



2008 Half Year Results Presentation

4 August 2008



Agenda

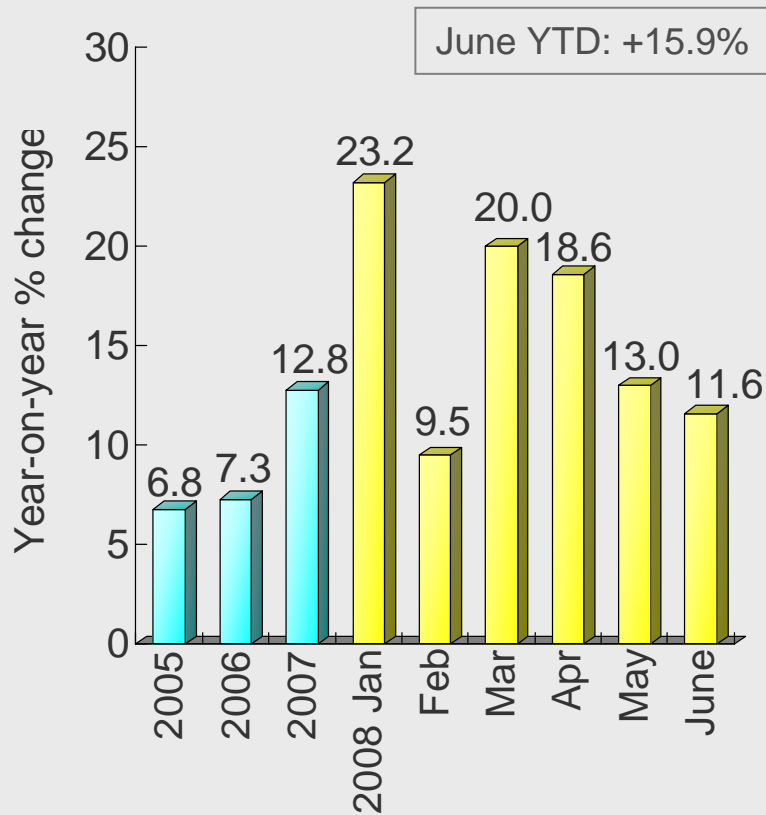
- Overall Hong Kong & China Retail Markets
- 2008Q2 Key Highlight
- 2008Q2 Financial Results Highlights
- 2008 Update & Outlook
- Question & Answer

Hong Kong Retail Market

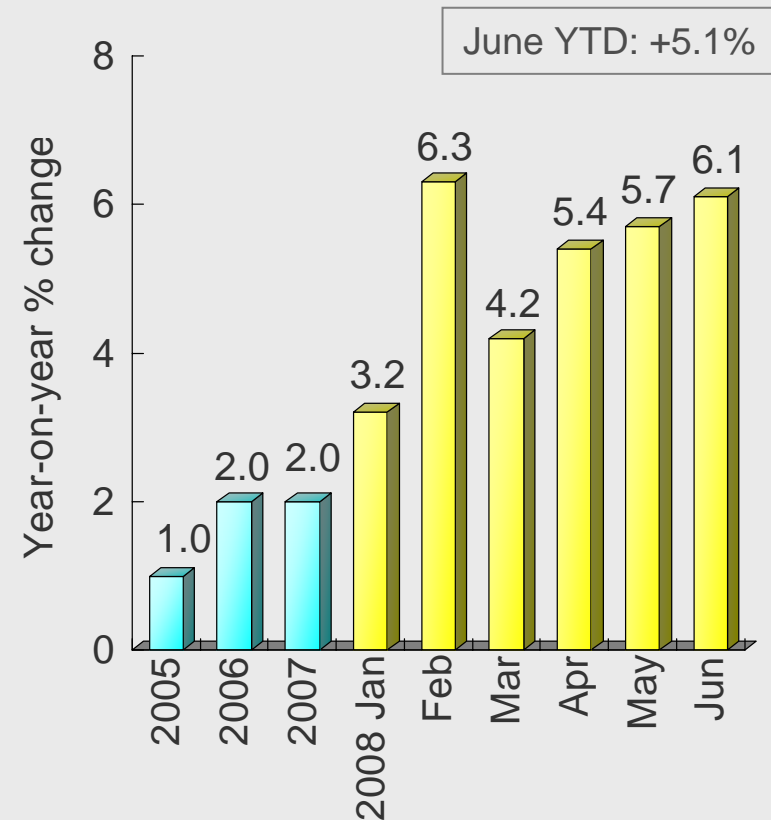
- Rising inflation and upward pressure on operating expenses
- Pace of food cost increase slowed down but little sign of the cost dropping
- Growth in consumer spending started to slow down after March 2008 and is forecast to drop further
- Facing increasing competition, retailers will most likely face a squeeze in net profit margin in the second half

