CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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: 08052)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

Three months ended 31 December		**2008**	2007
● Revenue	+6.1%	HK$829,879,000	HK$782,419,000
● Profit attributable to shareholders of the Company	+0.3%	HK$21,600,000	HK$21,526,000
● Basic earnings per share (HK cents)	+0.3%	2.96	2.95

Twelve months ended 31 December		**2008**	2007
● Revenue	+13.9%	HK$3,322,665,000	HK$2,917,614,000
● Profit attributable to shareholders of the Company	+2.3%	HK$88,873,000	HK$86,867,000
● Basic earnings per share (HK cents)	+0.8%	12.18	12.08
● Interim dividend per share (HK cents)	0%	1.7	1.7
● Final dividend per share (HK cents)	0%	5.5	5.5

HIGHLIGHTS

- Circle K Hong Kong and Saint Honore posted satisfactory sales performance in the fourth quarter of 2008 despite deteriorating economic environment
- Gross margin negatively impacted by steep food cost inflation over the year in review
- Recessionary economy posing fresh challenges as well as creating new opportunities
- The Group holds net cash position of HK$418.5 million as of 31 December 2008 without any bank borrowings

NUMBER OF STORES AS OF 31 DECEMBER 2008

Circle K Convenience Stores		
Hong Kong		284
Guangzhou		71
Shenzhen		6
Subtotal		361
Franchised Circle K Stores		
Guangzhou		5
Macau		17
Zhuhai		12
Subtotal		34
Total number of Circle K Stores		**395**
Saint Honore Group		
Hong Kong	—Cake Shop	77
	—Bread Boutique	7
Subtotal		84
Macau	—Cake Shop	7
Guangzhou	—Cake Shop	14
Subtotal		21
Total number of Saint Honore Stores		**105**
Total number of Stores under Convenience Retail Asia		**500**

CHAIRMAN'S STATEMENT

FINANCIAL OVERVIEW

I am pleased to report that Convenience Retail Asia Limited, together with its subsidiaries (the "Group"), achieved continued sales growth of 13.9% and a net profit increase of 2.3% for 2008 as compared to 2007. Basic earnings per share increased by 0.8% from 12.08 HK cents to 12.18 HK cents. The financial position of the Group remains strong with a cash reserve of HK$418.5 million without any bank borrowings.

REVIEW OF THE HONG KONG RETAIL MARKET

During the last quarter of 2008, the impact of the global financial crisis started to affect the local market. This was manifested in the form of a credit crunch and loss of confidence in investment products, triggered in particular by the Lehman Brothers minibond issue. Consumer confidence dived around the world, and Hong Kong was no exception.

The Nielsen Consumer Confidence Index reported a decline from 118[1] in 2007 to 109[1] in the first half of 2008 and a further drop to an all-time low of 88[1] by the end of 2008. However, findings from the study also concluded that consumers in Hong Kong are not holding back from spending altogether and are still willing to spend on good bargains.

For the Group, the implication of such findings is that even in an economic downturn, there are opportunities for retailers who continue to invest in engaging their customers by understanding and meeting their changing needs in a recession environment.

In October 2008, which marked the turning point in consumer sentiment, the volume of overall retail sales in Hong Kong started to decrease by 4.3%[2] compared to the same month in 2007, even though retail values still registered a positive 0.3%[2] growth. The decreasing trend in sales volume was to continue till the end of the year, despite minor growth in retail sales value. Total retail sales in 2008 increased by 10.5%[3] in value and 5.0%[3] in volume as compared to 2007.

However, when compared with the preceding three-month period, the volume of total retail sales in the last quarter of 2008 decreased by 3.6%[3], even with the positive boost from the holiday season and the rebound in inbound tourism in December, which was a result of further liberalisation measures by the Central People's Government to facilitate individual visitors from the Chinese Mainland.

Headline consumer price inflation, which posed real threats to the Group's operation margin for the first three quarters of 2008, started to stabilise in the fourth quarter with the consumer price index rising by 4.3%[4] for the 12 months ended December 2008 over the previous year. Along with the drastic fall-off in energy prices and weakened consumer demand, a gradual tapering of price inflation is anticipated.

The negative wealth effect arising from asset market corrections, coupled with deteriorating income and job prospects, continued to dampen consumer spending mood for the rest of the year. Market conditions for the retailing operations in Hong Kong took a turn for the worse in the fourth quarter and could well signal only the beginning of even tougher times ahead.

COMPANY INITIATIVES FOR HONG KONG OPERATIONS

In view of the abrupt change in the economic environment, the Group made the decision to further revise downward its target number of store openings for 2008.

