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*This announcement (the "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 (the "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 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 2007

| **Three months ended 31 December** | | **2007** | 2006 |
|---|---|---|---|
| • Revenue | +38.2% | HK$782,422,000 | HK$566,201,000 |
| • Profit attributable to shareholders of the Company | +10.5% | HK$21,526,000 | HK$19,475,000 |
| • Earnings per share | +2.4% | HK2.95 cents | HK2.88 cents |
| **Twelve months ended 31 December** | | **2007** | 2006 |
| • Revenue | +30.7% | HK$2,916,734,000 | HK$2,231,217,000 |
| • Profit attributable to shareholders of the Company | +15.7% | HK$86,867,000 | HK$75,054,000 |
| • Earnings per share | +8.8% | HK12.08 cents | HK11.10 cents |
| • Interim dividend per share | +13.3% | HK1.7 cents | HK1.5 cents |
| • Final dividend per share | +10% | HK5.5 cents | HK5 cents |

## HIGHLIGHTS

- Effective advertising and promotional activities, coupled with the integration of Saint Honore, resulted in strong growth in turnover and profit.
- The integration of the Saint Honore operations was successfully completed.
- The Group operated a total of 469 stores in the Pearl River Delta including 372 Circle K stores and 97 Saint Honore stores as of 31 December 2007.
- Net cash position of HK$442.8 million as of 31 December 2007.

# NUMBER OF OUTLETS AS OF 31 DECEMBER 2007

| | | |
|---|---|---|
| **Circle K Convenience Stores** | | |
| Hong Kong | | 270 |
| Guangzhou | | 63 |
| Dongguan | | 9 |
| Shenzhen | | 4 |
| **Subtotal** | | 346 |
| **Franchised Circle K Stores** | | |
| Macau | | 16 |
| Zhuhai | | 10 |
| **Subtotal** | | 26 |
| **Total Number of Circle K Outlets** | | **372** |
| **Saint Honore Group** | | |
| Hong Kong | —Cake Shop | 66 |
| | —Bread Boutique | 15 |
| **Subtotal** | | 81 |
| Macau | —Cake Shop | 7 |
| Guangzhou | —Cake Shop | 9 |
| **Subtotal** | | 16 |
| **Total Number of Saint Honore Outlets** | | **97** |
| **Total Number of Stores Under Convenience Retail Asia** | | **469** |

## CHAIRMAN'S STATEMENT

### Financial Overview

I am pleased to report that Convenience Retail Asia Limited, together with its subsidiaries (the "Group"), continued to register satisfactory growth in turnover and profit as a result of the very healthy performances of the Circle K business and the integration of the Saint Honore operation.

The Group's turnover increased by 30.7% when compared to the corresponding periods in 2006, to HK$2,916.7 million. Net profit attributable to shareholders increased by 15.7% to HK$86.9 million. Basic earnings per share increased by 8.8% from 11.10 HK cents to 12.08 HK cents. The financial position of the Group remains strong with a cash reserve of HK$442.8 million without any bank borrowings.

### Review of the Hong Kong Retail Market

In 2007, retail sales in Hong Kong went from strength to strength amid a combination of favourable market factors: robust consumer confidence as a result of the buoyant labour market, rising employment income and lower interest rates. The overall upward trend of the stock and property markets also created a wealth effect, which in-turn spurred general consumption. Rising inbound tourism and record-breaking total tourist expenditure also contributed to increased retail sales.

Total retail sales in 2007 increased by 12.8 %[1] in value and 10.1%[1] in volume over 2006. Growth in overall retail sales accelerated in the second half of the year, as six consecutive months of double digit year-on-year growth in volume were registered. For 2007 as a whole, GDP recorded a growth of 6.3%[2] in real terms over 2006, another positive indicator of the growth momentum of the overall Hong Kong economy.

On a less positive note, overall consumer prices rose by 3.8%[3] in December 2007 compared to a year earlier, with large year-on-year increases in food prices recorded. Looking ahead, a combination of sustained economic growth, rising food and oil prices, the weakening US dollar and the appreciation of Renminbi will continue to exert pressure on prices. The only factor helping to mitigate these price pressures will be the sustained increase in labour productivity.

Among the key market trends that will continue to pose challenges to the Group's operations in Hong Kong are the ongoing increases in retail rental, electricity, raw material and labour costs. As leases come up for renewal, the Group will try to maintain a reasonable level of rental increases, implement energy saving programmes and conduct regular cost/pricing reviews to mitigate rising operational costs.

A labour shortage is becoming more and more evident as overall unemployment decreased to 3.4%[4] in November 2007 – January 2008, the lowest level in almost ten years. Total employment hit a historical high of about 3.55 million[4]. One of the Group's solutions for this labour shortage was to recruit staff from Tin Shui Wai by offering transportation allowances as an incentive to work in the Central, Wanchai and Causeway Bay areas, where the labour shortage is most severe.

**Company Initiatives for Hong Kong Operations**

In the third quarter of 2007, major management initiatives were implemented to enhance the Group's competitiveness in the market.

