



# 3rd Quarter 2008 Results Announcement

7 November 2008

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# Agenda

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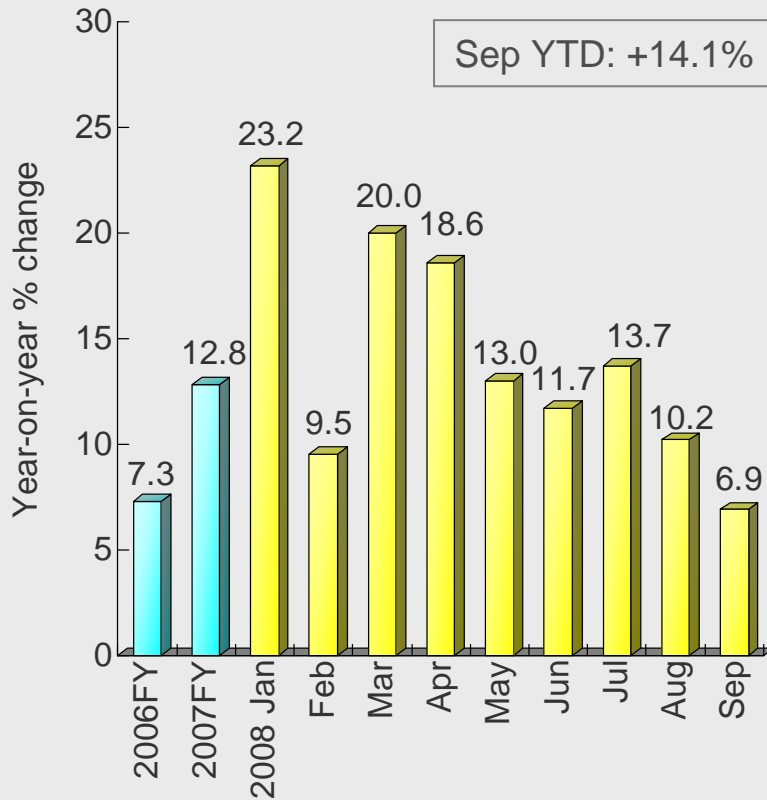
- Current Status, Issues and Challenges
- 2008Q3 Financial Results Highlights
- 2008 Update & Outlook

# Current Status, Issues & Challenges

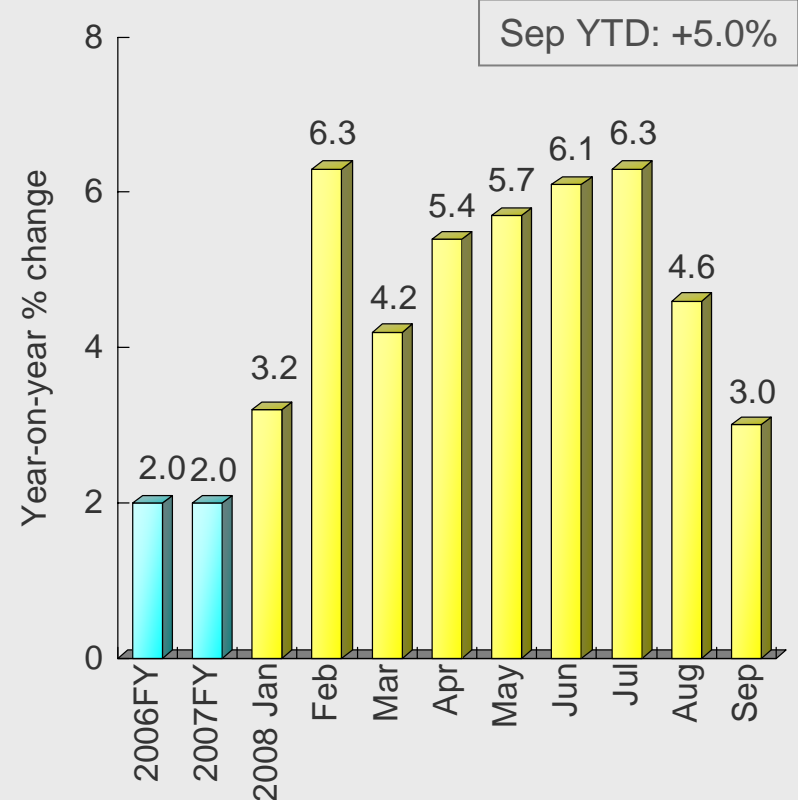


# Hong Kong Retail Market

HK Retail Sales Value



HK Consumer Price Index



# Circle K Hong Kong Current Status, Issues & Challenges

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- Significant drop in customer sentiment to spend
- Still very high operating expenses (rental, labour, electricity and transportation)
- Differentiating strategies working well:
  - “Always Something New” shopping experience
  - Excellence and depth in store operations, category offerings and supply chain
  - Close partnership with suppliers