Hong Kong Retail Market

HK Retail Sales Value



HK Consumer Price Index

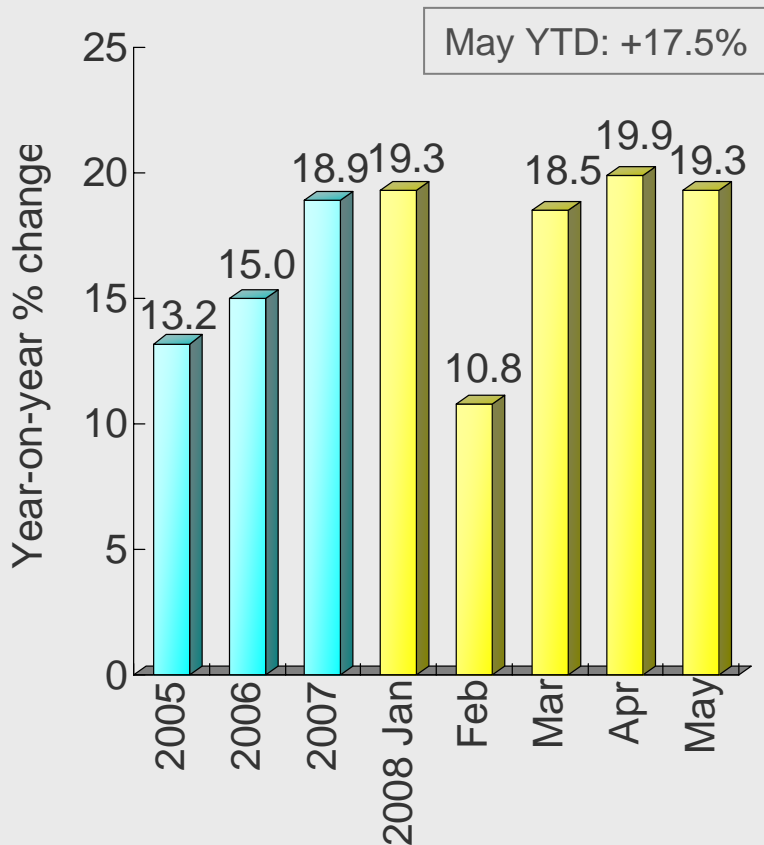


China Retail Market

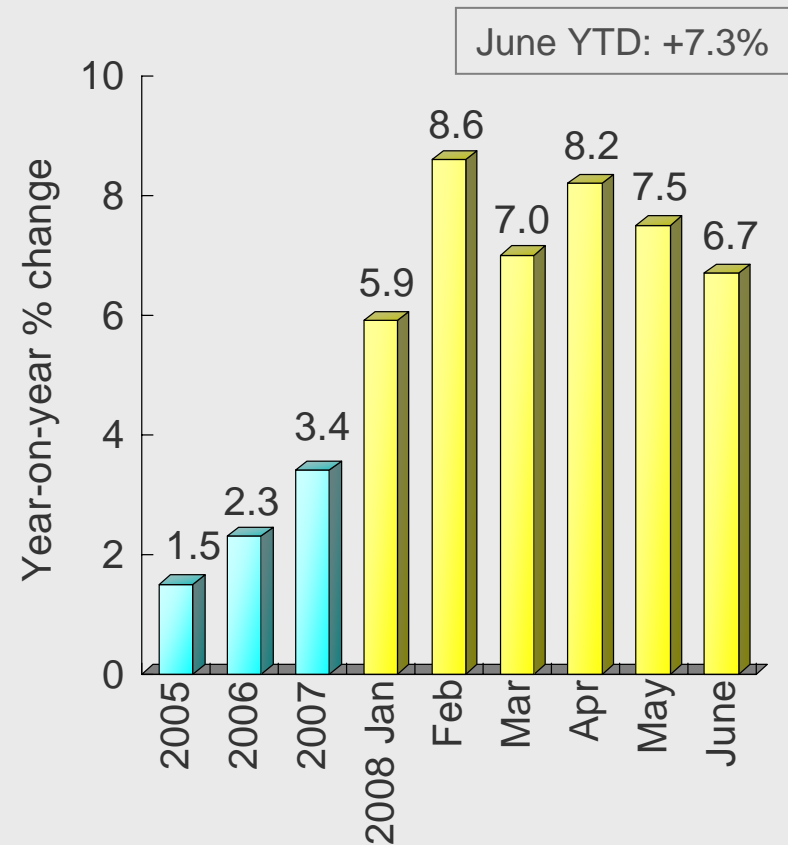
- Consumer spending still strong but Sichuan earthquake in May and unusually wet June did dampen consumer spending
- Food cost and energy cost increases still the biggest challenges
- Minimum wages increase:
 - Guangzhou raised by 10% in April 2008
 - Dongguan raised by 12% in April 2008
 - Shenzhen raised by 18% in July 2008
- Impact of Olympic Games in Beijing would likely be unfavourable to overall retailing

Guangzhou Retail Market

GZ Retail Sales Value



GZ City Consumer Price Index



2008Q2 Key Highlight



2008Q2 Key Highlight

- Inflation is worsening
- Consumers starting to become cautious on spending
- Maintain satisfactory business growth despite tough operating environment
- Decline in gross margin for Saint Honore and Circle K Southern China's Hot & In food category
- Net profit margin under pressure

2008Q2 Financial Results Highlights

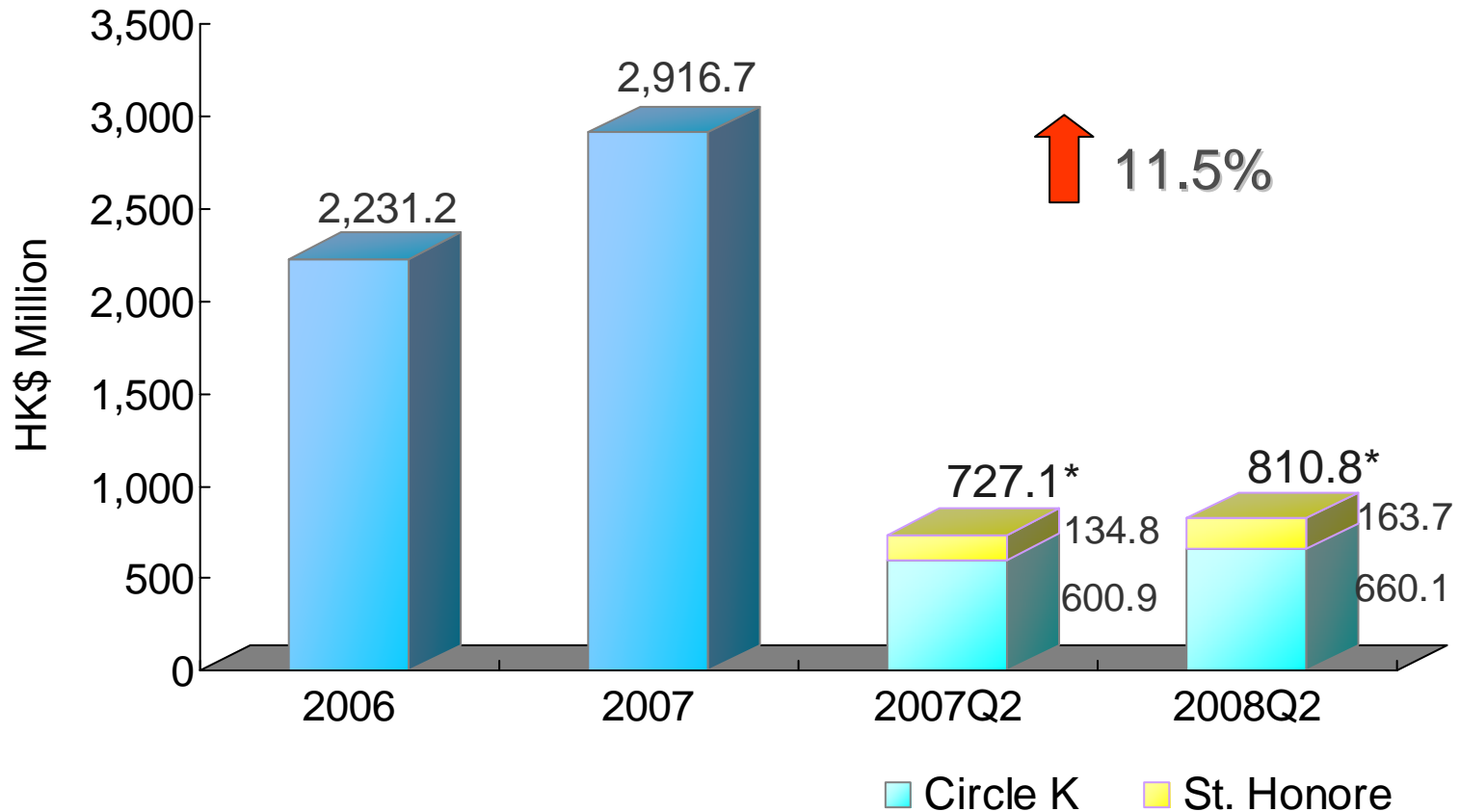


Number of Stores

	End of 2007	Opened	Closed / Changed to Franchise	June 2008
Circle K Hong Kong	270	9	(1)	278
Circle K Southern China	77	17	(14)	80
- <i>Guangzhou (owned)</i>	63	14	(8)	69
- <i>Guangzhou (franchised)</i>	1	2	-	3
- <i>Dongguan</i>	9	-	(4)	5
- <i>Shenzhen</i>	4	1	(2)	3
Circle K Macau (J.V.)	16	-	1	15
Circle K Zhuhai (J.V.)	10	2	-	12
Saint Honore Group	97	15	(10)	102
CRA Group Total	470	43	(26)	487