The most notable and rewarding effort was the launch of a thematic television campaign, which was signed off with the slogan "Always Something New!". This was followed by the consecutive scheduling of innovative promotional activities in support of the theme, eye-catching point-of-sale displays and enhanced category offering. The high visibility of the thematic campaign, combined with the immediate consumer response to the promotional activities, resulted in healthy growth in comparable store sales and raised the profile of the Circle K brand.

Another of the Group's major achievements in 2007 was the successful acquisition and integration of Saint Honore. This enabled the Group to enjoy the maximum synergy of both businesses, which complement each other with their respective core competencies. The two businesses have also built a solid foundation for further growth through product quality upgrades, product innovation and aggressive network expansion. Opportunities for cost saving, cross-selling and resource sharing were also thoroughly explored to maximise business growth and margin opportunities.

**Review of the Retail Market on the Chinese Mainland**

Together with the rest of the Chinese Mainland, the retail market in the Guangdong province enjoyed accelerated growth in 2007. A total increase of 16.2%[5] was reported over the first 11 months of 2007, 0.5%[5] higher than the increase reported in the same period in 2006.

Price inflation has become a reality of life with food prices increasing by 8.8%[5] during the first 11 months of 2007 compared with the same period a year earlier. Specific food categories such as cooking oil, meat and eggs registered significant increases while fuel and raw material costs also escalated.

The booming retail market also brought with it major challenges, notably the inflated costs of operation in the form of escalating retail rental rates, as well as rising wages due to labour shortage and the increasing trend of minimal wage and social security costs.

The Group faced increased competition as major players started to invest considerable resources in upgrading store presentation and improving food offerings. With the relatively low density of convenience stores in Guangzhou, these aggressive activities did not constitute any immediate threat to the Group's operations but tended to narrow the gap in consumer perception of the brand differences among convenience store chains. Newcomers such as Family Mart embarked on another phase of store-openings supported by promotional activities to build brand awareness and expand its customer base. The first C-store in Shenzhen also opened in January 2008.

**Review of the Guangzhou Operations**

In 2007, the Group celebrated the fifth anniversary of the Circle K chain's entry in Guangzhou with a consumer promotion in the last quarter, which was well supported by vendors.

During the last quarter of 2007, the Group also undertook major initiatives to simplify the management structure in Southern China by consolidating the store operation teams for Guangzhou, Dongguan and Shenzhen under one management team headquartered in Guangzhou. This was intended to improve management efficiency, maximise buying synergy and reduce office overheads.

Another significant breakthrough was achieved with the merging of the Circle K and the Saint Honore operations in Guangzhou. The Saint Honore brand in Guangzhou enjoys prestigious positioning and brand perception with product offerings commanding a premium price. Even with a relatively short history in Guangzhou and only nine stores, the Saint Honore chain has been profitable. The two chains will be operated separately to maintain brand integrity and continue targeting different customer groups, but management, administrative and support resources will be fully integrated.

**Outside the Pearl River Delta**

After a comprehensive evaluation of investment opportunities, the Group opted to focus on further expansion on the Chinese Mainland. As a result, the Group decided not to exercise the option to acquire a further 30.5% equity interest of Buytheway Inc. in South Korea, which expired in November 2007. The Group's 2.5% equity interest in Buytheway Inc. was sold back to its majority shareholder in December 2007.

**Corporate Governance**

The Group's commitment to maintaining the highest standards of corporate governance remains unwavering. It will continue to uphold a culture which fosters principles of transparency, accountability and independence.

The Group is in full compliance with the Code on Corporate Governance Practices as implemented by The Stock Exchange of Hong Kong Limited.

**Outlook for 2008**

The Group maintains conservative optimism about the sustainability of the robust economic trends reported in Hong Kong and on the Chinese Mainland. Factors that may negatively impact on the overall retail market environment include a rising inflation rate, increasing labour shortages, escalating operational costs, adjustments in the equity market and the possibility of a pandemic outbreak.

An interesting trend according to the 2007 sales analysis was the propensity of consumers to trade up to more premium products as a result of increasing disposable income. In the convenience store sector this was particularly evident in the impulse purchase product categories, including packaged drinks, snack and confectionery, alcoholic drinks and tobacco. This emerging trend will undoubtedly offer opportunities for the Group's category managers to further upgrade the product range and improve margins.

Another encouraging market trend was the affluent consumers' ready acceptance of new products and innovative promotions, which also contributed to the Group's significant sales increases in 2007. Having positioned Circle K's brand as "Always Something New!", the Group is ready to substantiate that positioning in all aspects of customer interface, and most importantly in product offerings. The effectiveness of such a strategy was proven by the substantial confectionery sales growth recorded after the implementation of direct sourcing from Japan which facilitated the constant rotation of new products. In addition to opening more stores, the growth in comparable store sales and margin improvements will significantly contribute to the Group's overall business volume growth.

In order to optimise the business potential offered by the acquisition of Saint Honore, the Group intends to rejuvenate the Saint Honore brand image in Hong Kong by dedicating considerable resources to upgrade overall product quality, enhance the product range, and improve store design and product presentation. Given the fragmentation of the bakery markets in Hong Kong and Guangzhou, the Group envisages that there will be room for network expansion and business growth for Saint Honore.