# Circle K Hong Kong “Always Something New” Promotions



ASN  
Confectionery  
Promotion



ASN  
Media Promotion



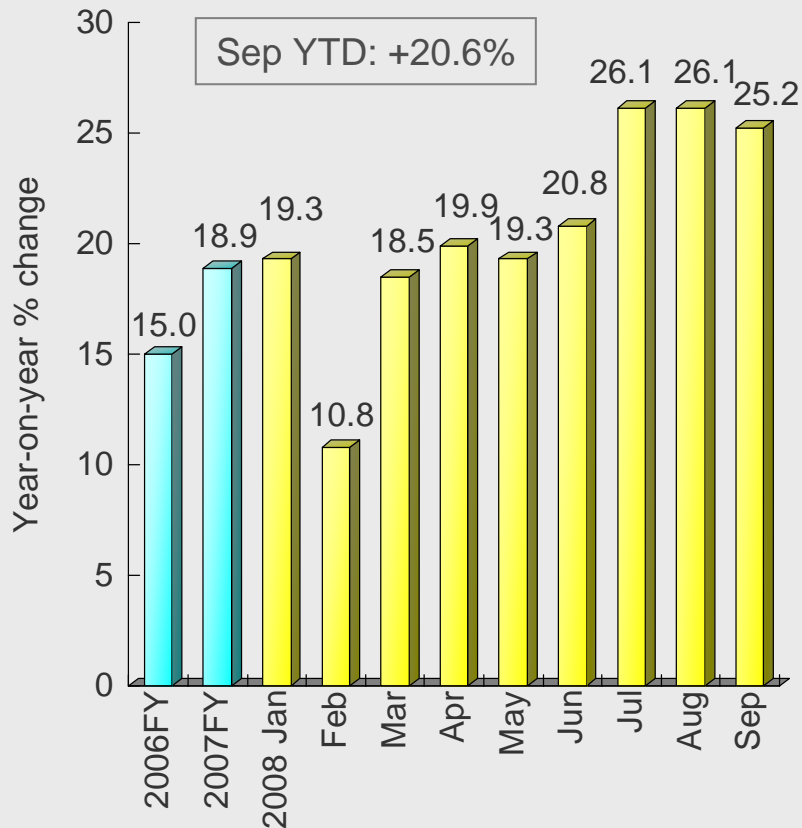
ASN  
Halloween  
Promotion



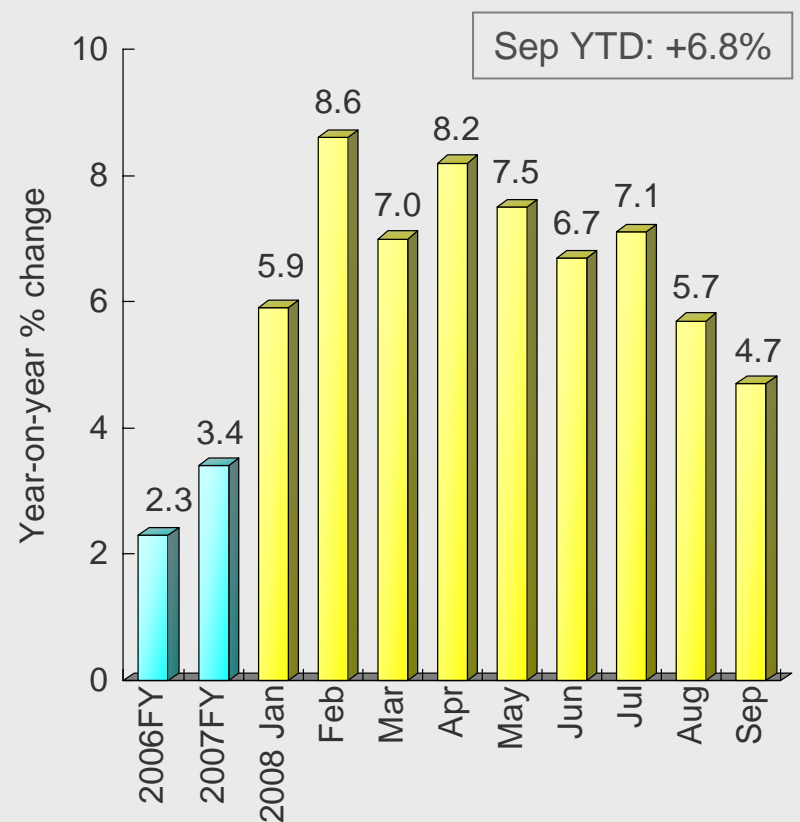
ASN  
Mario Bling Bling  
Badges  
Promotion

# Guangzhou Retail Market

GZ Retail Sales Value



GZ City Consumer Price Index



# Circle K Southern China Current Status, Issues & Challenges

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- Low market sentiment driven by slumping stock and real estate market, plastic bags levy, Olympics, melamine milk
- Started franchising experiment for the 3rd store
- Performance of Dongguan market has been disappointing due to closing down of factories



# Saint Honore Group

## Current Status, Issues & Challenges

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- Overall brand rejuvenation progressing well
  - Store renovation, new bakery, cake and festive products, marketing and promotion
- 2008 gross margin (and net profit margin) badly affected by increase in raw material cost and factory overhead
- Customers are becoming very price conscious and there is no room for any price increase