2008 Financial Results Highlights

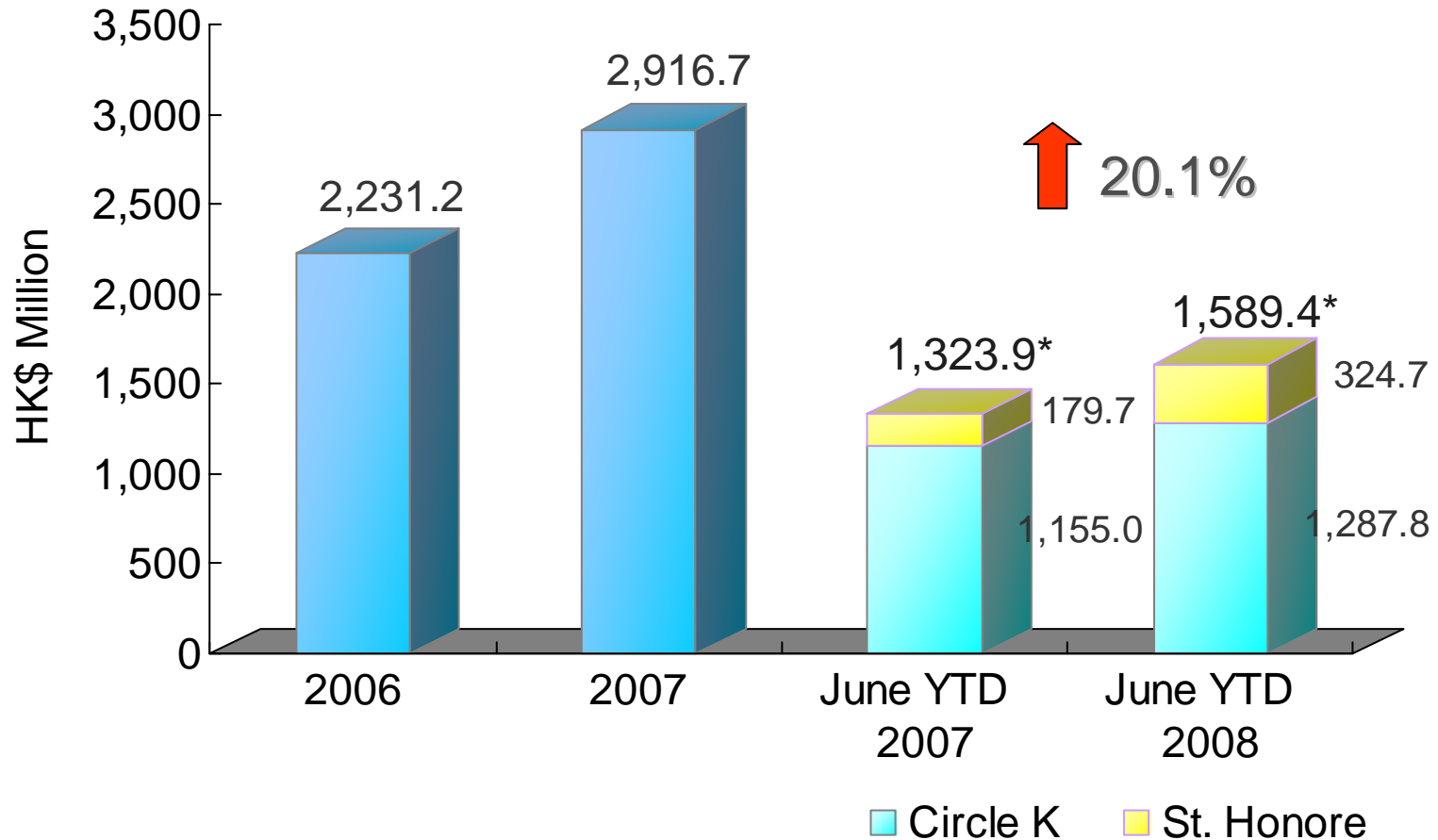
Group Turnover – 2nd Quarter



* Less inter-group sales: HK\$8.6M in 2007Q2 and HK\$13.0M in 2008Q2

2008 Financial Results Highlights

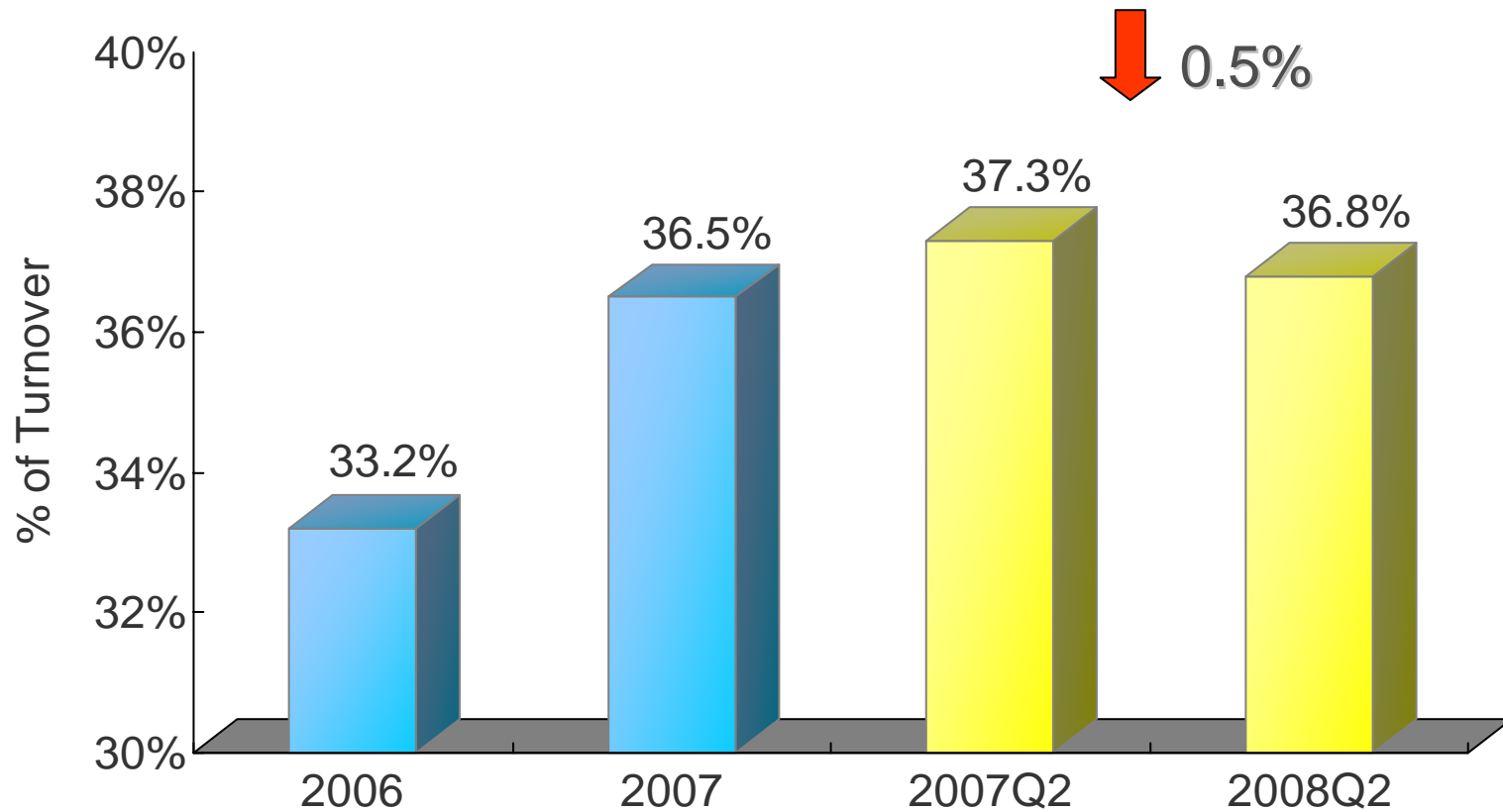
Group Turnover – June YTD