The consolidated operation team in Guangzhou will spearhead business expansion in Southern China. With the franchise business licence already in hand, one of the key initiatives in 2008 will be the implementation of the franchising model which has been thoroughly tested and is now ready for implementation.

In addition to organically growing the current business operations, the Group intends to embark on a more aggressive deployment of the cash reserve by actively seeking new investment opportunities in the form of acquisitions, joint ventures or strategic alliance that will offer operational synergy.

The Group was pleased and honoured to be selected as a "Caring Company" by the Hong Kong Council of Social Service for the fifth consecutive year, an award that recognises private companies which demonstrate good corporate citizenship.

On behalf of the Board, I would like to take this opportunity to thank the management team for their dedication and hard work, which has enabled the Group to achieve its 2007 business goals. As the Group is set to roll out the next three-year plan in 2008, we look forward to an even more outstanding performance from Circle K's and Saint Honore's management teams in consolidating the brand positionings and enhancing the competitiveness of the two chains in the market place, in order to set the stage for another phase of aggressive growth and business expansion.

**Fung Kwok King, Victor**
*Chairman*

Hong Kong, 12 March 2008

*Notes:*

[1] *Provisional Statistics of Retail Sales for December 2007 and for the whole year of 2007, published by Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 31 January 2008.*

[2] *Gross Domestic Product for the Fourth Quarter 2007 and the whole year of 2007, published by Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 27 February 2008.*

[3] *Consumer Price Indices for December 2007, published by Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 22 January 2008.*

[4] *Unemployment and Underemployment Statistics for November 2007 – January 2008, published by Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 19 February 2008.*

[5] *Retail Sales Statistics from January to November 2007, published by Statistics Bureau of Guangdong Province on 14 December 2007.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Board is pleased to report the financial results of the Group for the year ended 31 December 2007. The Group's turnover for the year and the fourth quarter increased to HK$2,916.7 million and HK$782.4 million respectively, representing a growth of 30.7% and 38.2% when compared to the corresponding periods in 2006.

The turnover growth was attributed to the addition of new stores in Hong Kong and Southern China, the increase in turnover of comparable stores (stores in existence throughout 2006 and 2007) and the consolidation of the Saint Honore operations. In 2007, the annual turnover of comparable stores increased by 2.9% and 14.7% in Hong Kong and Southern China respectively when compared to 2006.

Gross margin and other income (excluding interest income) increased from 33.2% to 36.5% of turnover for the year and from 34.7% to 36.7% of turnover for the fourth quarter when compared to 2006. The increase was due to a change in the sales mix of higher margin products such as packaged beverages, in-store bakery, confectionery and the integration of the Saint Honore bakery business.

Compared with 2006, store expenses, distribution costs and administrative expenses as a percentage of sales increased as a result of the integration of the Saint Honore operations, which had a higher operating cost structure than the Circle K operations.

Net profit attributable to shareholders increased by 15.7% and 10.5% to HK$86.9 million and HK$21.5 million for the year and the fourth quarter when compared to 2006. Basic earnings per share increased by 8.8% from 11.10 HK cents to 12.08 HK cents for the year.

The Group continued to maintain a strong financial position with net cash of HK$442.8 million without any bank borrowings. The Hong Kong business generated a free cash flow of approximately HK$184.9 million in 2007.

The Group had a limited amount of foreign exchange exposure in Renminbi relating to its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from short-term bank cash deposits. The Group will continue its policy of placing surplus cash in short-term bank deposits to meet the funding requirements of any future acquisition projects.

## Operation Review – Hong Kong

As of 31 December 2007, the Group operated a total of 270 company-owned-and-managed Circle K stores in Hong Kong compared to 250 stores at the end of 2006, with a net gain of 20 stores during the year.

To increase competitiveness in a high store density market, the Group mass customised its store models, enabling stores with different profiles and product mixes to open within close proximity of each other e.g. one would focus on the media category, another on steamed food and a third on on-site bakery, while core convenience store categories would become the common product offerings for all. This mass customising and store clustering tactic not only offered better locational convenience to customers but also minimised cannibalisation and increased the competitiveness of the Circle K brand as a whole.

## Employees

As of 31 December 2007, the Group had a total of 5,900 employees, with 3,800 based in Hong Kong and 2,100 in Guangzhou, Dongguan and Shenzhen. Part-time staff accounted for about 27% of the total headcount.

Throughout the year, a series of new training programmes and refresher courses were developed and implemented. The main objectives of these courses were promoting product knowledge and enhancing language skill. The training programmes covered diverse subjects, including phone cards, on-line games, soft-serve ice-cream, as well as English and Putonghua languages. A total of 30 classes were conducted for over 2,000 frontline staff.

The “Buddy Scheme” introduced in 2006 as a mentor programme for newly joined frontline staff continued its successful implementation. By the end of the year 209 “Buddies” had been selected from the store operations team. The “Buddy Scheme” has been a proven and effective way to improve staff retention and build team spirit. Since the introduction of the “Buddy Scheme” the turnover rate of part-time staff has steadily improved.