# Saint Honore Group New Store Design & Products



# 2008Q3 Financial Results Highlights



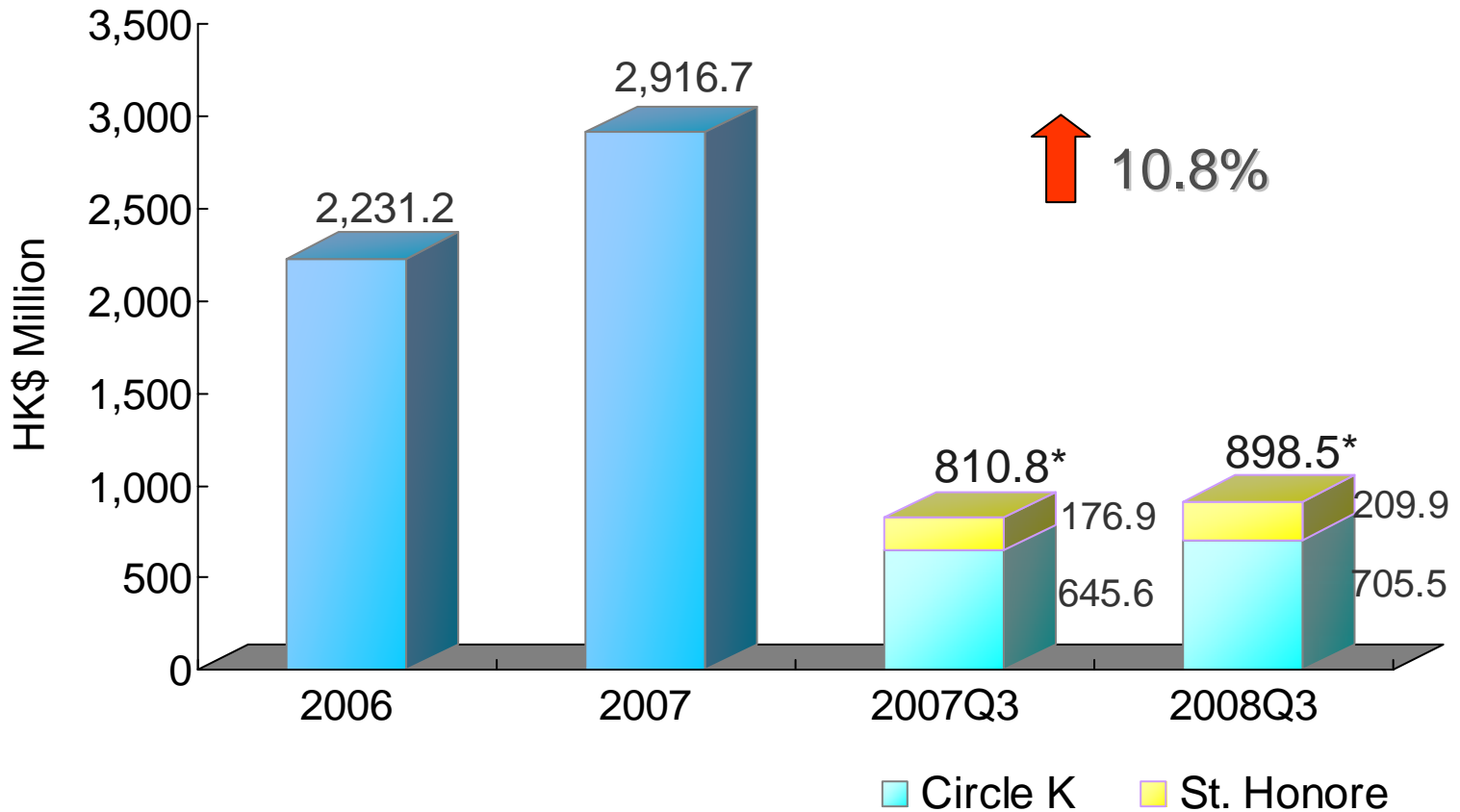
# Number of Stores

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	End of 2007	Opened	Closed / Changed to Franchise	Sep 2008
Circle K Hong Kong	270	15	(7)	278
Circle K Southern China	77	24	(14)	87
- <i>Guangzhou (owned)</i>	63	18	(8)	73
- <i>Guangzhou (franchised)</i>	1	2	-	3
- <i>Dongguan</i>	9	-	(4)	5
- <i>Shenzhen</i>	4	4	(2)	6
Circle K Macau (J.V.)	16	1	(1)	16
Circle K Zhuhai (J.V.)	10	2	-	12
Saint Honore Group	97	23	(12)	108
<b>CRA Group Total</b>	<b>470</b>	<b>65</b>	<b>(34)</b>	<b>501</b>