* Less inter-group sales: HK\$10.8M in 2007Q2 and HK\$23.1M in 2008Q2

2008 Financial Results Highlights

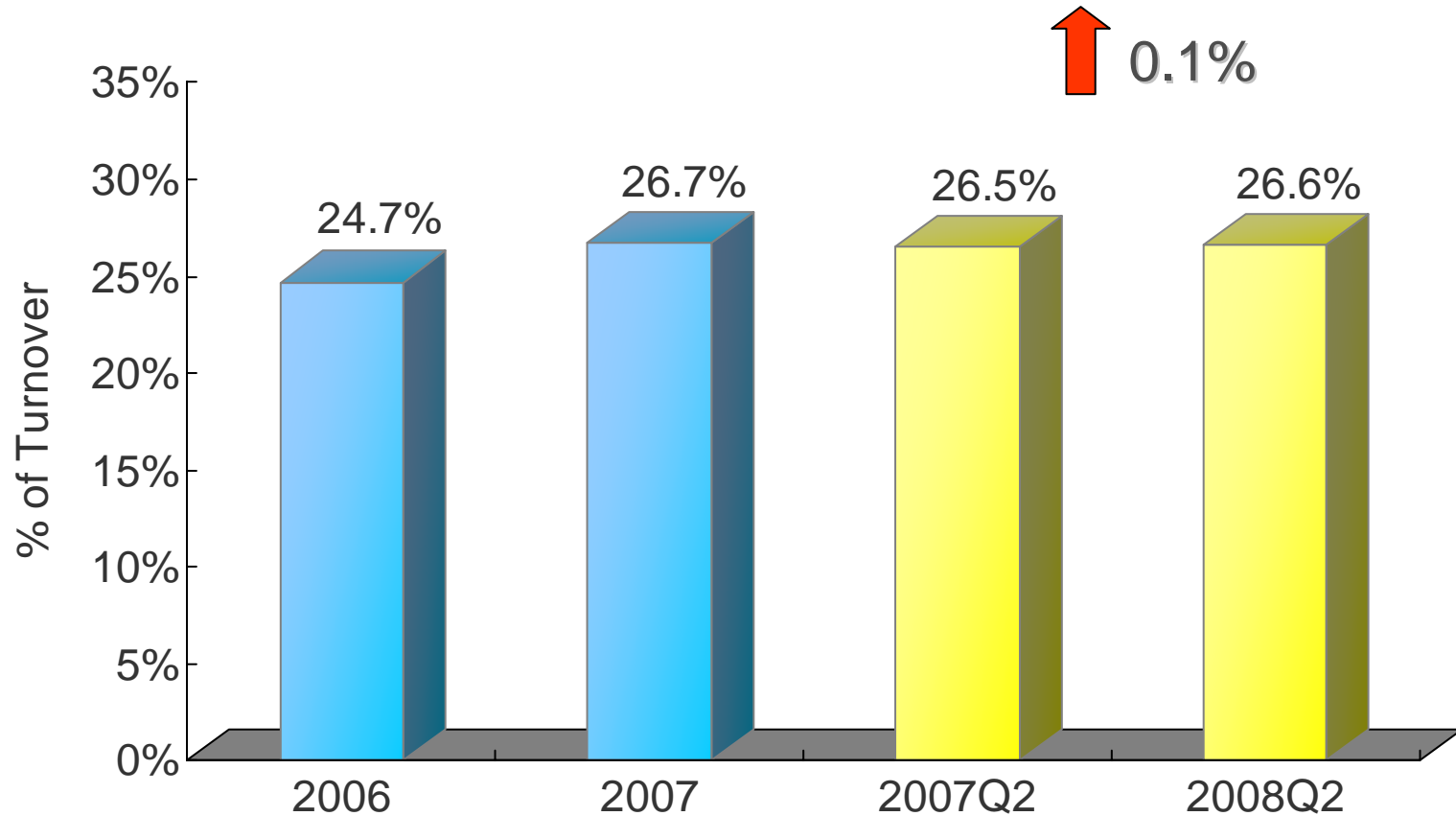
Gross Margin / Other Income



* Excluding interest income

2008 Financial Results Highlights

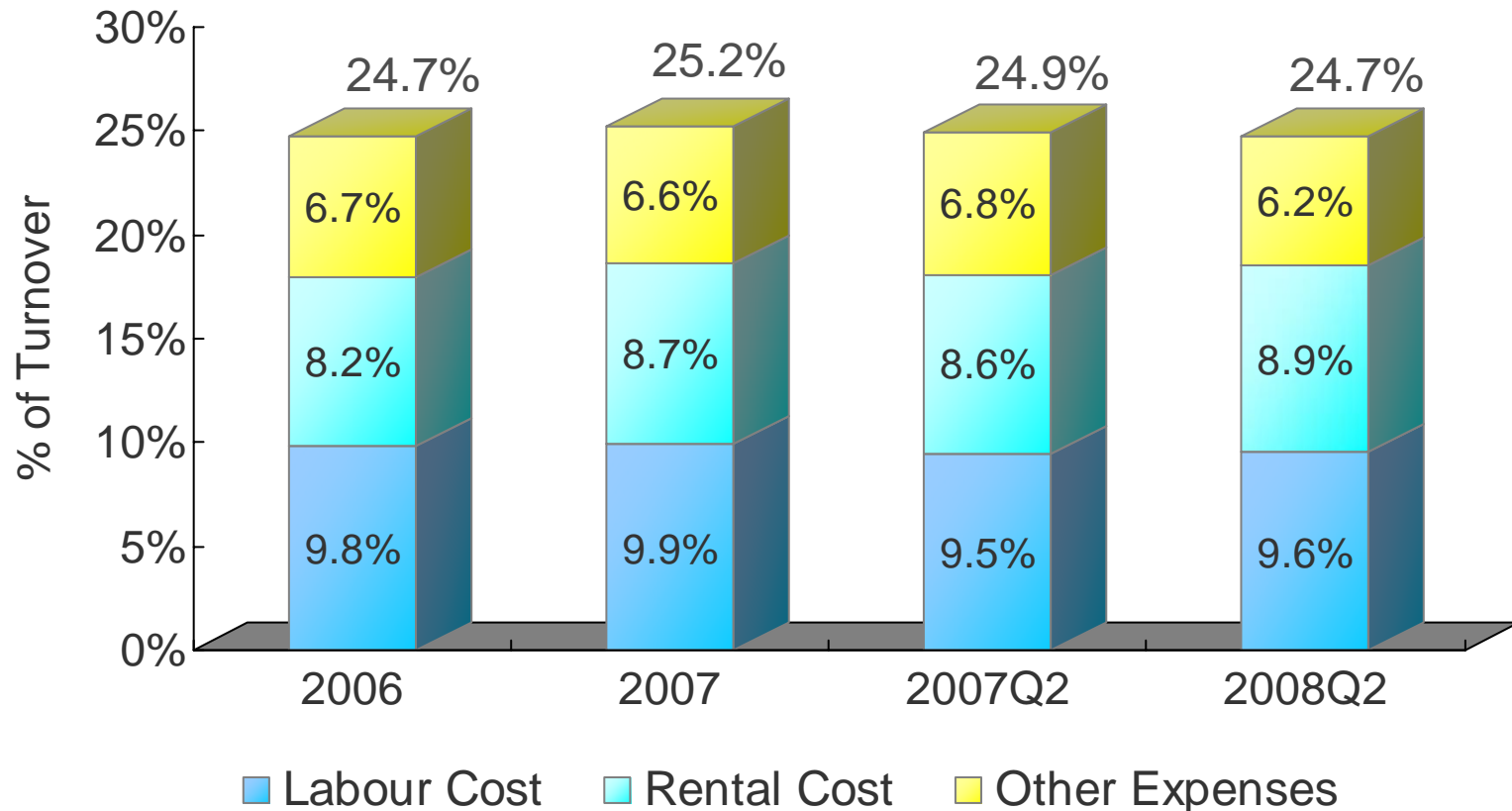