The net number of new Circle K stores opened in Hong Kong was 14 instead of the average number of over 20 new stores per year as in previous years. Such a conservative stance was also due to the unrealistic expectations of landlords in their rental terms for new premises despite the economic downturn.

In anticipation of changing market dynamics, the Group undertook major initiatives to further control overhead costs and maximise productivity. This was mainly achieved by increasing sales turnover per store day and controlling the allocation of human resources per store in accordance with sales performance.

Another area for substantial cost savings was the continual reduction in energy consumption. This is an ongoing company initiative that has enabled the Group to achieve financial savings in operation expenses as well as environmental sustainability objectives.

The Group also continued to implement the company credo, “Always Something New”, in Circle K’s internal functional executions in concurrence with all aspects of customer interface, including category management, marketing promotion and advertising.

As for the Saint Honore operations, the Group pressed on with its store opening programme with sites that were committed to earlier in the year, in an ongoing effort to upgrade store locations chain-wide. By the end of the year, 11 new Saint Honore Cake Shops were added in Hong Kong.

According to market feedback, the contemporary, stylish design of the new and renovated stores together with the introduction of a new range of chilled cakes to enhance that category’s offerings, proved to be quite effective in rejuvenating and upgrading Saint Honore’s brand image. This observation was well supported by the steady improvement in comparable store sales performance.

The steep rise in food price inflation put considerable pressure on Saint Honore’s margin performance throughout the year, but a gradual and assured margin improvement is anticipated, assisted by various initiatives in cost saving and the recent adjustments in food commodity prices.

REVIEW OF THE RETAIL MARKET ON THE CHINESE MAINLAND

On the Chinese Mainland, retail sales of consumer goods continued to increase despite a perceptible slowdown in overall economic growth. This could probably be explained by strong Government initiatives to encourage domestic spending. Total retail sales enjoyed a year-on-year increase of 19.0%[5] in December and a healthy double-digit growth of 21.6%[5] for 2008 over 2007.

The telltale signs of the impact of the global financial crisis are the year-on-year single-digit GDP growth of 9.0%[5] for the third quarter of 2008, compared to the double-digit growth of the preceding quarters, as well as the negative export growth of 2.8%[6] for the month of December and the drop in consumer confidence index to 87.3[7] in December from 95.6[7] in January 2008.

The runaway inflation rate that was rampant in the first three quarters of 2008 started to decelerate in the fourth quarter, with the Consumer Price Index decreasing from 4.9%[8] in August to 1.2%[5] in December 2008.

REVIEW OF THE GUANGZHOU OPERATIONS

Following the implementation of a series of restructuring and cost-saving initiatives that began in early 2008, the Group's Guangzhou operations were able to maximise overall productivity and operational efficiency. The new store opening programme was put on hold during this period of business consolidation.

In reaction to the deteriorating economic conditions in Dongguan, the Group decided to close its five Circle K stores in the market. This temporary measure enables the Group to focus on its Guangzhou operations as the strategic base for Southern China. The Group does not rule out the possibility of re-entering the market when the economic conditions improve.

At the end of 2008, the Group submitted documentation for official approval for the acquisition of an additional 25% equity interest in Convenience Retail Southern China Limited from Guangzhou Grain Holding Company Limited. Upon approval of the transaction, the Group's total equity interest in the company would increase to 98.5%. This dominant equity holding position would not only re-confirm the Group's commitment to the Guangzhou market, but also provide more liberty for the management team to increase investment in the market at an optimum time to take advantage of future economic recovery.

The experiment with the franchising model is still a work in progress, and every detail of the franchisee operations and contractual terms is being closely monitored.

CORPORATE GOVERNANCE

The Group is committed to maintaining the highest standards of corporate governance and will continue to foster a company culture that upholds the unwavering principles of transparency, accountability and independence.

The Group will also make every effort to comply with the revised provisions in the Code on Corporate Governance Practices as implemented by The Stock Exchange of Hong Kong Limited.

OUTLOOK FOR 2009

With the global financial turmoil still unfolding, the Group will maintain a conservative outlook regarding the operational environment in 2009 and prepare for worst-case scenarios regarding the economic environment and market sentiment.

With the anticipated increase in unemployment, the precarious future of small- and medium-size enterprises, the volatility of the equity market, the adjustments in the property market and the drop in inbound tourism from the Americas, North Asia and Europe, prospects for retail operators in Hong Kong are among some of the most challenging for the last few decades.

On the Chinese Mainland, one cause for concern for convenience store operators is that a portion of existing customers might become overly price sensitive and reduce their shopping frequency.

