



For Immediate Release

Convenience Retail Asia continues to achieve satisfactory growth in sales and profit for 2006

2007 promises stable organic growth and multi-city expansion opportunities

Hong Kong, 7 March 2007 – 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 growth in both turnover and profit for 2006 on the back of optimistic consumer sentiment.

The Group’s sales for the year and the fourth quarter increased to HK\$2,231.2 million and HK\$566.2 million respectively, representing a growth of 11.8% and 8.0% when compared to the corresponding periods in 2005. Net profit attributable to shareholders rose by 2.0% to HK\$75.1 million for the year but fell by 7.0% to HK\$19.5 million for the fourth quarter when compared to 2005. The increase in net profit in the Hong Kong market was somewhat offset by additional start-up losses in two new Southern China markets (Dongguan and Shenzhen), hence the small overall increase in earnings.

Basic earnings per share increased by 1.8%, from 10.9 HK cents to 11.1 HK cents for the year. The Board of Directors has resolved to recommend a final dividend of 5 HK cents per share (2005: 4.5 HK cents). Together with the interim dividend of 1.5 HK cents per share, total dividend for 2006 would be 6.5 HK cents per share (2005: 6.0 HK cents).

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “In 2006 the overall retail market in Hong Kong continued its solid growth amidst a robust property market, improving employment income and better job prospects. Optimistic consumer sentiment and a “wealth effect” as a result of the bullish stock market performance towards the end of the year fueled domestic consumption, setting the tone for increased consumer confidence and higher propensity to spend. These increases in consumption contributed to the healthy growth of the Group's sales turnover in Hong Kong.”

Business Review

Highlight of the year was the opening of the 250th Circle K store in Hong Kong on 13 December 2006. This was a significant milestone for the Group as the Group has now become the biggest 100% company-owned-and-managed retail chain in Hong Kong and the second-biggest chain in terms of number of outlets. To commemorate the opening, a donation of HK\$250,000 was made to Heifer International-Hong Kong in the name of the Circle K customers.

Sales turnover for the Hong Kong operations exceeded HK\$2 billion for the first time with a record high of HK\$2.1 billion annual store sales.

With the addition of 20 new stores over the year and a non-stop refitting programme of the Circle K stores, the brand profile of the Circle K chain in the market has been substantially enhanced and rejuvenated.

In Guangzhou, against the backdrop of a booming retail market, the Circle K chain reported healthy double-digit comparable store sales growth of 12.4% for the year.

Food and drink products under the Hot & In house brand continued to generate robust growth, accounting for more than 40% of the total sales mix. The introduction of a new range of Chinese meal boxes and a series of packaged bakery snacks contributed to this stellar sales performance.

During the year, the Group moderated its pace of new store openings with a relatively modest 12 openings. This stemmed from the Group's decision to be more discriminating in the selection of suitable store sites and to secure potential customer traffic that fits the Group's target customer profile.

In Dongguan, four new stores were opened, taking the total number of stores to eight. Two new stores were also opened in Shenzhen in 2006, signifying the Group's entry into that market.

In South Korea, a Sale and Purchase agreement for the acquisition of approximately 2.5% of Buytheway Inc. was finalized and signed on 10 November 2006. Option agreements for acquiring approximately 30.5% equity interest of Buytheway Inc. within the next 24 months were also finalized and signed, together with a management consultancy agreement.

The new business partnership in South Korea opens up a new geographical area for the Group's strategic expansion and is in line with the Group's corporate vision and commitment to be the preferred and fastest-growing convenience store chain in Asia.

Outlook

With optimistic economic outlooks in the markets where the Group operates, 2007 promises stable organic growth and multi-city expansion opportunities.

In Hong Kong, where the total number of convenience stores reached the 1,000 mark at the end of 2006, keener store-to-store competition is expected.

Mr. Yeung commented, "Going forward, the Group's top priority is to ensure that the Circle K brand maintains a high degree of distinctiveness, differentiated by an enhanced product mix and superior customer service compared to the competition. This is more critical than ever in order to build customer preference and brand loyalty."