# 2008 Financial Results Highlights

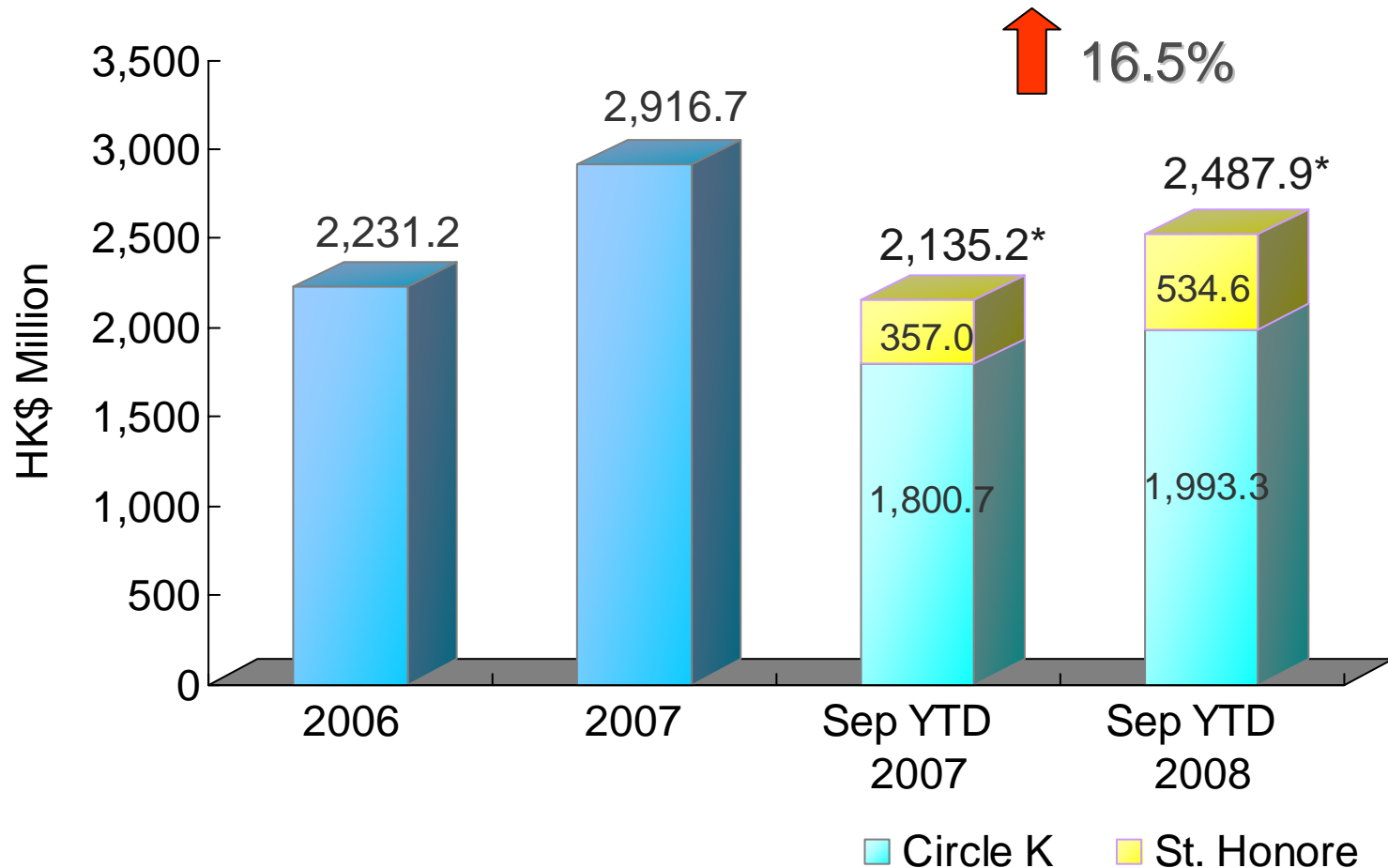
## Group Turnover – 3rd Quarter



\* Less inter-group sales: HK\$11.7M in 2007Q3 and HK\$16.9M in 2008Q3

# 2008 Financial Results Highlights

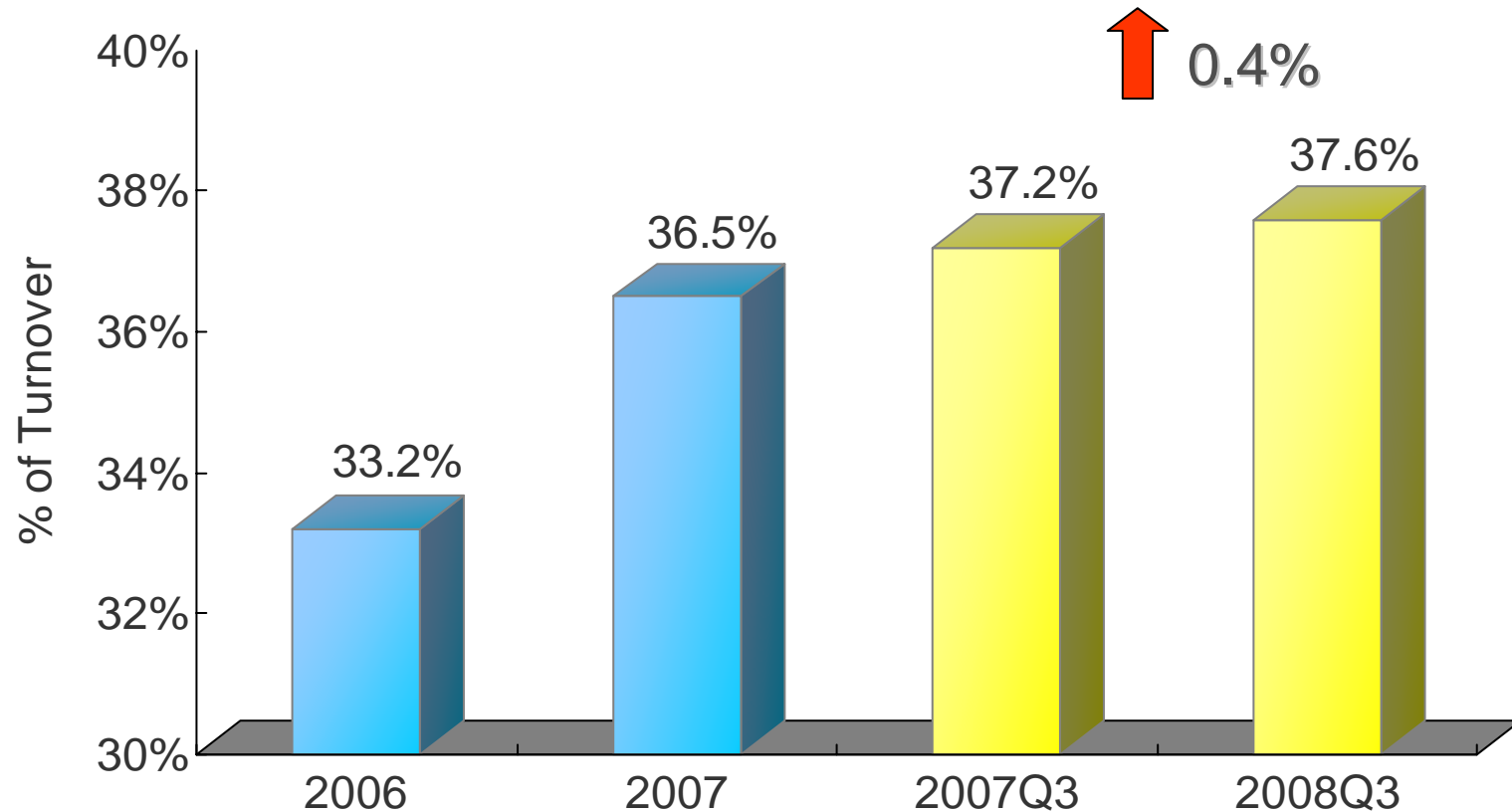
## Group Turnover – Sep YTD



\* Less inter-group sales: HK\$22.5M in 2007Q3 and HK\$40.0M in 2008Q3