## Marketing and Promotion

In November 2007, the launch of the “Mario” promotion which offered free paper clip premiums featuring icons from the Nintendo video game, received a tremendous consumer response and the paper clip premiums became very popular. As the sixth innovative promotion supporting the “Always Something New!” advertising platform, the “Mario” promotion generated record sales and created a high level of interest on the Internet among the core target customer group of young adults.

Other innovative consumer promotions launched during the year also served as effective image boosters. A notable example was the “OK Fun” promotion for the magazine category. The unconventional promotion offered virtual incentives via a multi-media platform with a free online pass given away with every magazine purchased at Circle K during the promotion period. The Group won the Gold Award for the “Best Ubiquitous Networking” campaign at the Hong Kong Information and Communication Technology Awards in 2007 for this promotion.

**Category Management**

One of the stellar sales performers in 2007 was the heavily promoted Japanese snack and confectionery category. Through direct sourcing, Circle K created a competitive edge in the novelty, exclusivity and diversity of these products.

Another category that enjoyed robust year-on-year growth was the Halloween product category, which positioned Circle K as the chain for fun and trendy festive products. Thematic displays of the Halloween promotions at the stores added novelty to the shopping experience. On Halloween day, all Circle K stores gave away free candies in honour of the “trick or treat” tradition, further enhancing the shopping experience.

Innovation and greater convenience for shoppers was introduced by partnering with the EPS Company (Hong Kong) Limited for the launch of EasyCash and adding other bill payment services.

Overall initiatives in category management supporting the advertising theme of “Always Something New!” led to increasing sales and the growth of new categories.

**Service Excellence**

The Group continued to promote a “learning culture” by organising three skill set examinations for staff annually. Over a thousand skill set badges were given out in 2007, meaning that on average one new skill set was acquired for every two staff.

The skill set examination programme, together with the intensive training provided for each skill set and the voluntary participation of frontline staff, effectively helped to maintain a high standard of service excellence.

**Supply Chain Management and Logistics**

During the fourth quarter of 2007, the Group introduced a data-access system in the Call Centre to support store services hotline that enabled the quality of data analysis to be further upgraded.

The system facilitated and streamlined communication between store operational staff and the call centre.

Preparations were made for the launch of Phase One of the Warehouse Management System in the first half of 2008, which will upgrade the existing system that has been in place since 2001.

The Group allocated considerable resources to optimise the synergy between the Circle K and the Saint Honore supply chain management. Comprehensive and detailed studies of the different stages of the Saint Honore supply chain, from manufacturing centres to customers, were conducted with improvements being made on a continuous basis.

**Competition**

In December 2007 a new convenience store by the name of “V>ango” was opened in North Point, owned and operated by China Resources Vanguard, a subsidiary of the China Resources Co. Ltd. They offered similar product range to that of Circle K, including hot snacks such as fish balls and cup drinks. There are currently three V>ango stores in Island East located at sites with relatively low traffic density. Due to the small number of stores and their geographical distance from existing Circle K Stores, this new development has not posed any immediate threat to the Group’s operation in Hong Kong.

**Operation Review – Guangzhou**

Against a backdrop of strong consumer confidence and increasing disposable income, the Group’s comparable store sales in Guangzhou registered healthy growth of 15%. However price inflation also surged to a level that generated some concern and may eventually impact the consumer mood.

In the last quarter of 2007, the Group’s Guangzhou office underwent an important organisational restructure by integrating the operational teams in Guangzhou, Shenzhen and Dongguan into one regional operation. A new Business Head was appointed to lead the operation, while responsibilities for functional heads were expanded to cover all three cities. There were many strategic benefits of this initiative, including operational synergy, reducing overhead and streamlining reporting procedures.

The combined operation will be responsible for a total of 63 Circle K stores in Guangzhou, nine in Dongguan and four in Shenzhen. The integration of the Saint Honore chain in Guangzhou added an additional nine bakery stores to the store network, resulting in a total of 85 stores and more feasible economies of scale.

In order to pave the way for a more aggressive store opening programme in 2008, the Group plans to roll out the franchising model and is currently in the process of finalising the legal and financial arrangements.

Mass customising stores to meet local consumer demand with a tailor-made product mix and pricing strategy for specific customer groups was another key initiative undertaken by the management team during the year. The implementation of this initiative produced favourable results, turning around underperforming stores and improving the success rate for new store openings.

For the second consecutive year the Circle K chain in Guangzhou was chosen as one of the "PRC Consumers' Most Favourable Hong Kong Brands" through an independent poll organised by the China Enterprise Reputation and Credibility Association (Overseas) Limited.

**The Saint Honore Operation**

The integration of the Saint Honore business in Hong Kong was completed in the third quarter after the Saint Honore management team physically relocated to the Circle K head office in July.

In the last quarter a new electronic point-of-sale system was introduced in the Saint Honore chain resulting in marked improvements in service efficiency and sales data processing. The timely system upgrade facilitated quick-response management decisions and provided a solid technology platform for future business expansion.

