



For Immediate Release

Convenience Retail Asia reports continued sales and profit growth for 2005

Company prepares for further expansion in the Pearl River Delta in 2006

Hong Kong, 9 March 2006 – Convenience Retail Asia Limited (“CRA” or “the Group”; SEHK: 8052), operator of the Circle K convenience stores in Hong Kong and on the Chinese Mainland, announced continued sales and profit growth for 2005, capitalising on the solid economic growth of Hong Kong and the Chinese Mainland.

The Group’s turnover for the year and the fourth quarter ended 31 December 2005 grew 14.9% and 18.4% to HK\$1,995.2 million and HK\$524.2 million respectively compared to same periods in 2004.

Net profit attributable to shareholders rose by 11% to HK\$73.6 million for the year and by 8% to HK\$20.9 million for the fourth quarter compared with 2004. Basic earnings per share increased by 10% from 9.9 HK cents to 10.9 HK cents for the year. The Board of Directors has resolved to recommend a final dividend of 4.5 HK cents per share (2004: 3.75 HK cents). Together with the interim dividend of 1.5 HK cents per share, total dividend for 2005 would be 6 HK cents per share (2004: 5 HK cents).

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “The overall economic environment in Hong Kong and on the Chinese Mainland continued to improve in 2005. Despite challenges such as escalating retail rental and keen market competition in Hong Kong, the Group continued to report healthy growth on the back of consistent improvement in consumer spending.”

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Business Review

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).

During the year under review, 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 four stores in Zhuhai. Total number of Circle K stores reached 290 as at the end of year.

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 the Group's aggressive marketing and promotional programmes, category management initiatives, and the strong growth of the economy in Hong Kong and on the Chinese Mainland.

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 system.

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. However, the Group's 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.

In Guangzhou, market acceptance of the Group's Hot & In food offering illustrates that this unique store model is successfully creating a market niche in the convenience store segment. It is the Group's intention to further build on this strength.

Comparable stores in Guangzhou are profitable. According to an industry source, the Group's operations in Guangzhou reported the fastest growing convenience store sales in Southern China.

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.

Regardless of the unforeseen delay, the Group proceeded to open five Circle K stores in Dongguan in the fourth quarter of 2005. While the first two stores were designed to duplicate the Guangzhou store model, a new “twin-store” concept was introduced. The concept involves a strategic partnership with a local bakery chain, enabling stores in Dongguan to offer the dual benefits of shopping at a convenience store as well as a local bakery at the same time. The new model has been well received by local consumers.

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

Outlook

Looking ahead, overall economic growth in both Hong Kong and on the Chinese Mainland is expected to sustain, providing a positive market environment for the Group’s operations.

Mr. Yeung said, “In accordance with the strategic focus of the current three-year plan (2005-2007), the priority for 2006 will be aggressive expansion of the Group’s multi-city store network in the Pearl River Delta. We 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. “

In addition to Guangzhou and Dongguan, a new office was opened in Shenzhen in preparation for the opening of the city’s first Circle K store in March 2006.

“The Group will further pursue and execute its long term strategy of consistent brand building, continuous 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. It is also an intention of the Group to develop franchising as one of our core competencies,” Mr. Yeung added.

Encouraged by the performance of the Group’s established stores in Southern China, the Group looks forward to a period of accelerated expansion. While the Group’s profitability growth will be impacted by its 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.

About CRA

Convenience Retail Asia Limited (CRA, SEHK stock code: 8052), a member of Li & Fung Retailing, is engaged in the operation of one of the leading convenience store chains in Hong Kong under the brand name of Circle K. The Circle K store chain in Hong Kong comprises 230 company-owned-and-managed stores as of 31 December 2005.

In October 2002, CRA established Convenience Retail Southern China Limited in joint venture with Guangzhou Grain Group Limited and Shanghai Shenhong Corporation to develop the South China market. As at the end of December 2005, 40 Circle K stores were in operation in Guangzhou and five stores in Dongguan.

In Macau and Zhuhai, sublicensed Circle K stores are in operation and as of 31 December 2005, there were a total of 15 stores. (CRA website: www.cr-asia.com)

About Li & Fung Retailing

Li & Fung (Retailing) Limited, the holding company of Convenience Retail Asia, was formed in 1985 as a company wholly owned by Li & Fung (1937) Limited. Under Li & Fung Retailing, there are Circle K and Toys "R" Us; fashion retailing business Branded Lifestyle which manages retail sales of Ferragamo, Country Road, Mango and Calvin Klein Jeans in key markets in Asia; and also a brand licensing unit that specialises in licensed products. Li & Fung Retailing's business extends from Korea, Hong Kong to Taiwan, Singapore, Malaysia, Thailand and Indonesia with plans for expansion into the Chinese Mainland and other South East Asian countries. (Li & Fung Group website: www.lifunggroup.com)

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Convenience Retail Asia Limited
利亞零售有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8052)

ANNUAL RESULTS FOR 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.
- Number of stores increased from 225 to 290 in Hong Kong, Macau and Southern China, including five new stores opened in Dongguan.
- Plan to accelerate multi-city store network expansion in Pearl River Delta.
- Hong Kong market expected to remain strong; start-up losses in China to peak in 2006.

Convenience Retail Asia Limited Consolidated Profit & Loss Account

	Year ended 31 December 2005 HK\$'000	2004 HK\$'000 (Restated)
Turnover	1,995,206	1,736,491
Cost of sales	(1,509,403)	(1,312,920)
Gross profit	<u>485,803</u>	<u>423,571</u>
Other revenues	187,901	146,084
Store expenses	(488,364)	(402,155)
Distribution costs	(34,625)	(29,128)
Administrative expenses	(69,053)	(63,454)
Profit before income tax	<u>81,662</u>	<u>74,918</u>
Income tax expenses	(14,048)	(13,673)
Profit for the year	<u><u>67,614</u></u>	<u><u>61,245</u></u>
Profit attributable to:		
Shareholders of the Company	73,578	66,276
Minority interests	(5,964)	(5,031)
	<u><u>67,614</u></u>	<u><u>61,245</u></u>
Dividends	<u><u>40,483</u></u>	<u><u>33,590</u></u>
Basic earnings per share	<u><u>HK10.9 cents</u></u>	<u><u>HK9.9 cents</u></u>
Diluted earnings per share	<u><u>HK10.9 cents</u></u>	<u><u>HK9.8 cents</u></u>
Final dividend per share	<u><u>HK4.5 cents</u></u>	<u><u>HK3.75 cents</u></u>