# 2008 Financial Results Highlights

## Gross Margin / Other Income

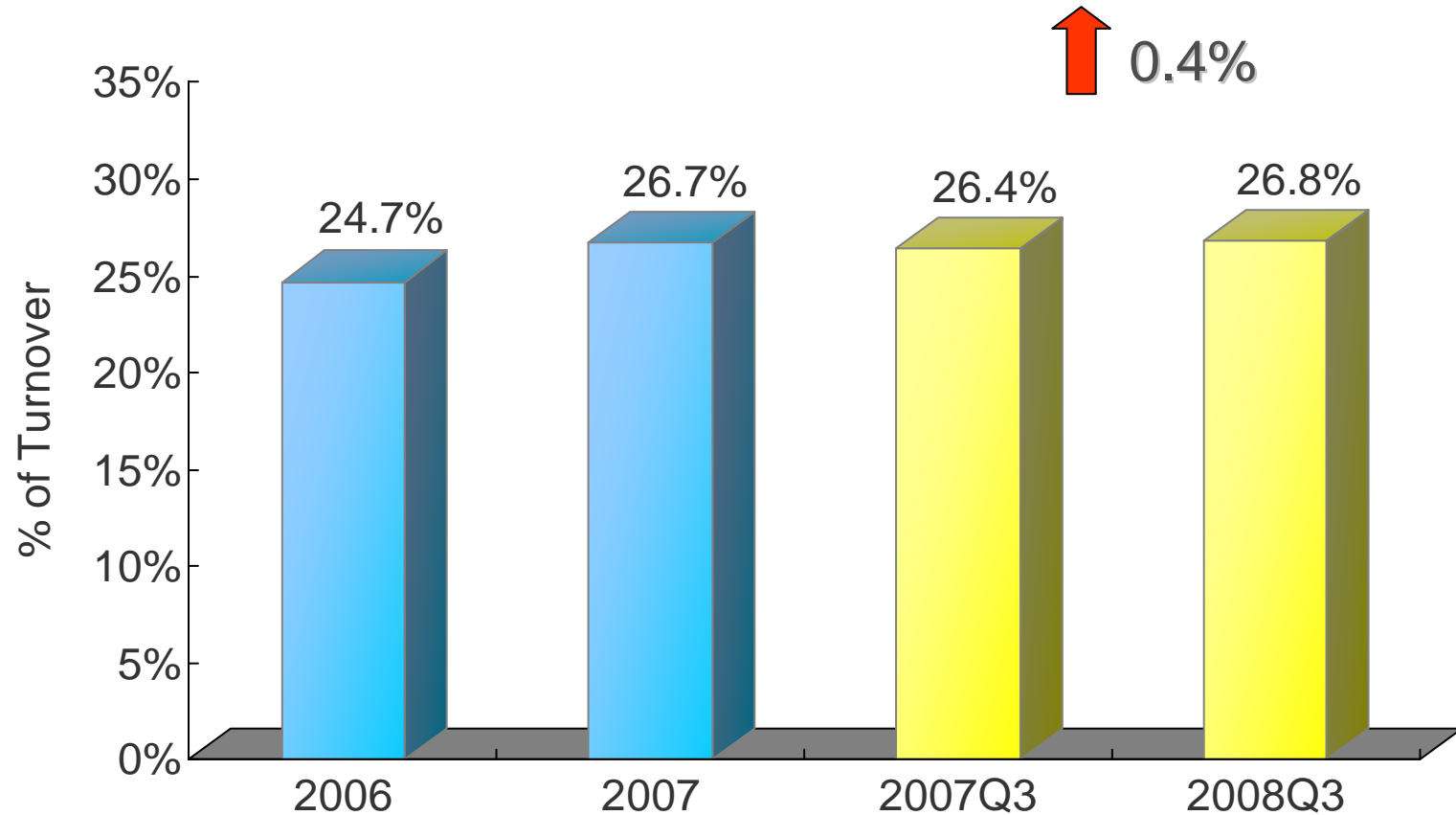


\* Excluding interest income

# 2008 Financial Results Highlights

## Store Operating Expenses

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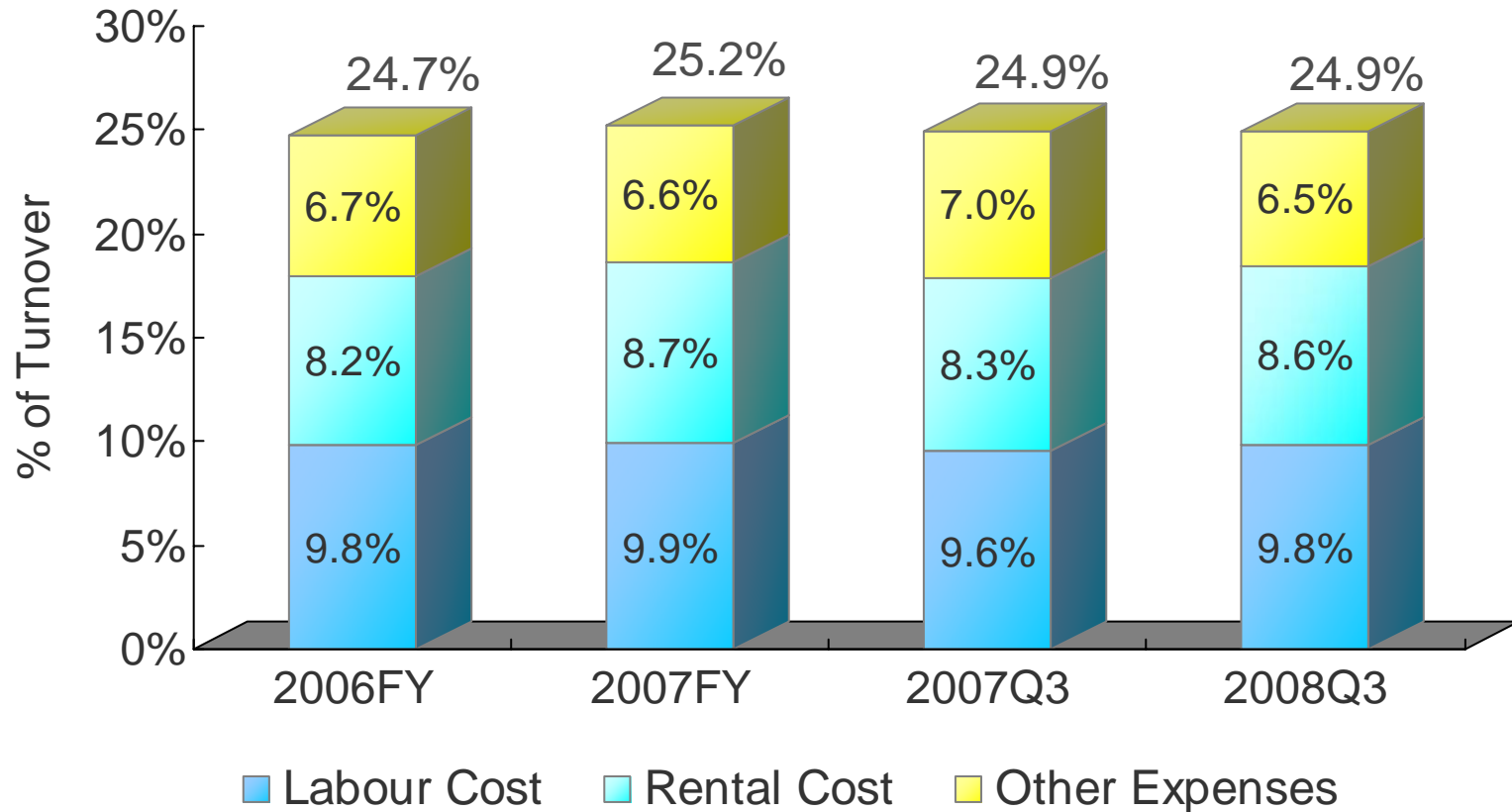