The Group also anticipates continued pressure on pricing and gross margin, because in a recession environment, nothing less than a value proposition is effective in winning customer loyalty and maintaining market share. In view of this, the Group is implementing an aggressive promotion plan and cost-saving initiatives to maintain turnover sales and protect operating margin.

In order to mitigate the adverse market conditions, the Group also intends to adopt defensive tactics in the near term future by maintaining its existing lean-and-mean operation, training and developing human resources, conserving a substantial cash reserve as well as decelerating all expansion plans and waiting for the economic factors to improve before initiating another phase of accelerated expansion.

On behalf of the Board, I would like to take this opportunity to thank the management team and all staff for their initiatives and commitment which has enabled the Group to deliver satisfactory business results in a year of unexpected market developments and financial turmoil.

Fung Kwok King, Victor
Chairman

Hong Kong, 16 March 2009

Notes:

1 *Published by The Nielsen Company on 6 November 2008.*

2 *Published by Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 January 2009.*

3 *Published by Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 February 2009.*

4 *Published by Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 22 January 2009.*

5 *Published by National Bureau of Statistics of China on 22 January 2009.*

6 *Published by General Administration of Customs of the People's Republic of China on 22 January 2009.*

7 *Published by National Bureau of Statistics of China on 10 February 2009.*

8 *Published by National Bureau of Statistics of China on 10 September 2008.*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Board is pleased to report the financial results of the Group for the year ended 31 December 2008. The Group's turnover for the year and the fourth quarter increased to HK$3,322.7 million and HK$829.9 million respectively, representing growth of 13.9% and 6.1% when compared to the corresponding period in 2007. Also, in 2008 the turnover of the convenience store business increased by 8.6% to HK$2,667.5 million compared to 2007. These increases were mainly attributable to the opening of new stores and a sales increase at comparable convenience stores (stores in existence throughout 2007 and 2008). Sales for comparable convenience stores in Hong Kong and Southern China increased by 4.4% and 9.5% respectively against 2007. Meanwhile, the turnover of the cakes and bakery business increased by 42.6% to HK$702.7 million compared to 2007, which was due mainly to the full-year consolidation of the Saint Honore operations in 2008, the opening of new stores and an increase in comparable store sales.

Gross margin and other income (excluding interest income) increased from 36.6% to 37.1% of turnover for the year and from 36.9% to 38.1% of turnover for the fourth quarter when compared to 2007. These increases were due to an improvement in the convenience store business gross margin, which was partly offset by the deterioration in gross margin for the bakery business as a result of substantial increases in food costs in 2008.

Store expenses as a percentage of turnover increased from 26.7% to 26.9% for the year and 27.5% to 28.3% for the fourth quarter when compared to 2007. This was mainly due to one-off business closure expenses for convenience stores in Dongguan and the consolidation of Saint Honore results with a higher cost structure.

Distribution costs as a percentage of turnover increased from 2.3% to 2.5% for the year and decreased from 2.6% to 2.5% for the fourth quarter when compared to 2007. The overall increase in distribution costs as a percentage of turnover was due to the consolidation of Saint Honore results. The decrease in distribution costs as a percentage of turnover for the fourth quarter was mainly due to improvements in the distribution process and operation efficiency.

Administrative expenses as a percentage of turnover increased from 4.2% to 4.3% for the year and from 3.7% to 4.3% for the fourth quarter when compared to 2007. The increases were mainly due to an increase in staff cost and the full-year consolidation of the Saint Honore results in 2008.

Net profit attributable to shareholders increased by 2.3% and 0.3% to HK$88.9 million and HK$21.6 million for the year and the fourth quarter when compared to 2007. Basic earnings per share increased by 0.8% from 12.08 HK cents to 12.18 HK cents for the year.

The Group continued to maintain a strong financial position with net cash of HK$418.5 million without any bank borrowings. The Hong Kong business generated a free cash flow of approximately HK$59.4 million in 2008.

Most of the Group's cash balances were deposits in HK dollars with major banks in Hong Kong, and most of the Group's assets, liabilities, revenues and payments were held in either HK dollars or Renminbi. The Group had limited foreign exchange exposure in Renminbi as a result of its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from short-term bank deposits. The Group will continue its policy of placing surplus cash in short-term HK dollars or Renminbi bank deposits to meet the funding requirements of any future acquisition projects.

OPERATIONS REVIEW – HONG KONG

As of 31 December 2008, the Group operated a total of 284 company-owned-and-managed Circle K stores in Hong Kong, compared to 270 stores at the end of 2007.

