



For Immediate Release

Convenience Retail Asia reports satisfactory results for Q1 2006

***Robust economies and positive consumer sentiment drive sales growth
Approved acquisition of Sun-High to provide major boost to store network in PRD***

Hong Kong, 2 May 2006 – Convenience Retail Asia Limited (“CRA” or “the Group”; SEHK: 8052), operator of Circle K convenience stores in Hong Kong and on the Chinese Mainland, announced healthy increases in turnover and profit for the first quarter of 2006, reflecting the Group’s ability to capitalise on strong economic growth within the region.

For the three-month period ended 31 March 2006, the Group’s turnover was HK\$514,388,000, an increase of 13.3% when compared to the same period last year. Profit attributable to shareholders rose by 13.0% to HK\$10,073,000 year-on-year. Increases in turnover and gross margin percentage, with some offsetting effects with increase in store operating expenses as a percentage of turnover contributed to the profit increase. Basic earnings per share were 1.5 HK cents, compared to 1.3 HK cents in first quarter of 2005.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “These satisfactory results show that CRA has been able to maximise the potential of the robust local economies. Local consumption was the key driver, boosted by a falling unemployment rate and rising wages. Buoyancy in the equity and property markets further fueled positive consumer sentiment. Based on these factors, the Group continues to report satisfactory growth in all aspects of its business performance.”

Business Review

The momentum of economic growth in both Hong Kong and on the Chinese Mainland from 2005 carried through the first quarter of 2006. Comparable store sales (stores in existence throughout the first quarter of 2005 and 2006) in Hong Kong and Guangzhou increased by 3.8% and 11.2% respectively over the first quarter of 2005.

In Hong Kong, a highlight of the quarter was the successful launch of the Good Day Garfield promotion, which contributed to healthy growth in sales turnover with incremental customer transactions and value per transaction. The Group also accelerated the pace of its store network expansion by adding 5 new stores.

In Guangzhou, the launch of a range of Chinese meal boxes in February provided an instant boost in sales, achieving double-digit growth in average daily store sales. However, the general boom in the Guangzhou retail market also created increased demand for prime retail space, and the Group anticipates that pressure on retail rental in the coming months could moderate the momentum of new store openings.

At the end of the first quarter of 2006, there were a total of 235 stores in Hong Kong, 41 stores in Guangzhou and 6 stores in Dongguan compared to 212 stores in Hong Kong and 22 stores in Guangzhou as of the end of the first quarter of 2005. Under the franchising arrangement, the total number of Circle K stores in Macau and Zhuhai increased to 18 during the quarter.

Outlook

Looking ahead, Mr Yeung said, “With a good start to the first quarter, the Group expects the strong economic performances of Hong Kong and the Chinese Mainland to continue over the coming months.”

The warmer weather ahead and the World Cup in June will stimulate sales growth. Nevertheless, the cigarette price war that started in the middle of April may have a negative effect on cigarette sales. Furthermore, the implementation of a five-day workweek among civil servants will inevitably affect breakfast traffic on Saturday mornings for stores located in office building areas.

“To cope with these developments, the Group will step up its promotional efforts to generate extra sales and traffic. Overall, we expect the Hong Kong market to perform better in 2006 than 2005,” Mr Yeung commented.

The Group finally received Guangdong Provincial Government’s approval for its acquisition of the Sun-High convenience store chain in Dongguan, and expects to complete the transaction and commence integration of the chain in the second quarter. This will add about 200 outlets (primarily franchised) to the Group’s store network in the Pearl River Delta area.

Mr Yeung said, “In addition, we will open our first Circle K store in Shenzhen in the second quarter, which is in line with our initiative of strong store growth in the Pearl River Delta—the major goal for the Group in 2006.

