
Dividends	-	-	-	-	-	-	(35,310)	-	(35,310)
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	9,598	9,598
At 31 December 2005	67,367	119,457	177,087	13,433	2,466	123	104,564	(2,912)	481,585

Notes :

1. Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under historical cost convention.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instrument: Recognition and Measurement
HKAS-Int 15	Operating Leases - Incentives
HKFRS 2	Share-based Payment

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 16, 21, 24, 27, 32, 33, 36, 38, 39 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests and other disclosures.
- HKASs 2, 7, 8, 10, 12, 16, 27, 32, 33, 36, 38, 39 and HKAS-Int 15 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity accounts.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

1. **Basis of preparation** (continued)

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of lease premium for land from fixed assets to operating leases. The up-front prepayments made for the lease premium for land are expensed in the profit and loss account on a straight-line basis over the period of the leases or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, the lease premium for land was accounted for at cost less accumulated depreciation and accumulated impairment and included in properties of fixed assets. HKAS 17 has been applied retrospectively.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for employee share options benefits. Until 31 December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the profit and loss account of the respective periods.

The effect to adopting HKAS 17 and HKFRS 2 on the consolidated profit and loss account for the years ended 31 December 2005 and 31 December 2004 and on the consolidated balance sheet as at 31 December 2005 and 31 December 2004 are shown below:

Effect of adopting HKAS 17 and HKFRS 2 on the consolidated profit and loss account are as follows:

	2005		**2004**	
	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 17 HK$'000	HKFRS 2 HK$'000
Decrease/(increase) in store expenses	180	(713)	155	(456)
Increase in distribution costs	-	(26)	-	(36)
Increase in administrative expenses	-	(893)	-	(346)
Total increase/(decrease) in profit	180	(1,632)	155	(838)
Increase/(decrease) in basic earnings per share (HK cents)	0.03	(0.24)	0.02	(0.12)

1. **Basis of preparation** (continued)

Effect of adopting HKAS 17 and HKFRS 2 on the consolidated balance sheet are as follows:

	2005		2004	
	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 17 HK$'000	HKFRS 2 HK$'000
Increase/(decrease) in assets				
Fixed assets	(15,320)	-	(15,805)	-
Lease premium for land (current and non-current)	15,567	-	15,872	-
Increase/(decrease) in equity				
Share premium	-	93	-	-
Employee share-based compensation reserve	-	2,466	-	956
Retained earnings	247	(2,559)	67	(956)

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 year are as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Turnover		
Merchandise sales revenue	1,995,206	1,736,491
Other revenues		
Supplier rebate and promotion fees	143,848	118,189
Service items income	29,326	19,628
Interest income	14,727	8,267
	187,901	146,084
Total revenues	2,183,107	1,882,575

Sales of goods are recognised when a product is sold to the customer.

Supplier rebate and promotion fees are recognised when the rights to receive payments are established in accordance with the terms of agreements with the vendors.

Sales of services are recognised in the accounting period in which 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.

2. **Turnover, other revenues and segment information** (continued)

Primary reporting format - geographical segments

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

	Hong Kong 2005 HK$'000	**Chinese Mainland 2005** HK$'000	**Group 2005** HK$'000
Turnover from external customers	1,937,819	57,387	1,995,206
Other revenues from external customers	167,509	5,665	173,174
	2,105,328	63,052	2,168,380
Segment results	84,794	(17,859)	66,935
Interest income			14,727
Profit before income tax			81,662
Income tax expenses			(14,048)
Profit for the year			67,614
Segment assets	264,482	72,906	337,388
Unallocated assets			542,061
Total assets			879,449
Segment liabilities	378,723	17,476	396,199
Unallocated liabilities			1,665
Total liabilities			397,864
Capital expenditure	33,593	19,187	52,780
Depreciation	36,689	6,079	42,768
Amortisation	19	430	449

Segment assets consist primarily of lease premium for land, fixed assets, intangible assets, inventories, receivables and operating cash but exclude deferred taxation.

Segment liabilities comprise operating liabilities but exclude taxation.

Capital expenditure comprises additions to fixed assets and lease premium for land.

2. **Turnover, other revenues and segment information** (continued)

Primary reporting format - geographical segments (continued)

	Hong Kong 2004 HK$'000 (Restated)	**Chinese Mainland 2004** HK$'000 (Restated)	**Group 2004** HK$'000 (Restated)
Turnover from external customers	1,707,625	28,866	1,736,491
Other revenues from external customers	135,193	2,624	137,817
	1,842,818	31,490	1,874,308
Segment results	81,071	(14,420)	66,651
Interest income			8,267
Profit before income tax			74,918
Income tax expenses			(13,673)
Profit for the year			61,245
Segment assets	247,128	44,961	292,089
Unallocated assets			487,031
Total assets			779,120
Segment liabilities	327,983	9,791	337,774
Unallocated liabilities			5,454
Total liabilities			343,228
Capital expenditure	28,596	10,279	38,875
Depreciation	34,614	3,464	38,078
Amortisation	78	410	488

There are no sales between the geographical segments.

No business activity analysis is presented for the years ended 31 December 2005 and 2004 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 and Chinese Mainland.