As for Saint Honore, the Group operated a total of 84 company-owned-and-managed stores in Hong Kong, compared to 81 stores at the end of 2007. Altogether the Group operated a total of 368 retail outlets under the two retailing brands in Hong Kong.

EMPLOYEES

As of 31 December 2008, the Group had a total of 6,146 employees, with 3,962 based in Hong Kong and 2,184 in Guangzhou, Shenzhen and Macau. Part-time staff accounted for about 29% of the total headcount. In 2008, the Group increased the part-time ratio significantly in order to lower its fixed staff cost and to have more flexibility in its management of human resources. Total staff costs in 2008 were HK$564.9 million, compared with HK$458.7 million for 2007.

The Group offers competitive remuneration schemes to its staff. In addition, discretionary bonuses and share options are granted to eligible staff based on individual and company performance.

One of the key initiatives for 2008 was skill development for the operations team. The Group developed training programmes for staff of different levels across various disciplines. Workshops for management staff were also conducted to improve working efficiency and communication effectiveness.

In order to share best practices between Hong Kong and Guangzhou, an Operation Manager Regional Development Program was implemented in September 2008 and completed in mid-January 2009. It was an exchange program of operations staff in the two markets including on-the-job training, store visits, case studies and an open discussion session.

To further improve internal communications, “meet the staff” sessions were conducted for office staff. These provided opportunities for the management team to share company policies as well as market information.

MARKETING AND PROMOTIONS

In the second half of 2008, the Group planned and launched non-stop promotional activities in support of the “Always Something New” positioning, which contributed to a healthy comparable convenience store sales growth of 4.4% for the year.

The most notable promotions were the packaged drink campaign in July and the magazine campaign in September, both of which achieved immediate sales increases and built their respective categories in the long term. They also succeeded in building customer awareness of the range of products offered and the novelty of the new products or titles being introduced. Through these promotional efforts, the group was able to strengthen its relationships with vendors, opening up the possibility of further joint promotion opportunities.

The highlight of the last quarter of 2008 was the Rilakkuma bear redemption program, which was launched in December with a 99% redemption rate. Because the Rilakkuma bear is an immensely popular Japanese licensed character, this promotion generated considerable buzz on the Internet and became a hot topic in chat rooms among trend followers.

CATEGORY MANAGEMENT

In August, the live telecast of the Olympics attracted many viewers, which in turn generated tremendous demand for in-home consumption of packaged drinks, beer, snacks and confectionery. Even though there were some concerns about a slowdown in retail sales during and after the event, the first Olympics hosted by the PRC actually boosted sales of the above categories in the convenience stores.

Unfortunately, the excitement of the Olympics was closely followed by the issue of melamine-contaminated dairy products, which resulted in a major setback for sales in the dairy and ice-cream product categories at the end of the third quarter and in the fourth quarter.

The Group launched a new merchandising display for the online game category in the last quarter, together with a dedicated website to build loyalty among the community of Circle K online game shoppers.

The range of convenience services offered by Circle K, including the ticketing service for Hong Kong Disneyland, EPS cash withdrawal and monthly bill payment for household utilities, continued to show promising growth.

The category team for in-store bakery and steamed stations continued to work on enhancing the product offerings of these two categories. The Group was also able to increase penetration of these food services among Circle K stores with the opening of new stores and refitting of existing stores.

CUSTOMER SERVICE EXCELLENCE

The Group continued to nurture a culture of quality customer service among frontline staff by offering them “home-like” support from friendly, caring store colleagues and encouraging them to work together as a family and a team. The aim is for the warmth and care of these “family members” to be passed on to customers in the form of quality service.

The Service Star program launched six years ago continues to be an effective incentive program with new service stars being identified and recognised every year.

Meanwhile, a leadership training program, which has been refined over the past four years, continues to provide career development for store managers with potential to become future leaders.

SUPPLY CHAIN MANAGEMENT AND LOGISTICS

Significant improvements in the distribution process and operational efficiency contributed to a reduction in distribution costs.

These improvements were made possible via an upgraded Warehouse Management System and an enhanced Store Support System, which were completed and launched in the third and the fourth quarters respectively.

The Group also conducted internal process improvement projects and distribution effectiveness studies to further refine delivery truck routing management, improve transportation efficiency, enhance physical flow and create a more practical operational infrastructure.

One of the key objectives for the restructuring was to integrate the Circle K and the Saint Honore logistics resources into a mutual support logistics system for maximum synergy.

OPERATIONS REVIEW – GUANGZHOU

Against the backdrop of a reasonably upbeat retail market environment, the Group’s convenience store business in Guangzhou achieved 9.6% comparable store sales growth in 2008.