# 2008 Financial Results Highlights

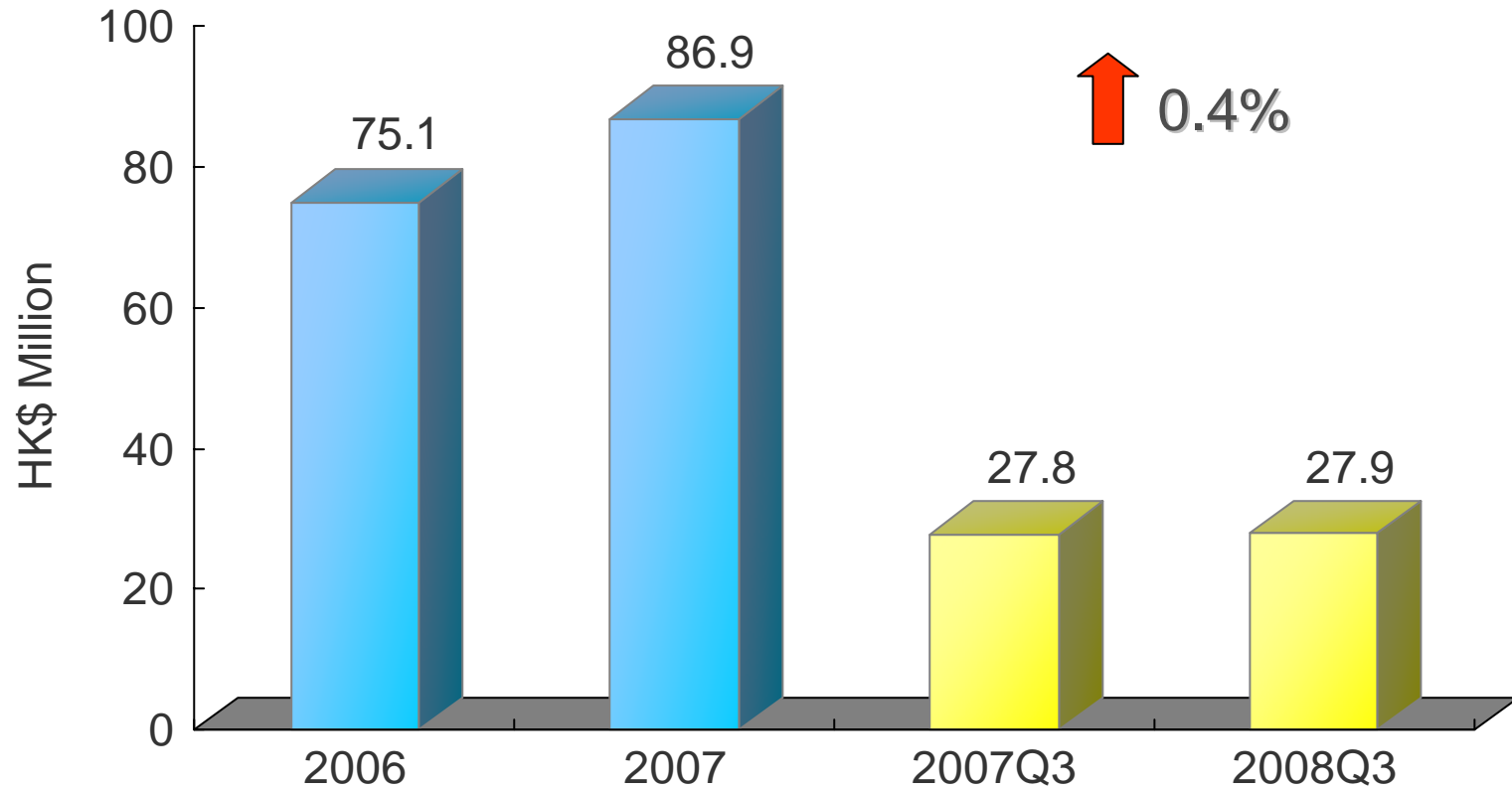
## Store Operating Expenses

Circle K Group Store Operating Expenses



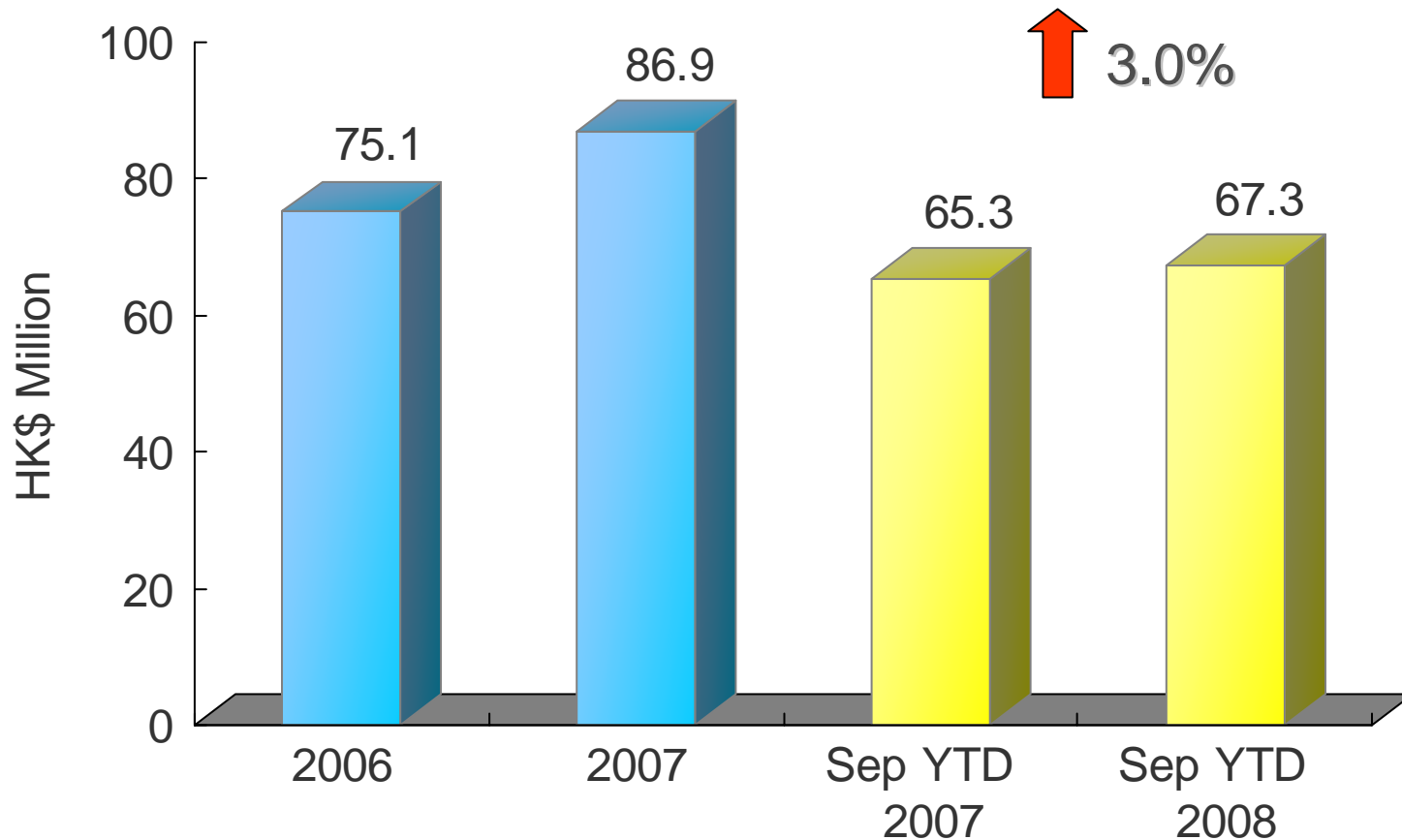
# 2008 Financial Results Highlights

## Group Net Profit – 3rd Quarter



# 2008 Financial Results Highlights

## Group Net Profit – Sep YTD