In preparation for future business growth, high priority was given to product quality upgrades and new product development that will continue to be key management initiatives in 2008.

The notable escalation in food and raw material costs, especially in wheat flour, eggs and dairy products started to exert pressure on the profit margin which is likely to be sustained in the coming months.

Loyalty programmes launched in 2007 contributed significantly to incremental sales, including the joint promotion with Hang Seng Credit Card and other strategic partners. Sales generated by these programmes accounted for a significant part of the total sales turnover. In 2008 Saint Honore will continue to build on this effective marketing strategy to expand the loyal customer base.

On the operational front an overall review of the Saint Honore chain discovered ample opportunities to adapt and upgrade individual store models in accordance with the profile of specific target customer groups in the different catchment areas. The review recommended mass customisation with multi-tier pricing and a store specific product mix. New store-front designs, interior decoration and product display shelves are being tested before being implemented chain-wide.

**Corporate Responsibility and Sustainability Initiatives**

The Group took part in HEIFER International Hong Kong's "Race to Feed 2007" charity event in October 2007, held on the Central Lawn of Victoria Park. The event raised funds for the Heifer charity projects on the Chinese Mainland.

The Group is pleased to report that the team representing Circle K Convenience Store (HK) Limited was the Overall Champion as well as the Top Fundraising Team and winner of the Heifer Hope Award. The double win and active staff participation in this meaningful event was not only an excellent way for the Group to fulfill its social responsibilities but also a terrific opportunity to build team spirit and boost morale.

The Group continued to support the "No Plastic Bag Day" campaign organised by the Green Student Council by increasing the frequency to a weekly basis i.e. every Tuesday. Messages to discourage the usage of plastic bags were duly displayed at all Circle K stores. The frontline staff was well briefed to avoid plastic bag usage as much as possible and only provide bags upon customer request. In fact, the average number of items per transaction is only about two to three at the Circle K stores, so the consumption of plastic bags has been decreasing consistently across the chain.

The Group participated in a Job-Shadowing event in January 2008, an event hosted by the Li & Fung (1906) Foundation and organised by Junior Achievement Hong Kong to offer students the opportunity to "shadow" a mentor by spending a day in the office together. The arrangement enabled students to gain on-the-job working experience and to relate their classroom learning to the working environment.

**Future Prospects**

Riding on favourable retail market trends, the Group will focus on the following strategies for future business growth. Firstly, new products, strong brand building initiatives, innovative promotions and loyalty programmes will be introduced continually to maximise comparable stores sales growth. Secondly, an aggressive store opening programme will be commenced to achieve better economies of scale, especially in Guangzhou where the inception of the franchising programme will serve as the catalyst. Thirdly, acquisition opportunities will be pursued to achieve a rapid expansion in the Chinese Mainland market.

In view of growing government and public concern about food safety, the Group will maintain a high degree of vigilance over the manufacturing process, storage system and supply chain management of food products to ensure that the strictest hygiene standards are being observed at all times.

According to new Government regulations, plastic bags will no longer be given away without charge from June 2008 in Guangzhou and January 2009 in Hong Kong. The Group will be taking appropriate measures to ensure full compliance with the new regulations without affecting the quality of customer service. The Group has already devoted consistent efforts at store level to reduce plastic bag consumption with reminder messages displayed on the electronic point-of-sale monitor screen. Judging from the decreasing plastic bag consumption trend, these educational efforts are producing results at the Circle K stores.

On another environmental issues, the Group has been conscientiously reducing electricity consumption by using energy saving LED lights rather than traditional lighting.

In Hong Kong, category management initiatives will focus on core categories with the potential for future growth including media, snack and confectionery. These are also categories which have proven to be very responsive to marketing and promotional activities.

In Guangzhou, Hot & In food services and packaged drinks will be the main generator of sales and profit. The Group believes that there will be continuous improvement in the quality and range of food services products with the support of the Saint Honore food production team.

As of 31 December 2007, there were 76 company-owned-and-managed Circle K stores in Southern China, together with 26 franchised Circle K stores in Macau and Zhuhai – a total of 102 Circle K stores outside Hong Kong. Including the 270 Circle K stores in Hong Kong, the Group operates a total of 372 Circle K stores in the Pearl River Delta. With the addition of the Saint Honore Chain, which currently has a total of 97 outlets in Hong Kong, Macau and Guangzhou, the Group operated a total of 469 stores as at the end of 2007. The Group aims to add not less than 100 outlets to this established network in 2008.