Two major events adversely affected the Group's turnover in Guangzhou in the second half of 2008: the implementation of new government regulations requiring retailers to charge for plastic bags on 1 June 2008, which immediately reduced the basket size of convenience store shoppers to an average of one to two items; and the melamine contamination issue, which dealt a serious blow to sales for the dairy and ice-cream product categories overnight.

In view of the economic uncertainties, the Group decided not only to call a halt to the pace of expansion but also to aggressively close down underperforming stores in Guangzhou. After the weeding process, the Group anticipates that only profitable stores and stores with good breakeven potential will be left to form a strong base for a new phase of expansion.

To maintain a high standard of operational excellence and quality customer service, the Group launched the Service Star program in Guangzhou to improve store execution. Also, the Group will aim to achieve tighter control of payroll expenses through a new roster scheduling which will allocate manpower in proportion to turnover sales.

The Group made the decision to close five Circle K stores in Dongguan in December 2008. This was a premeditated strategic move triggered by the fast deterioration of the local economic conditions.

THE SAINT HONORE OPERATION

Saint Honore reported an encouraging sales performance in the fourth quarter of 2008. With the concerted effort being exercised by management over purchases and expenses in the manufacturing centres, gross margin should be kept at an acceptable level. Company initiatives to streamline the operational flow, reduce overhead expenses, improve productivity and minimise spoilage were all on track and started to show promising results.

New Saint Honore stores designed to provide more shopping convenience for home-makers were opened during the year in carefully selected locations. The new store layouts also allowed for much more user-friendly traffic flow and easy-to-access product presentation.

A total of more than 200 new or upgraded products were introduced in 2008. The initiative was to provide customers with superior Saint Honore products that are not only fresh, but also better tasting and more attractive. The Group was also able to generate healthy incremental sales through an enhanced range of chilled cakes and bread products, as reflected by positive sales trends.

The Group also embarked upon a strategic effort to rejuvenate the Saint Honore brand in Hong Kong and Macau through a strengthened product research and development team, which will focus on product improvement and innovation. This includes enhancing product taste, freshness and presentation across the range, upgrading store design and presentation, and quality customer service through training.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY INITIATIVES

For the sixth consecutive year, the Group was awarded the Caring Company nomination by The Hong Kong Council of Social Service in recognition of our community involvement and commitment to being a responsible corporate citizen.

Circle K Hong Kong staff together with other staff members of the Li & Fung Group of companies, responded quickly to the Sichuan earthquake disaster in May by making a significant donation of HK$23.3 million to the Red Cross and World Vision Hong Kong after receiving matching funds from the Li & Fung (1906) Foundation. Circle K Hong Kong also supported the UNICEF fundraising programme for Sichuan by placing a donation box in every Circle K store in Hong Kong from 15 to 31 May.

Elsewhere, the Group elected to become a Retail Partner of HEIFER International Hong Kong by participating in HEIFER charity projects throughout the year. From September to December 2008, HEIFER donation boxes were placed in all Circle K stores to make it easy for customers to donate small change to poor rural families on the Chinese Mainland.

On 25 October, the Group took part in HEIFER International Hong Kong's "Race to Feed 2008" to raise funds for the "Heifer Sichuan Rehabilitation Project". The Circle K team walked away with the Championship in the Yak Race as well as the "Top Fundraising Team" and "Top Fundraising Individual" awards.

And in February 2008, Saint Honore donated 6,000 rice puddings in celebration of the Chinese New Year to needy families in the Yuexiu district through the Civil Affairs Bureau of Guangzhou City.

FUTURE PROSPECTS

In view of highly uncertain global economic prospects and rather discouraging local market factors, the strategic priority for the Group is to be prepared for the worst-case scenario and be ready to react to any drastic market development.

The Group anticipates a marked downturn in overall retail sales in 2009 due to impaired consumer confidence, with the discretionary spending categories suffering most. However, as the Group's convenience store and bakery chains also deal in daily consumables with small-ticket transactions that do not fall into the discretionary shopping category, its sales performance might be more recession-resistant, especially with the implementation of marketing initiatives to put together an offering of value-for-money products with competitive pricing.

However, when the unemployment rate accelerates and the asset market plummets, negative consumer sentiment will prevail, and the only means to drive sales and motivate spending will be aggressive discount offers and value promotion. Retail pricing structure and margin maintenance will be subjected to considerable challenges and pressures. Consumers will find any price increase unacceptable since the topmost consideration in their minds will be to maximise their limited budgets. Brand loyalty and outlet preference will become secondary.

Competition will become even more cutthroat, while price/value competition will set the mood and tone for the retail market generally. Overhead expenses are expected to remain high as downward adjustments in labour cost, retail rental and other operating expenses seem unlikely to occur in the near term.