# 2008 Financial Results Highlights

## Net Profit By Market

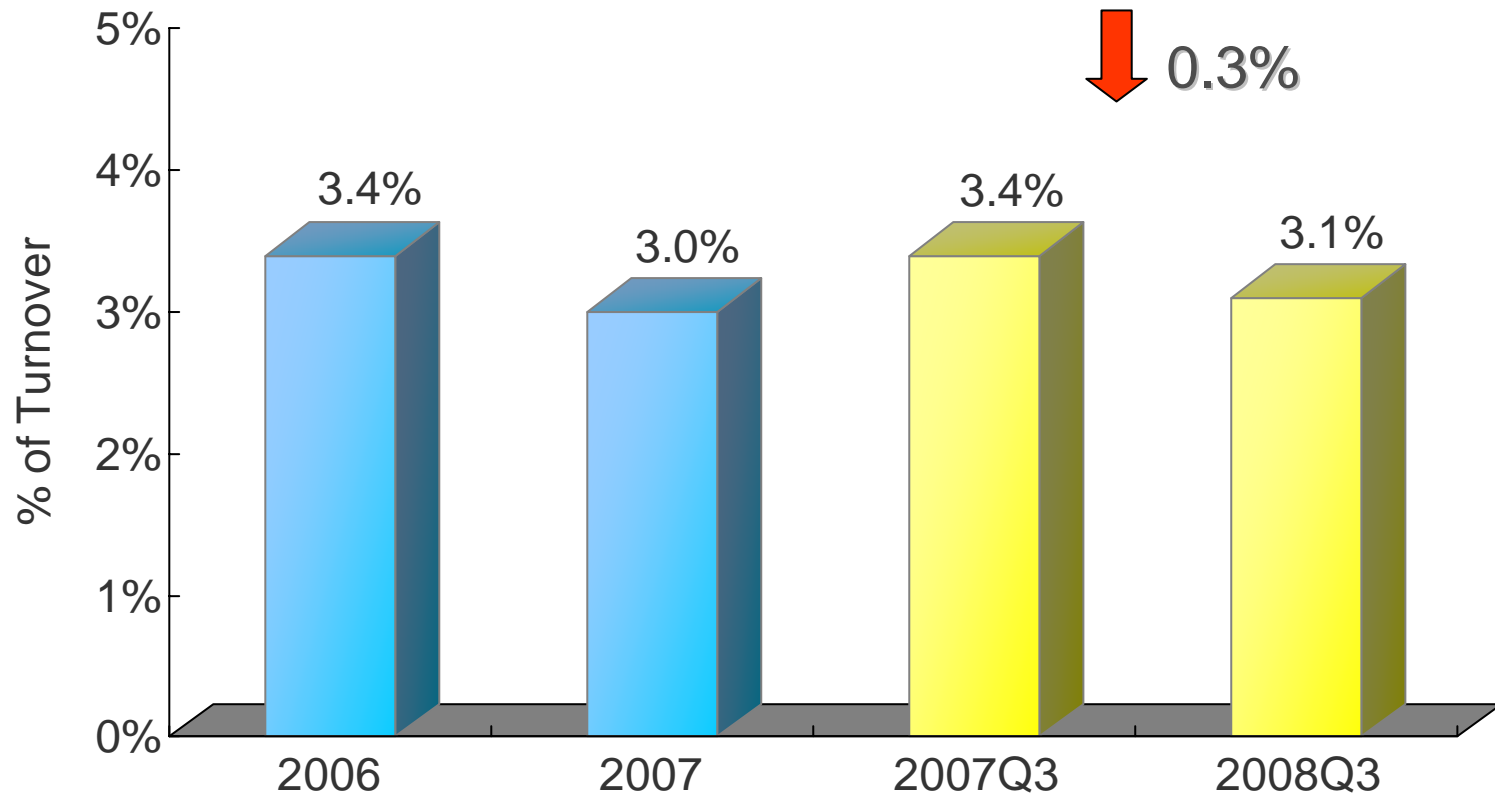
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<i>(HK\$ Million)</i>	2007Q3	2008Q3	Change
Hong Kong and Macau Markets	32.8	38.4	+17.1%
China Market	(5.0)	(10.5)	-110.0%
<b>Total</b>	<b>27.8</b>	<b>27.9</b>	<b>+0.4%</b>