Store Operating Expenses



2008 Financial Results Highlights

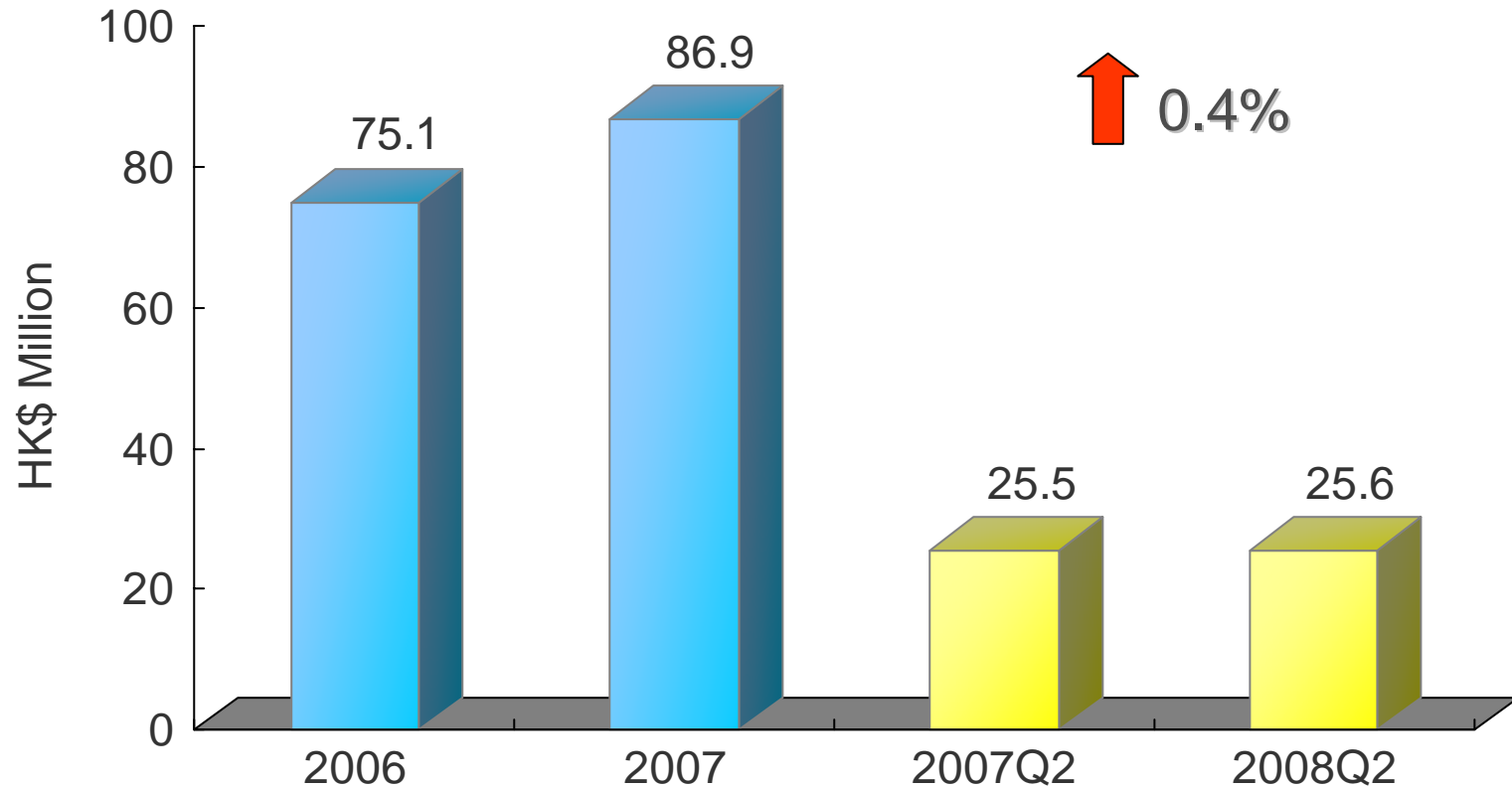
Store Operating Expenses

Circle K Group Store Operating Expenses



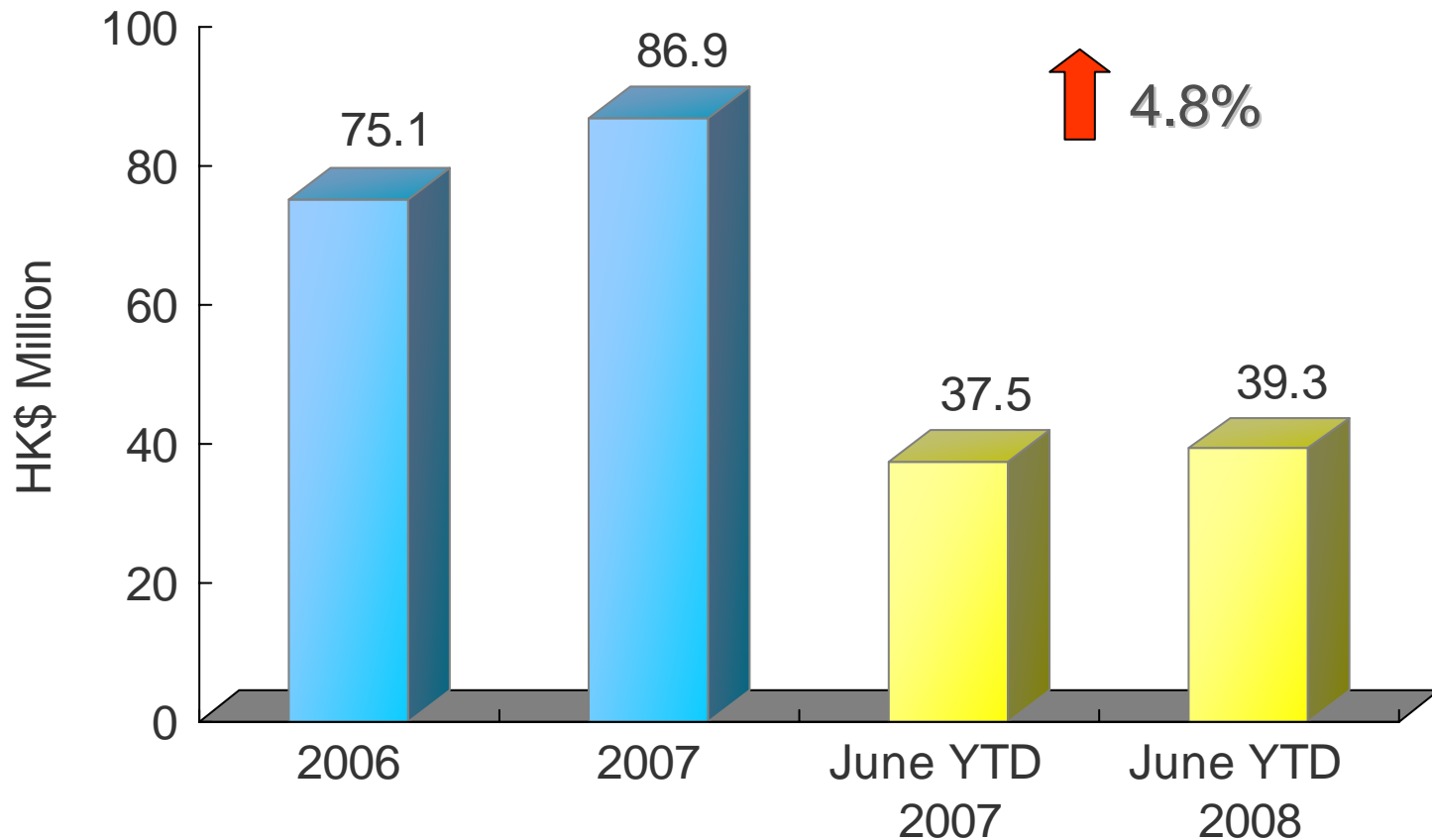
2008 Financial Results Highlights

Group Net Profit – 2nd Quarter