Therefore, in addition to the challenge of maintaining sales growth, another major challenge for the Group will be to protect margin performance. The Group has always exercised maximum vigilance and frugality to lower its operational costs and improve gross margin. It will continue to do so in 2009 with doubled effort.

The Group will also put all capital expenditures under close scrutiny, and the new store-opening program will become a lower priority in all the markets where the Group operates for 2009. In this period of uncertainty, the Group will continue to invest in business "enablers" − people training and talent development, business competencies and internal processes as well as brand-building and store presentation, which will provide a competitive edge when the market condition improves.

The Group will not be sidetracked from its strategic goals set in the three-year plan. It will, however, find unorthodox ways to achieve those goals. The year 2009 will be a year of business consolidation, with the management team operating in a defensive mode. At the same time the Group will continue to build on a more solid foundation in preparation for another expansion phase with the support of substantial cash reserves and high liquidity.

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 2008, together with the comparative audited figures for the corresponding year ended 31 December 2007 as follows:

	Note	**2008** **HK$'000**	2007 HK$'000
Revenue	*2*	3,322,665	2,917,614
Cost of sales	*3*	(2,315,890)	(2,058,581)
Gross profit		1,006,775	859,033
Other income	*2*	224,379	208,726
Store expenses	*3*	(895,185)	(778,896)
Distribution costs	*3*	(82,934)	(67,060)
Administrative expenses	*3*	(144,012)	(123,296)
Operating profit		109,023	98,507
Finance income, net	*4*	5,083	6,622
Profit before income tax		114,106	105,129
Income tax expenses	*5*	(25,233)	(23,583)
Profit for the year		88,873	81,546
Profit attributable to:			
Shareholders of the Company		88,873	86,867
Minority interests		-	(5,321)
		88,873	81,546
Dividends	*6*	52,554	52,495
Earnings per share for profit attributable to the shareholders of the Company			
- Basic earnings per share (HK cents)	*7*	12.18	12.08
- Diluted earnings per share (HK cents)	*7*	12.18	12.04

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	**2008**	2007
		HK$'000	HK$'000
Non-current assets			
Fixed assets		248,632	241,355
Lease premium for land		174,874	180,680
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		59,584	37,244
Bank deposits		-	50,000
Deferred tax assets		8,280	3,613
		850,730	872,252
Current assets			
Inventories		118,255	110,450
Amount due from immediate holding company		-	227
Rental deposits		21,068	25,797
Trade receivables	*8*	35,066	30,688
Other receivables, deposits and prepayments		74,650	53,048
Taxation recoverable		82	2,091
Cash and cash equivalents		418,490	392,844
		667,611	615,145
Current liabilities			
Trade payables	*9*	438,442	455,352
Other payables and accruals		143,400	140,660
Taxation payable		12,848	10,935
Cake coupons		125,398	127,613
		720,088	734,560
Net current liabilities		(52,477)	(119,415)
Total assets less current liabilities		798,253	752,837
Financed by:			
Share capital		72,992	72,907
Reserves		653,197	614,584
Proposed dividend		40,145	40,111
Shareholders' funds		766,334	727,602
Minority interests		(8,256)	(7,954)
		758,078	719,648
Non-current liabilities			
Long service payment liabilities		22,533	14,180
Deferred tax liabilities		17,642	19,009
		798,253	752,837

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 31 December 2008

	2008	2007
	HK$'000	HK$'000
Actuarial losses on post employment benefit		
- gross	(9,561)	-
- tax	1,570	-
Exchange differences	4,100	3,288
Employee share option benefit	259	8
Net (expense)/income recognised directly in equity	(3,632)	3,296
Profit for the year	88,873	81,546
Total recognised income for the year	85,241	84,842
Attributable to:		
Shareholders of the Company	85,543	89,706
Minority interests	(302)	(4,864)
	85,241	84,842

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 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 judgement in the process of applying the Group's accounting policies.

The following amendments to standards and new interpretations are mandatory for accounting periods beginning on or after 1 January 2008, but they are not relevant to the Group's operations:

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

During the year, the Group has adopted a new policy regarding long service payment. HKAS 19 provides an option under which an entity can adopt a policy of recognising actuarial gains and losses in full in the period in which they occur, outside profit or loss, in equity. In current year, the Group has elected this option to recognise all actuarial gains and losses, including those actuarial gains and losses previously included as part of the cumulative unrecognised liabilities, to equity in the consolidated statement of recognised income and expense in the period they arise. In prior years, the cumulative unrecognised actuarial gains and losses, to the extent of the amount in excess of 10% of the present value of the defined benefit obligations, were recognised in the consolidated profit and loss account over the average remaining service lives of employees.