## 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 2007, together with the comparative audited figures for the corresponding year ended 31 December 2006 as follows:

| | *Note* | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| Revenue | *2* | 2,916,734 | 2,231,217 |
| Cost of sales | *3* | (2,059,908) | (1,678,018) |
| Gross profit | | 856,826 | 553,199 |
| Other income | *2* | 215,351 | 207,014 |
| Store expenses | *3* | (778,793) | (551,693) |
| Distribution costs | *3* | (67,163) | (39,399) |
| Administrative expenses | *3* | (120,347) | (83,606) |
| Operating profit | | 105,874 | 85,515 |
| Finance costs | *4* | (745) | - |
| Profit before income tax | | 105,129 | 85,515 |
| Income tax expenses | *5* | (23,583) | (16,078) |
| Profit for the year | | 81,546 | 69,437 |
| Profit attributable to: | | | |
| Shareholders of the Company | | 86,867 | 75,054 |
| Minority interests | | (5,321) | (5,617) |
| | | 81,546 | 69,437 |
| Dividends | *6* | 52,495 | 46,338 |
| Earnings per share for profit attributable to the shareholders of the Company | | | |
| - Basic earnings per share | *7* | HK12.08 cents | HK11.10 cents |
| - Diluted earnings per share | *7* | HK12.04 cents | HK11.08 cents |

## Consolidated Balance Sheet
## As at 31 December 2007

| | *Note* | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Fixed assets | | 241,355 | 99,093 |
| Lease premium for land | | 180,680 | 15,284 |
| Intangible assets | | 357,465 | - |
| Available-for-sale financial assets | | 1,895 | 22,570 |
| Rental deposits | | 37,244 | 28,639 |
| Bank deposits | | 50,000 | 120,000 |
| Deferred tax assets | | 3,613 | 404 |
| | | 872,252 | 285,990 |
| Current assets | | | |
| Inventories | | 110,450 | 82,308 |
| Amount due from immediate holding company | | 227 | 48 |
| Rental deposits | | 25,797 | 14,786 |
| Trade receivables | *8* | 30,688 | 24,108 |
| Other receivables, deposits and prepayments | | 53,048 | 49,112 |
| Other financial assets | | - | 7,142 |
| Taxation recoverable | | 2,091 | - |
| Cash and cash equivalents | | 392,844 | 514,785 |
| | | 615,145 | 692,289 |
| Current liabilities | | | |
| Trade payables | *9* | 455,352 | 357,199 |
| Other payables and accruals | | 140,660 | 90,586 |
| Taxation payable | | 10,935 | 1,135 |
| Cake coupons | | 127,613 | - |
| | | 734,560 | 448,920 |
| Net current (liabilities)/assets | | (119,415) | 243,369 |
| Total assets less current liabilities | | 752,837 | 529,359 |
| Financed by: | | | |
| Share capital | | 72,907 | 67,714 |
| Reserves | | 614,584 | 425,116 |
| Proposed final dividend | | 40,111 | 36,200 |
| Shareholders' funds | | 727,602 | 529,030 |
| Minority interests | | (7,954) | (8,173) |
| | | 719,648 | 520,857 |
| Non-current liabilities | | | |
| Long service payment liabilities | | 14,180 | 8,091 |
| Deferred tax liabilities | | 19,009 | 411 |
| | | 752,837 | 529,359 |

# Consolidated Statement of Changes in Equity
# For the year ended 31 December 2007

| | Attributable to shareholders of the Company | | | | | | | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Merger reserve | Capital reserve | Employee share-based compensation reserve | Exchange reserve | Retained earnings | | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2006 | 67,367 | 119,457 | 177,087 | 13,433 | 2,466 | 123 | 104,564 | (2,912) | 481,585 |
| Issue of shares | 347 | 5,688 | - | - | - | - | - | - | 6,035 |
| Employee share option benefit | - | 411 | - | - | 2,180 | - | 69 | - | 2,660 |
| Exchange differences | - | - | - | - | - | 1,322 | - | 356 | 1,678 |
| Profit/(loss) for the year | - | - | - | - | - | - | 75,054 | (5,617) | 69,437 |
| Dividends | - | - | - | - | - | - | (40,538) | - | (40,538) |
| At 31 December 2006 | 67,714 | 125,556 | 177,087 | 13,433 | 4,646 | 1,445 | 139,149 | (8,173) | 520,857 |
| | | | | | | | | | |
| At 1 January 2007 | 67,714 | 125,556 | 177,087 | 13,433 | 4,646 | 1,445 | 139,149 | (8,173) | 520,857 |
| Issue of shares | 529 | 13,637 | - | - | - | - | - | - | 14,166 |
| Acquisition of subsidiaries | 4,664 | 139,914 | - | - | - | - | - | - | 144,578 |
| Employee share option benefit | - | 928 | - | - | 3,006 | - | 8 | - | 3,942 |
| Exchange differences | - | - | - | - | - | 2,831 | - | 457 | 3,288 |
| Acquisition of additional interest in subsidiary | - | - | - | - | - | - | (5,212) | 5,083 | (129) |
| Profit/(loss) for the year | - | - | - | - | - | - | 86,867 | (5,321) | 81,546 |
| Dividends | - | - | - | - | - | - | (48,600) | - | (48,600) |
| At 31 December 2007 | 72,907 | 280,035 | 177,087 | 13,433 | 7,652 | 4,276 | 172,212 | (7,954) | 719,648 |

*Notes:*

**1. Basis of preparation and accounting policies**

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and judgments are significant to the consolidated accounts.