2008 Financial Results Highlights

Group Net Profit – June YTD



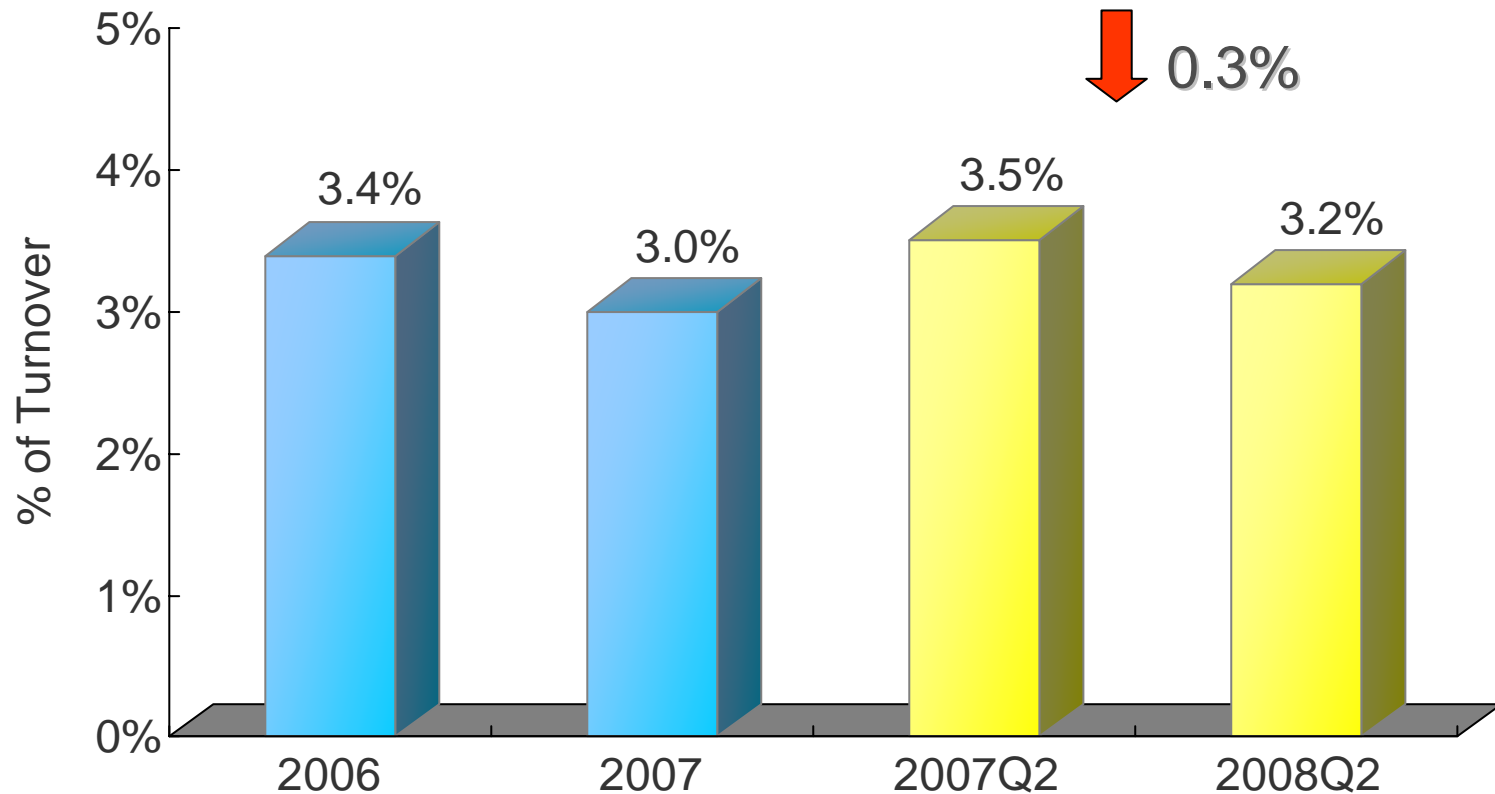
2008 Financial Results Highlights

Net Profit By Market

<i>(HK\$ Million)</i>	2007Q2	2008Q2
Hong Kong and Macau Markets	30.8	38.4
China Market	(5.3)	(12.8)
Total	25.5	25.6