The Directors consider that the adoption of this option in HKAS 19 has no significant impact to the consolidated accounts in prior years and had this not been applied by the Group for the recognition of actuarial gains and losses during the year, the Group's retained earnings, long service payment liabilities and deferred tax assets would have been increased by HK$7,991,000, decreased by HK$9,561,000 and decreased by HK$1,570,000 as at 31 December 2008 respectively.

The Group has not early adopted the following new or revised standards, amendments to standards and interpretations that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2009. The adoption of such new or revised standards, amendments to standards and interpretations will have no material impact on the consolidated 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
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First Time Adoption of HKFRS
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 3 (Revised) and HKAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements
HKFRS 8	Operating Segments
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estates
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners
Annual Improvements Project	HKICPA's improvements to HKFRSs published in October 2008

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	
	2008	2007
	HK$'000	HK$'000
Revenue		
Merchandise sales revenue	2,667,513	2,455,820
Bakery sales revenue	655,152	461,794
	3,322,665	2,917,614
Other income		
Supplier rebate and promotion fees	168,410	163,439
Service items and miscellaneous income	55,969	45,287
	224,379	208,726

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 the Chinese Mainland.

Primary reporting format - business segments

	2008			2007		
	Convenience Store HK$'000	**Bakery HK$'000**	**Group HK$'000**	Convenience Store HK$'000	Bakery HK$'000	Group HK$'000
Total segment revenue	2,667,513	702,732	3,370,245	2,455,820	492,682	2,948,502
Inter-segment revenue	-	(47,580)	(47,580)	-	(30,888)	(30,888)
Revenue	2,667,513	655,152	3,322,665	2,455,820	461,794	2,917,614
Total segment other income	224,298	1,411	225,709	207,890	1,627	209,517
Inter-segment other income	(1,330)	-	(1,330)	(791)	-	(791)
Other income	222,968	1,411	224,379	207,099	1,627	208,726
	2,890,481	656,563	3,547,044	2,662,919	463,421	3,126,340
Segment results	87,220	21,803	109,023	72,861	25,646	98,507
Finance income, net			5,083			6,622
Profit before income tax			114,106			105,129
Income tax expenses			(25,233)			(23,583)
Profit for the year			88,873			81,546
Segment assets	476,059	803,320	1,279,379	531,498	750,195	1,281,693
Unallocated assets			238,962			205,704
Total assets			1,518,341			1,487,397
Segment liabilities	514,649	215,124	729,773	528,971	208,834	737,805
Unallocated liabilities			30,490			29,944
Total liabilities			760,263			767,749
Capital expenditure	44,805	40,326	85,131	44,104	686,858	730,962
Depreciation	41,698	30,914	72,612	42,569	20,633	63,202
Amortisation	439	3,731	4,170	434	3,048	3,482

Segment assets consist primarily of fixed assets, lease premium for land, 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	**2008 HK$'000**	2007 HK$'000
Hong Kong and others	3,344,768	2,969,882
Chinese Mainland	218,508	163,019
	3,563,276	3,132,901
Inter-segment revenue	(16,232)	(6,561)
	3,547,044	3,126,340

Segment results	**2008 HK$'000**	2007 HK$'000
Hong Kong and others	152,892	125,886
Chinese Mainland	(43,869)	(27,379)
	109,023	98,507

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

Total assets	**2008 HK$'000**	2007 HK$'000
Hong Kong and others	1,155,938	1,172,796
Chinese Mainland	123,441	108,897
	1,279,379	1,281,693
Unallocated assets	238,962	205,704
	1,518,341	1,487,397

Capital expenditure	**2008 HK$'000**	2007 HK$'000
Hong Kong and others	65,673	714,703
Chinese Mainland	19,458	16,259
	85,131	730,962

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

3. Expenses by nature

	Group 2008 HK$'000	Group 2007 HK$'000
Amortisation of lease premium for land	4,170	3,482
Auditor's remuneration		
Charge for the year	1,842	1,832
Over provision in prior year	-	(57)
Changes in inventories	2,221,812	2,024,853
Depreciation of owned fixed assets	72,612	63,202
Employee benefit expense	564,903	458,670
Loss on disposal of fixed assets *(note)*	2,703	1,510
Operating leases rental for land and buildings		
Minimum lease payment	292,543	248,486
Contingent lease payment	4,162	3,192
Other expenses	273,274	222,663
Total cost of sales, store expenses, distribution costs and administrative expenses	3,438,021	3,027,833

Note:

Loss on disposal of fixed assets includes gain on disposal of properties amounting to HK$2,202,000 (2007: nil).