An exciting new development in the first quarter of 2007 is the Group's acquisition of the Saint Honore bakery, a well established and high quality supplier of bakery products in Hong Kong, Macau and Guangzhou. This forward integration not only enables the Group to acquire an additional core competence in bakery and food preparation but also add a recognized brand name and 88 bakery retailing outlets to the Group's operations in the Pearl River Delta.

In Guangzhou, the convenience store market continues to grow steadily. The Group intends to build on the most salient feature of the store model, the Hot & In food service, and make it the key driver of store profit and customer traffic. In Dongguan and Shenzhen, the pace of store network expansion will be moderated while the store model is being modified and customized to better fulfill local market demand.

"In summary, the key management objective in 2007 is quality growth in store number, store contribution and comparable store sales. Moreover, we will continue to explore acquisition opportunities in all markets where the Group operates that are strategically complementary and compatible with the Group's convenience store business models," 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 250 company-owned-and-managed stores as of 31 December 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 of 31 December 2006, 52 Circle K stores were in operation in Guangzhou and eight stores in Dongguan and two stores in Shenzhen. In Macau and Zhuhai, there were a total of 22 sublicensed Circle K stores in operation. Excluding Hong Kong, there were 84 stores in the Pearl River Delta Region. (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 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 2006

Twelve Months Ended 31 December		2006	2005
• Revenue	+11.8%	HK\$2,231,217,000	HK\$1,995,206,000
• Profit attributable to shareholders of the Company	+2.0%	HK\$75,054,000	HK\$73,578,000
• Earnings per share	+1.8%	HK11.1 cents	HK10.9 cents
• Interim dividend per share	-	HK1.5 cents	HK1.5 cents
• Final dividend per share	+11.1%	HK5 cents	HK4.5 cents
Three Months Ended 31 December		2006	2005
• Revenue	+8.0%	HK\$566,201,000	HK\$524,188,000
• Profit attributable to shareholders of the Company	-7.0%	HK\$19,475,000	HK\$20,938,000
• Earnings per share	-6.5%	HK2.9 cents	HK3.1 cents

HIGHLIGHTS

- Small increase in earnings due to start-up losses in Dongguan and Shenzhen.
- Opened the 250th Circle K store in Hong Kong.
- Achieved record high Group annual sales turnover of HK\$2.2 billion.
- Finalized acquisition of approximately 2.5% equity interest of Buytheway Inc. in South Korea in November with options to acquire approximately 30.5% equity interest within the next 24 months.
- Forward integration through the acquisition of premium bakery Saint Honore, a supplier of Circle K with a recognized brand name and 88 bakery outlets in the Pearl River Delta.
- With the relaxation of regulations governing franchising, Circle K Guangzhou set to implement the franchising model as soon as the requisite business licenses are ready.

Number of Circle K Stores as of 31 December 2006

Hong Kong	250
Guangzhou	52
Dongguan	8
Shenzhen	2
Subtotal	312
Macau	16
Zhuhai	6
Subtotal (Franchised Stores)	22
Grand total	334

Convenience Retail Asia Limited

Consolidated Profit & Loss Account

	Year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Revenue	2,231,217	1,995,206
Cost of sales	(1,678,018)	(1,509,403)
Gross profit	<u>553,199</u>	<u>485,803</u>
Other income	207,014	187,901
Store expenses	(551,693)	(488,364)
Distribution costs	(39,399)	(34,625)
Administrative expenses	(83,606)	(69,053)
Profit before income tax	<u>85,515</u>	<u>81,662</u>
Income tax expenses	(16,078)	(14,048)
Profit for the year	<u><u>69,437</u></u>	<u><u>67,614</u></u>
Profit attributable to:		
Shareholders of the Company	75,054	73,578
Minority interests	(5,617)	(5,964)
	<u><u>69,437</u></u>	<u><u>67,614</u></u>
Dividends	<u><u>46,338</u></u>	<u><u>40,483</u></u>
Earnings per share for profit attributable to the shareholders of the Company	<u><u>HK11.1 cents</u></u>	<u><u>HK10.9 cents</u></u>
Final dividend per share	<u><u>HK5 cents</u></u>	<u><u>HK4.5 cents</u></u>