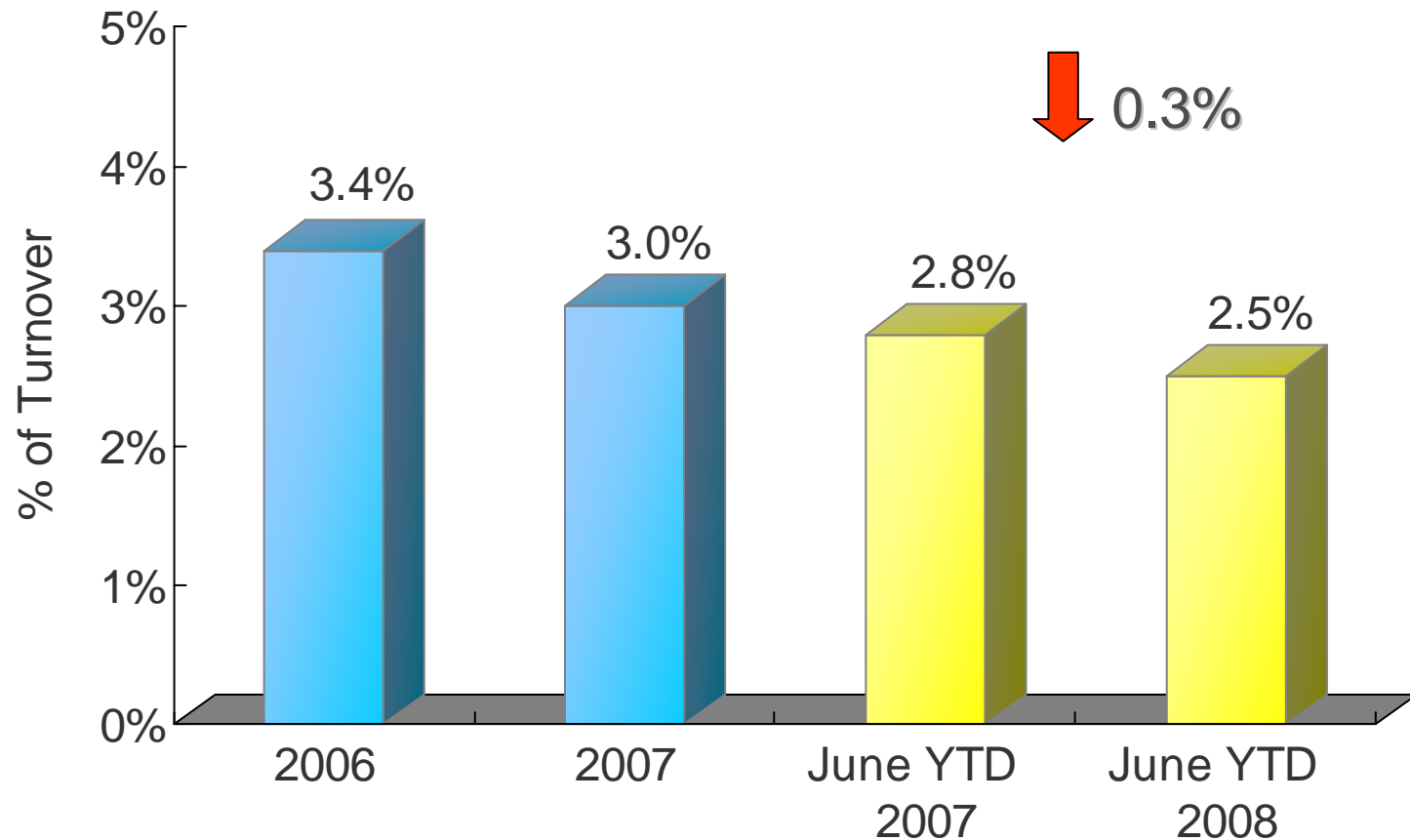
2008 Financial Results Highlights

Net Profit as % of Turnover – 2nd Qtr



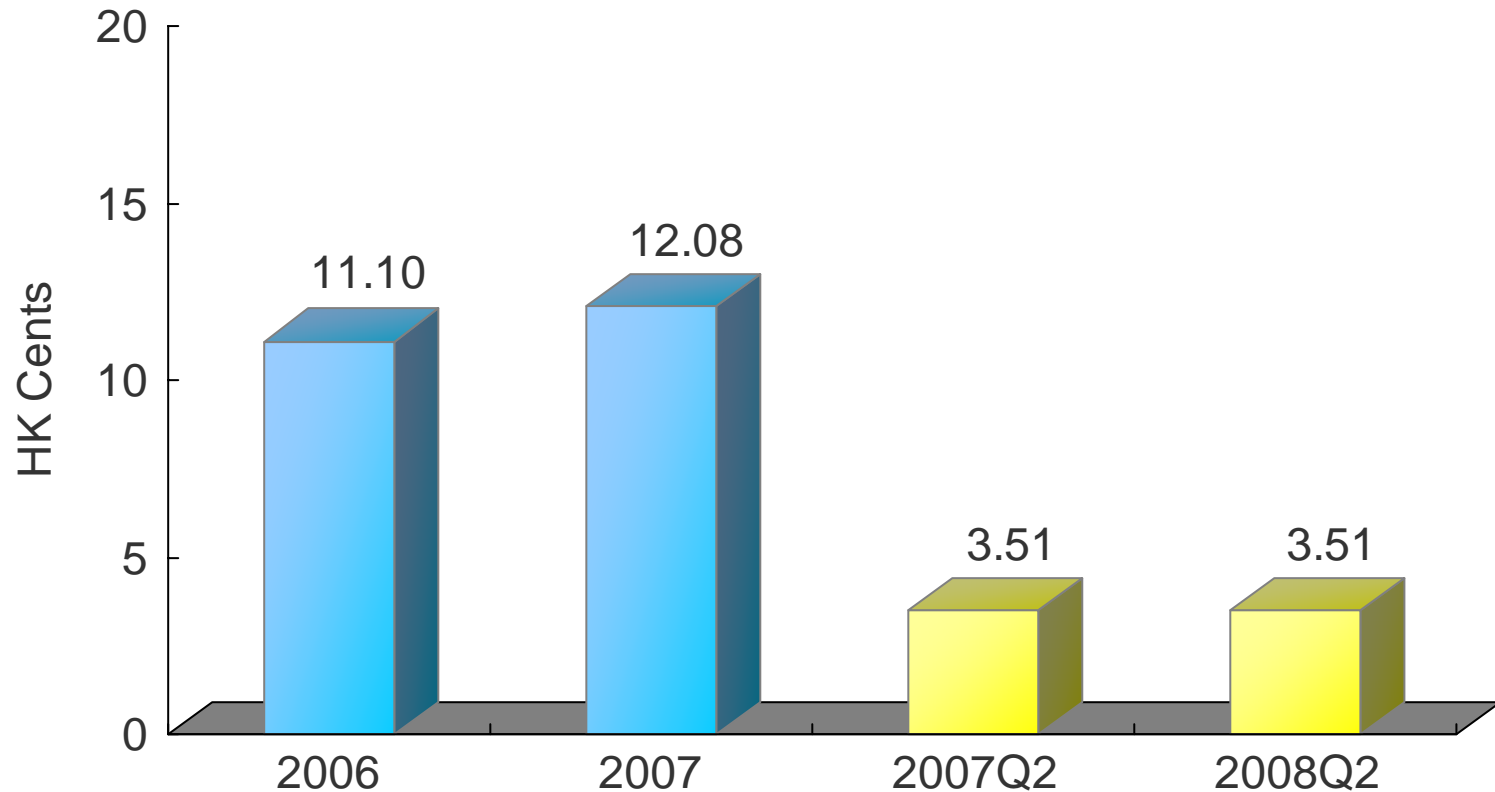
2008 Financial Results Highlights

Net Profit as % of Turnover – June YTD



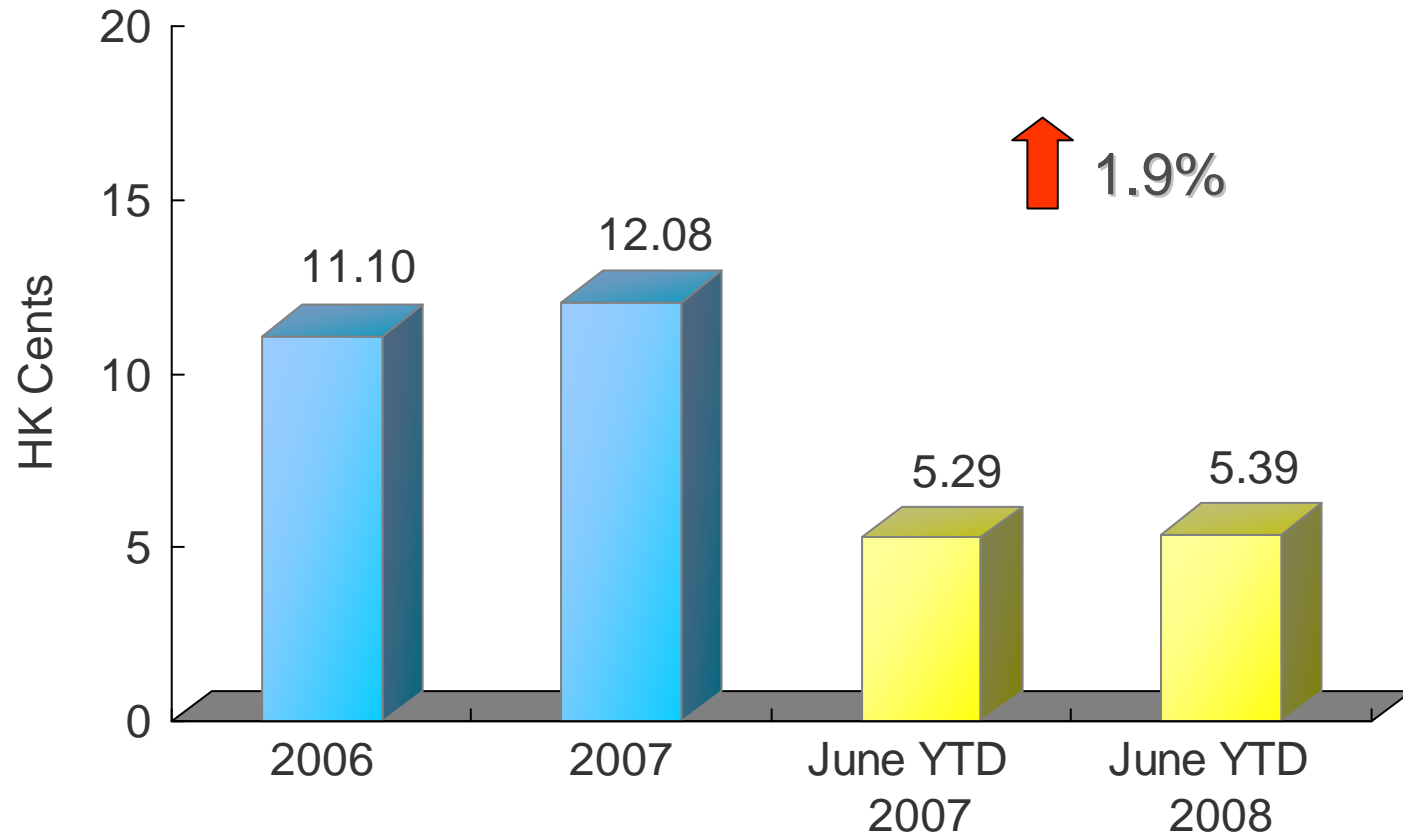
2008 Financial Results Highlights

Basic Earnings Per Share – 2nd Qtr



2008 Financial Results Highlights

Basic Earnings Per Share – June YTD



2008 Financial Results Highlights

2nd Quarter

	2007Q2	2008Q2	Change
Number of Stores	441	487	+ 10.4%
Group Turnover (HK\$M)	727.1	810.8	+ 11.5%
Group Net Profit (HK\$M)	25.5	25.6	+ 0.4%
Net Profit as % of Turnover	3.5%	3.2%	- 0.3%
Basic Earnings Per Share	3.51 cents	3.51 cents	-



2008 Financial Results Highlights

June YTD

	June YTD 2007	June YTD 2008	Change
Number of Stores	441	487	+ 10.4%
Group Turnover (HK\$M)	1,323.9	1,589.4	+ 20.1%
Group Net Profit (HK\$M)	37.5	39.3	+ 4.8%
Net Profit as % of Turnover	2.8	2.5	- 0.3%
Basic Earnings Per Share	5.29 cents	5.39 cents	+ 1.9%
Interim Dividend	1.7 cents	1.7 Cents	-

2008 Update and Outlook



2008 Update & Outlook

1. Escalating inflation, food cost and operating expenses
2. Gross margin and net profit margin would be squeezed
3. Urgent initiatives taken to minimize impact:
 - Pricing
 - Cost/expenses control
 - Moving up the value chain
4. Pilot-testing franchising of Circle K stores in Southern China

2008 Update & Outlook Circle K Hong Kong

OK便利店 **七水都有**



 <p>以日本自來水為原料 經過濾、淨化、消毒 而成。</p> <p>500 毫升 \$14</p>	 <p>經日本自來水協會 驗明註冊商標，為 日本自來水協會的 會員註冊商標。</p> <p>300 毫升 \$15</p>	 <p>含有維他命B12 及維他命C。</p> <p>275 毫升 \$15.9</p>	 <p>新加和亞香滑牛奶咖啡 280克 \$12.9</p>