Moreover, the Group adopted the following new/revised standards of HKFRS, which are relevant to its operations and these standards have no significant impact to the accounts:

*Standard and amendment effective in 2007*

| | |
|---|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements: Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |

*Interpretation not yet effective and early adopted in 2007*

| | |
|---|---|
| HK(IFRIC)-Int 11 | HKFRS 2 - Group and Treasury Share Transactions |

HK(IFRIC)-Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group's entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation has been applied retrospectively. In the Company's stand-alone accounts, the adoption of the interpretation has increased both investments in subsidiaries and retained earnings of the Company by HK$2,439,000 in 2006 and has increased both amounts due from subsidiaries and net profit of the Company by HK$3,510,000 in 2007. The adoption of this interpretation does not have any impact on the Group's consolidated accounts.

The following new interpretations of HKFRS are mandatory for accounting policies beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

| | |
|---|---|
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Re-assessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The Group has not early adopted the following new/revised standards and interpretations of HKFRS that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008. The adoption of such new/revised standards and interpretations will have no material impact on the accounts and will not result in substantial changes to the Group's accounting policies.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes |

## 2. Revenue, other income and segment information

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

| | **Group** | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Revenue | | |
| Merchandise sales revenue | 2,455,820 | 2,231,217 |
| Bakery sales revenue | 460,914 | - |
| | 2,916,734 | 2,231,217 |
| Other income | | |
| Supplier rebate and promotion fees | 163,439 | 148,409 |
| Service items and miscellaneous income | 44,620 | 37,309 |
| Interest income | 7,292 | 18,816 |
| Fair value gain of financial assets at fair value through profit or loss | - | 1,665 |
| Exchange gain | - | 815 |
| | 215,351 | 207,014 |

With the acquisition of Saint Honore, the Group is organised into two main business segments:

(a) Convenience Store - operation of chain of convenience stores under the trademark of Circle K
(b) Bakery - operation of chain of bakeries under the trademark of Saint Honore and Bread Boutique

The Group's two business segments operate in two geographical areas, namely Hong Kong and others, and Chinese Mainland.

In prior year, the Group presented its geographical segments as its primary reporting format. Since Bakery now qualifies as a separate business segment, the Group has determined to present its business segments as the primary reporting format and geographical segment as the secondary reporting format.

**Primary reporting format - business segments**

| | 2007 Convenience Store HK$'000 | 2007 Bakery HK$'000 | 2007 Group HK$'000 | 2006 Convenience Store HK$'000 |
|---|---|---|---|---|
| Total segment revenue | 2,455,820 | 491,802 | 2,947,622 | 2,231,217 |
| Inter-segment revenue | - | (30,888) | (30,888) | - |
| Revenue | 2,455,820 | 460,914 | 2,916,734 | 2,231,217 |
| Other income | 207,099 | 960 | 208,059 | 188,198 |
| | 2,662,919 | 461,874 | 3,124,793 | 2,419,415 |
| Segment results | 72,861 | 25,721 | 98,582 | 66,699 |
| Interest income | | | 7,292 | 18,816 |
| Finance costs | | | (745) | - |
| Profit before income tax | | | 105,129 | 85,515 |
| Income tax expenses | | | (23,583) | (16,078) |
| Profit for the year | | | 81,546 | 69,437 |
| Segment assets | 531,498 | 750,195 | 1,281,693 | 437,112 |
| Unallocated assets | | | 205,704 | 541,167 |
| Total assets | | | 1,487,397 | 978,279 |
| Segment liabilities | 528,971 | 208,834 | 737,805 | 455,876 |
| Unallocated liabilities | | | 29,944 | 1,546 |
| Total liabilities | | | 767,749 | 457,422 |
| Capital expenditure | 44,104 | 686,858 | 730,962 | 49,830 |
| Depreciation | 42,569 | 20,633 | 63,202 | 39,251 |
| Amortisation | 434 | 3,048 | 3,482 | 427 |

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

Segment liabilities comprise operating liabilities but exclude taxation payable and deferred tax liabilities.

Capital expenditure comprises additions to fixed assets and additions resulting from acquisitions through business combinations.

**Secondary reporting format - geographical segments**

| **Revenue and other income** | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Hong Kong and others | 2,968,335 | 2,315,449 |
| Chinese Mainland | 163,019 | 103,966 |
| | 3,131,354 | 2,419,415 |
| Inter-segment revenue | (6,561) | - |
| | 3,124,793 | 2,419,415 |

| **Segment results** | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Hong Kong and others | 125,961 | 92,205 |
| Chinese Mainland | (27,379) | (25,506) |
| | 98,582 | 66,699 |

Revenue and other income and segment results are allocated based on the geographical area in which the customers are located.

| **Total assets** | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Hong Kong and others | 1,172,796 | 355,422 |
| Chinese Mainland | 108,897 | 81,690 |
| | 1,281,693 | 437,112 |
| Unallocated assets | 205,704 | 541,167 |
| | 1,487,397 | 978,279 |

| **Capital expenditure** | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Hong Kong and others | 714,703 | 35,973 |
| Chinese Mainland | 16,259 | 13,857 |
| | 730,962 | 49,830 |

Total assets and capital expenditure are allocated based on where the business is operated.