4. Finance income, net

	Group 2008 HK$'000	Group 2007 HK$'000
Interest income	5,083	7,367
Interest expenses on bank loans	-	(745)
	5,083	6,622

5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

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

	2008	2007
	HK$'000	HK$'000
Current income tax		
- Hong Kong profits tax	27,114	23,724
- Overseas profits tax	2,583	2,018
Deferred income tax	(4,464)	(2,159)
	25,233	23,583

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:

	2008	2007
	HK$'000	HK$'000
Profit before income tax	114,106	105,129
Calculated at a taxation rate of 16.5% (2007: 17.5%)	18,827	18,399
Effect of different taxation rates in other jurisdiction	(3,788)	(4,164)
Income not subject to taxation	(1,848)	(1,820)
Expenses not deductible for tax purposes	2,262	2,649
Tax losses not recognised	10,307	10,254
Effect of previously unrecognised tax losses	-	(55)
Effect of previously unrecognised temporary differences	(3)	(946)
Over provision in prior year	(213)	(734)
Remeasurement of deferred tax - change in tax rate	(311)	-
	25,233	23,583

During the year, as a result of the change in the Hong Kong profits tax rate from 17.5% to 16.5% that was effective from 1 April 2008, deferred tax balances have been remeasured.

6. Dividends

	2008 **HK$'000**	2007 HK$'000
Interim dividend, paid, of 1.7 HK cents (2007: 1.7 HK cents) per share	12,409	12,384
Dividend, proposed, of 5.5 HK cents (2007: 5.5 HK cents) per share	40,145	40,111
	52,554	52,495

At a meeting held on 16 March 2009, the Directors proposed a 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 profit attributable to shareholders of the Company of HK$88,873,000 (2007: HK$86,867,000).

The basic earnings per share is based on the weighted average number of 729,748,000 (2007: 718,874,000) shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008 **HK$'000**	2007 HK$'000
Profit attributable to shareholders of the Company	88,873	86,867

	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	729,748,000	718,874,000
Adjustments for:		
- Share options	11,000	2,352,000
Weighted average number of ordinary shares for diluted earnings per share	729,759,000	721,226,000

8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables 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 2008, the aging analysis of trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0-30 days	27,179	23,434
31-60 days	4,112	3,784
61-90 days	1,510	1,886
Over 90 days	2,265	1,584
	35,066	30,688

9. Trade payables

At 31 December 2008, the aging analysis of the trade payables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0-30 days	227,519	231,973
31-60 days	122,619	133,527
61-90 days	53,761	62,322
Over 90 days	34,543	27,530
	438,442	455,352

10. Comparative figures

Certain comparative information in the consolidated accounts has been reclassified to conform to the current year's presentation.

CORPORATE GOVERNANCE

The Board of Directors and management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasise transparency, accountability and independence.

In order to reinforce their respective independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board has established the Audit Committee and Remuneration Committee (all chaired by non-executive Directors) with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

Full details of the Company's corporate governance practices are set out in the Company's 2008 Annual Report.

AUDIT COMMITTEE

The Audit Committee met four times in 2008 (with an average attendance rate of 95%) 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 Committee's terms of reference. The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, 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 2008 have been reviewed by the Audit Committee.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee.

Based on the assessments made by senior management, Corporate Governance Division and the external auditor in 2008 and up to the date of approval of the Company's 2008 Annual Report and accounts, the Audit Committee is satisfied that the internal controls and accounting systems of the Group have been in place and functioning effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted procedures governing Directors' securities transactions in compliance with Rules 5.48 to 5.67 of the GEM Listing Rules. Specific confirmation of compliance has been obtained from all Directors. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines which are of no less exacting terms than those set out in the GEM Listing Rules. No incident of non-compliance was noted by the Company in 2008.

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 2008.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 4:00 p.m. on Tuesday, 5 May 2009 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 (2007: 5.5 HK cents) per share for the year ended 31 December 2008. Together with the interim dividend of 1.7 HK cents (2007: 1.7 HK cents) per share paid by the Company on 1 September 2008, the proposed final dividend makes a total dividend of 7.2 HK cents (2007: 7.2 HK cents) per share for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 April 2009 to 5 May 2009, 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 4:30 p.m. on 28 April 2009. Dividend warrants will be despatched on 6 May 2009, subject to shareholders' approval of payment of the final dividend at the Annual General Meeting on 5 May 2009.

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

Hong Kong, 16 March 2009

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 date of its posting.