 <p>採用100%純鮮果 汁製成，無糖、無酸、 無防腐劑，純天然 健康。</p> <p>350 毫升 \$15.9</p>	 <p>加入精華膠原蛋白 及維他命B12，能 滋潤肌膚。</p> <p>350 毫升 \$15.9</p>	 <p>特別以乳糖分解 劑，分解乳糖，令 乳糖分解成葡萄糖。</p> <p>350 毫升 \$15.9</p>	 <p>含有20種維他命 及多種天然成分， 令天然健康。</p> <p>350 毫升 \$13.9</p>
 <p>嚴選新鮮水果製成 天然果味，無糖、 無防腐劑。</p> <p>500 毫升 \$15.9</p>	 <p>加入精華膠原蛋白 及維他命B12，能 滋潤肌膚。</p> <p>460 毫升 \$15.9</p>	 <p>嚴選紅茶與天然 果味，無糖、無防腐劑。 無糖、無防腐劑。</p> <p>480 毫升 \$15.9</p>	 <p>選用天然果味與 天然果味，無糖、 無防腐劑。</p> <p>280 毫升 \$13.9</p>

登入 www.circlek.hk · 發現更多新貨

OK便利店 **幾潮都有**



 <p>新貨</p> <p>Natori 鹽焗魷魚/ 沙嗲魚粉 雞多登魚 \$17.9</p>	 <p>新貨</p> <p>鹽焗魷魚/ 魷魚軟骨 \$17.9</p>	
 <p>新貨</p> <p>鹽焗魷魚/ 雞元貝 雞多登 雞軟骨芝士 \$17.9</p>	 <p>新貨</p> <p>Goshoku 薄味 蒸飯小食 15克 \$10.9</p>	
 <p>新貨</p> <p>Fritolay 香脆味粟米片 \$12.9</p>	 <p>新貨</p> <p>Risaku 香脆魚丸味 粟米團 \$11.9</p>	 <p>新貨</p> <p>味覺香·提子果汁橡皮糖/ 檸檬果汁橡皮糖 40克 \$10.9</p>

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2008 Update & Outlook

Saint Honore - New Store Image



Before



After



2008 Update & Outlook Saint Honore - New Products



2008 Mid Autumn Festival

聖安娜中秋月餅
八月八日前
早買至低價
逾期折扣不再

迎月
賞月
頌月

即日起至8月8日香港九全線，凡購買各款聖安娜月餅，均可享「早買早低價」優惠。此外，更特別備有款聖安娜月餅，包括：金裝雙黃白蓮蓉、朱古力軟心冰皮、水果乳酪冰皮、冰皮鮮品冰皮及一口冰皮，於港九線270間OK便利店發售。今年中秋，你和你的至愛可更添快樂！

早買早安心中秋月餅 \$95
冰皮雙黃白蓮蓉 \$95
冰皮雙黃白蓮蓉 \$95
冰皮雙黃白蓮蓉 \$95
冰皮雙黃白蓮蓉 \$125

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2008 Update & Outlook To Summarize

- Major surge in food and operating expenses
- Squeeze on gross margin and net profit margin
- Maintained satisfactory growth in January to June 2008
- Urgent initiatives taken to tackle issues
- Pilot-testing franchising of Circle K stores in Southern China
- Expect to get tougher before improving

Thank You!