## 3. Expenses by nature

| | Group 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Amortisation of lease premium for land | 3,482 | 427 |
| Auditor's remuneration | | |
| Charge for the year | 1,832 | 779 |
| Over provision in prior year | (57) | - |
| Changes in inventories | 2,024,853 | 1,658,726 |
| Depreciation of owned fixed assets | 63,202 | 39,251 |
| Employee benefit expense | 458,670 | 289,825 |
| Loss on disposal of fixed assets | 1,510 | 1,693 |
| Operating leases rental for land and buildings | | |
| Minimum lease payment | 248,486 | 177,127 |
| Contingent lease payment | 3,192 | 1,030 |
| Other expenses | 221,041 | 183,858 |
| Total costs of sales, store expenses, distribution costs and administrative expenses | 3,026,211 | 2,352,716 |

## 4. Finance costs

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Interest expenses on bank loans | 745 | - |

## 5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates (2006: Nil).

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

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current income tax | | |
| - Hong Kong profits tax | 23,724 | 14,710 |
| - Overseas profits tax | 2,018 | - |
| Deferred income tax | (2,159) | 1,368 |
| | 23,583 | 16,078 |

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:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit before income tax | 105,129 | 85,515 |
| Calculated at a taxation rate of 17.5% (2006: 17.5%) | 18,399 | 14,966 |
| Effect of different taxation rates in other jurisdiction | (4,164) | (3,586) |
| Income not subject to taxation | (1,820) | (4,013) |
| Expenses not deductible for tax purposes | 2,649 | 1,419 |
| Tax losses not recognised | 10,254 | 8,187 |
| Effect of previously unrecognised tax losses | (55) | (111) |
| Effect of previously unrecognised temporary differences | (946) | (138) |
| Over provision in prior year | (734) | (646) |
| | 23,583 | 16,078 |

## 6. Dividends

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Interim dividend, paid, of 1.7 HK cents (2006: 1.5 HK cents) per share | 12,384 | 10,138 |
| Final dividend, proposed, of 5.5 HK cents (2006: 5 HK cents) per share | 40,111 | 36,200 |
| | 52,495 | 46,338 |

At a meeting held on 12 March 2008, the Directors proposed a final dividend of 5.5 HK cents per share. This proposed dividend is not reflected as a dividend payable in these accounts.

## 7. 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 the Company of HK$86,867,000 (2006: HK$75,054,000).

The basic earnings per share is based on the weighted average number of 718,874,082 (2006: 675,870,911) shares in issue during the year.

The diluted earnings per share is based on 721,225,803 (2006: 677,496,577) shares, which is the weighted average number of 718,874,082 (2006: 675,870,911) shares in issue during the year plus the weighted average of 2,351,721 (2006: 1,625,666) shares deemed to be issued at no consideration if all outstanding options granted by the Company had been exercised.

## 8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivable on income from suppliers 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 2007, the aging analysis of trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| 0-30 days | 23,434 | 20,943 |
| 31-60 days | 3,784 | 1,351 |
| 61-90 days | 1,886 | 1,124 |
| Over 90 days | 1,584 | 690 |
| | 30,688 | 24,108 |

## 9. Trade payables

At 31 December 2007, the aging analysis of the trade payables is as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| 0-30 days | 231,973 | 173,012 |
| 31-60 days | 133,527 | 99,804 |
| 61-90 days | 62,322 | 51,370 |
| Over 90 days | 27,530 | 33,013 |
| | 455,352 | 357,199 |

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

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 was established in January 2001 to review the Group's financial reporting, internal controls, corporate governance and risk management matters and to make recommendations to the Board. The Audit Committee comprises three independent non-executive Directors, namely Dr. Ch'ien Kuo Fung, Raymond (Chairman of the Committee), Mr. Au Man Chung, Malcolm, 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 professional qualifications, accounting and related financial management expertise as required under the GEM Listing Rules.

The Audit Committee met four times in 2007 (with an average attendance rate of 90%) to review with senior management and the Company's internal (Corporate Governance Division) and external auditors the Group's significant internal control and financial matters as set out in the Audit Committee's terms of reference. The Committee's review covers the audit plans, audit findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, the GEM Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the annual, interim and quarterly accounts before recommending to the Board for approval).

The Group's annual results for the year ended 31 December 2007 have been reviewed by the Audit Committee.

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2007.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 4:00 p.m. on Wednesday, 7 May 2008 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 paying the shareholders a final dividend of 5.5 HK cents (2006: 5 HK cents) per share for the year ended 31 December 2007. Together with the interim dividend of 1.7 HK cents (2006: 1.5 HK cents) per share paid by the Company on 24 August 2007, the proposed final dividend makes a total dividend of 7.2 HK cents (2006: 6.5 HK cents) per share for the year.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 2 May 2008 to 7 May 2008, 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, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 30 April 2008. Dividend warrants will be despatched on 8 May 2007, subject to shareholders' approval of payment of the final dividend at the Annual General Meeting on 7 May 2008.

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

Hong Kong, 12 March 2008

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

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