



For Immediate Release

Convenience Retail Asia reports robust turnover growth for the third quarter

Hong Kong, 6 November 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 encouraging growth in turnover riding on strong consumer sentiment in both Hong Kong and Guangzhou for the three months ended 30 September 2006.

For the third quarter of 2006, the Group’s turnover increased by 17.6% to HK\$589.8 million when compared to that of the same period last year.

The Group recorded a net profit attributable to shareholders of HK\$23.1 million during the quarter, representing a 1.2% increase over the net profit attributable to shareholders of HK\$22.9 million for the corresponding period in 2005. Earnings per share remained unchanged at 3.4 HK cents per share during the quarter.

For the nine months ended 30 September 2006, the Group recorded a turnover of HK\$1,665 million and net profit attributable to shareholders of HK\$55.6 million, representing an increase of 13.2% and 5.6% respectively year on year.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “In the third quarter of 2006 consumer sentiment remained strong, underpinned by improving employment conditions, sustained rise in household income and continued expansion of inbound tourism. Thanks to all of the above favourable conditions together with our successful promotional activities, as well as renewed momentum in new store openings, we were able to achieve robust sales growth during the period.”

Business Review

During the quarter ended 30 September 2006, the Group achieved an increase in turnover coming from new stores as well as an increase in comparable store sales (stores in existence throughout first, second and third quarters of both 2005 and 2006). Comparable store sales in Hong Kong increased by 8.3% mainly attributable to successful promotions, improvement in consumer sentiments and better weather during the third quarter.

Traditionally, the third quarter is the peak sales period for the convenience store business with the hot summer weather generating optimum consumer demand for packaged drinks, beer and ice-cream products.

A total of 11 new stores were opened during the three months of July to September as the retail property market in Hong Kong went through a period of consolidation, offering more new store site opportunities in suitable retail locations for the Group's network expansion plan.

In Guangzhou, sales growth in the third quarter was mainly a result of increased spending during the summer holiday season. Traditional summer products such as beer and packaged drinks categories enjoyed double-digit growth. The Group's business in Guangzhou reported healthy overall turnover growth with a significant increase of 9.6% in comparable store sales during the quarter.

However, the steady escalation in retail rental in the prime retail areas in Guangzhou may pose challenges to the Group's store opening programme. The cumulative effect of the increase in the minimum wage, welfare cost and other social security expenses on the mainland over the years has already impacted staff cost which has become a major component of the Group's operating costs. Though the recent global escalation in raw material and fuel costs has started to slow down, utilities costs in the form of power costs still remain a major expense item.

In August 2006, the Group entered into a non-binding preliminary agreement with CCMP Capital Asia Pte. Ltd. to acquire a 2.5% equity interest in Buytheway Inc., one of the leading operators of convenience store chain in South Korea, for a cash consideration not exceeding HK\$30 million, with an option to acquire an additional 30.5% equity interest over a period of two years. It is expected that the formal signing of the final agreement will take place in the last quarter.

As part of the agreement, the Group will provide management consultancy services to Buytheway Inc. in relation to its convenience store operations for a nominal consulting fee. These arrangements will enable the Group to closely evaluate the market opportunities and growth potential of the business in South Korea before making any further commitment.

As at the end of the quarter, CRA operated 249 stores in Hong Kong and 56 stores in the Pearl River Delta region (47 in Guangzhou, seven in Dongguan, two in Shenzhen) compared to 223 stores in Hong Kong and 35 stores in Guangzhou at the end of the third quarter of 2005. In Macau and Zhuhai, 21 sublicensed Circle K stores were in operation as of 30 September 2006.

Outlook

Going forward, Mr. Yeung commented, “With the expectation that all the economic indicators will continue to sustain their positive trends after the robust market performance reported in the first three quarters of 2006, we will make every endeavour to maintain the steady growth trend in the Group’s turnover in the coming quarter despite the challenges posed by escalating operating costs; especially in labour, rental and electricity charges.”

As the fast-paced opening of new stores in Guangzhou, Dongguan and Shenzhen continues, it is anticipated that this will likely impact the Group’s profitability in the short term but should revert back to healthy growth after the initial investment period.

“We will continue to open new stores to drive sales and profit growth in the Pearl River Delta region whilst remaining open to merger and acquisition opportunities that can help us strengthen our business across new markets in the future,” Mr. Yeung concluded.

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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 249 company-owned-and-managed stores as of 30 September 2006.

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 September 2006, 47 Circle K stores were in operation in Guangzhou and seven stores in Dongguan and two stores in Shenzhen.

In Macau and Zhuhai, sublicensed Circle K stores are in operation and as of 30 September 2006, there were a total of 21 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)

THIRD QUARTERLY RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

Three Months Ended 30 September		2006	2005
• Group Revenue	+17.6%	HK\$589,777,000	HK\$501,400,000
• Group Profit Attributable to Shareholders	+1.2%	HK\$23,138,000	HK\$22,853,000
• Earnings Per Share (Basic)	-	HK3.4 cents	HK3.4 cents
Nine Months Ended 30 September		2006	2005
• Group Revenue	+13.2%	HK\$1,665,016,000	HK\$1,471,018,000
• Group Profit Attributable to Shareholders	+5.6%	HK\$55,579,000	HK\$52,640,000
• Earnings Per Share (Basic)	+5.1%	HK8.2 cents	HK7.8 cents
• Interim Dividend Per Share	-	HK1.5 cents	HK1.5 cents

Number of Circle K Stores as of 30 September 2006

Hong Kong	249
Guangzhou	47
Dongguan	7
Shenzhen	2
Subtotal	305
Macau	15
Zhuhai	6
Subtotal (Franchised Stores)	21
Grand total	326

HIGHLIGHTS

- 17.6% increase in turnover and 1.2% increase in net profit riding on strong consumer sentiment in Hong Kong and Guangzhou.
- Healthy comparable store sales growth driven by successful premium promotion and seasonality factors.
- Number of stores in Hong Kong increased by 11 to 249 during the quarter.
- Number of store in Guangzhou increased by 4 to 47 during the quarter.
- Number of store in Shenzhen increased by 1 to 2 during the quarter.
- Expect to sign final agreement with CCMP Capital Asia Pte. Ltd. in the fourth quarter to acquire 2.5% equity interest in Buytheway Inc. convenience store chain in Seoul, South Korea.
- Strong cash position with HK\$648.7 million and no bank borrowings.

Convenience Retail Asia Limited

Unaudited Consolidated Profit & Loss Account

	Nine months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Revenue	1,665,016	1,471,018
Cost of sales	(1,252,617)	(1,114,839)
Gross profit	<u>412,399</u>	<u>356,179</u>
Other income	146,442	131,365
Store expenses	(406,191)	(354,056)
Distribution costs	(29,155)	(25,483)
Administrative expenses	(59,628)	(49,441)
Profit before income tax	<u>63,867</u>	<u>58,564</u>
Income tax expenses	(12,670)	(10,047)
Profit for the period	<u><u>51,197</u></u>	<u><u>48,517</u></u>
Profit attributable to:		
Shareholders of the Company	55,579	52,640
Minority interests	(4,382)	(4,123)
	<u><u>51,197</u></u>	<u><u>48,517</u></u>
Dividend	<u><u>10,138</u></u>	<u><u>10,091</u></u>
Earnings per share for profit attributable to the shareholders of the Company		
- Basic earnings per share	<u><u>HK8.2 cents</u></u>	<u><u>HK7.8 cents</u></u>