3. Expenses by nature

Expenses included in costs of sales, store expenses, distribution costs and administrative expenses are analysed as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Amortisation of franchise licence (included in administrative expenses)	19	78
Amortisation of lease premium for land	430	410
Auditors' remuneration		
Charge for the current year	691	667
Over provision in prior year	(16)	(10)
Cost of inventories sold	1,490,745	1,293,139
Depreciation of owned fixed assets	42,768	38,078
Loss on disposal of fixed assets	1,853	294
Operating leases rental for land and buildings	151,659	122,652

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. No provision for overseas profits tax has been made as the Group has no overseas estimated assessable profit for the years ended 31 December 2005 (2004: Nil).

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	2005 HK$'000	2004 HK$'000
Current income tax - Hong Kong profits tax	14,823	14,246
Deferred income tax	(775)	(573)
	14,048	13,673

4. Income tax expenses (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Profit before income tax	81,662	74,918
Calculated at a taxation rate of 17.5%	14,291	13,110
Effect of different taxation rates in other jurisdiction	(2,858)	(2,221)
Income not subject to taxation	(3,059)	(1,548)
Expenses not deductible for tax purposes	433	362
Tax losses not recognised	6,090	4,929
Effect of previously unrecognised tax losses	(958)	(469)
Effect of previously unrecognised temporary differences	109	(490)
	14,048	13,673

5. Dividends

	2005 HK$'000	2004 HK$'000
Interim dividend, paid, of 1.5 HK cents (2004: 1.25 HK cents) per share	10,091	8,385
Final dividend, proposed, of 4.5 HK cents (2004: 3.75 HK cents) per share	30,392	25,205
	40,483	33,590

At a meeting held on 9 March 2006, the Directors proposed a final dividend of 4.5 HK cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

6. 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$73,578,000 (2004 (Restated): HK$66,276,000).

The basic earnings per share is based on the weighted average of 672,741,375 (2004: 670,534,683) shares in issue during the year.

6. **Earnings per share** (continued)

The diluted earnings per share is based on the weighted average number of 672,741,375 (2004: 670,534,683) shares in issue during the year plus the weighted average of 2,367,381 (2004: 3,397,960) shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. **Trade receivables**

Majority of the Group's turnover are cash sales. The Group's credit terms on trade receivable from other revenues mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2005, the ageing analysis of trade receivables was as follows:

	2005	**2004**
	HK$'000	HK$'000
0-30 days	23,168	17,510
31-60 days	2,491	1,615
61-90 days	923	473
Over 90 days	65	230
	26,647	19,828

8. **Trade payables**

At 31 December 2005, the ageing analysis of the trade payables was as follows:

	2005	**2004**
	HK$'000	HK$'000
0-30 days	152,425	127,753
31-60 days	93,438	78,966
61-90 days	42,256	41,545
Over 90 days	33,817	22,466
	321,936	270,730

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 has purchased, sold or redeemed any of the Company's shares during the year.

AUDIT COMMITTEE

The Audit Committee has been established since January 2001 with defined terms of reference (available to shareholders' upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Dr. Ch'ien Kuo Fung, Raymond (being the Chairman of the Committee), Mr. Au Man Chung, Malcolm and Mr. Lo Kai Yiu, Anthony, and two non-executive Directors, namely Mr. Godfrey Ernest Scotchbrook and Mr. Jeremy Paul Egerton Hobbins. All Committee members possess appropriate industry and financial experience to advise on the Company's strategy and other matters.

The Audit Committee met four times in 2005 (with an average attendance rate of 81%) to review with senior management and the Company's auditors the significant internal and external audit findings, the accounting principles and practices adopted by the Group, GEM Listing Rules and statutory compliance, and to discuss internal controls, risk management and financial reporting matters (including the annual accounts for the year ended 31 December 2005 before recommending to the Board for approval).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

The Hong Kong Stock Exchange has promulgated a new Code on Corporate Governance Practices (the "Code") which came into effect in January 2005, and replaced the "Board Practices and Procedures" as set out in Rules 5.34 to 5.45 of the GEM Listing Rules. The Company has put in place corporate governance practices to meet the provisions as set out in the Code.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the Code as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 December 2005.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 4:00 p.m. on Tuesday, 2 May 2006 at the Auditorium, 12/F., LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong. Notice of the Annual General Meeting will be sent to the shareholders of the Company shortly.

FINAL DIVIDEND

The Board of Directors recommended to pay to the shareholders a final dividend of 4.5 HK cents (2004: 3.75 HK cents) per share for the year ended 31 December 2005 absorbing a total of HK$30,392,000 (2004: HK$25,205,000) on 675,370,000 shares (2004: 672,144,000 shares) issued as at 9 March 2006. An interim dividend of 1.5 HK cents (2004: 1.25 HK cents) per share was paid by the Company on 26 August 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 25 April 2006 to 2 May 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 24 April 2006. Dividend warrants will be despatched on 3 May 2006, subject to shareholders' approval of payment of the final dividend at the Annual General Meeting on 2 May 2006.

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

Hong Kong, 9 March 2006

As at the date of this announcement, the executive Directors of the Company are Yeung Lap Bun, Richard and Li Kwok Ho, Bruno, the non-executive Directors are Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Jeremy Paul Egerton Hobbins, Wong Yuk Nor, Louisa and Godfrey Ernest Scotchbrook, the independent non-executive Directors are Dr. Ch'ien Kuo Fung, Raymond, Au Man Chung, Malcolm and Lo Kai Yiu, Anthony.

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.*