# 2008 Financial Results Highlights

## Net Profit as % of Turnover – 3rd Qtr

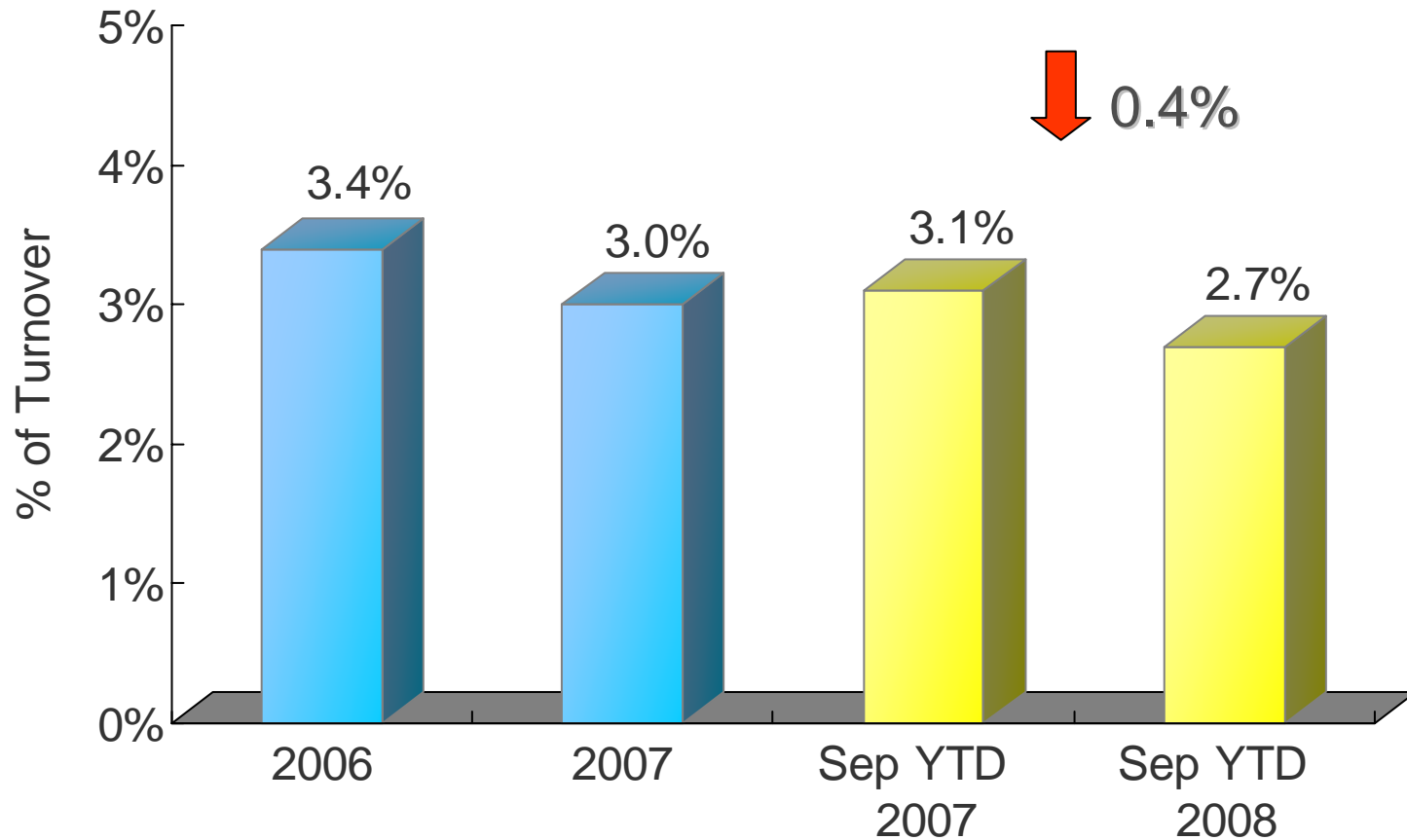
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# 2008 Financial Results Highlights

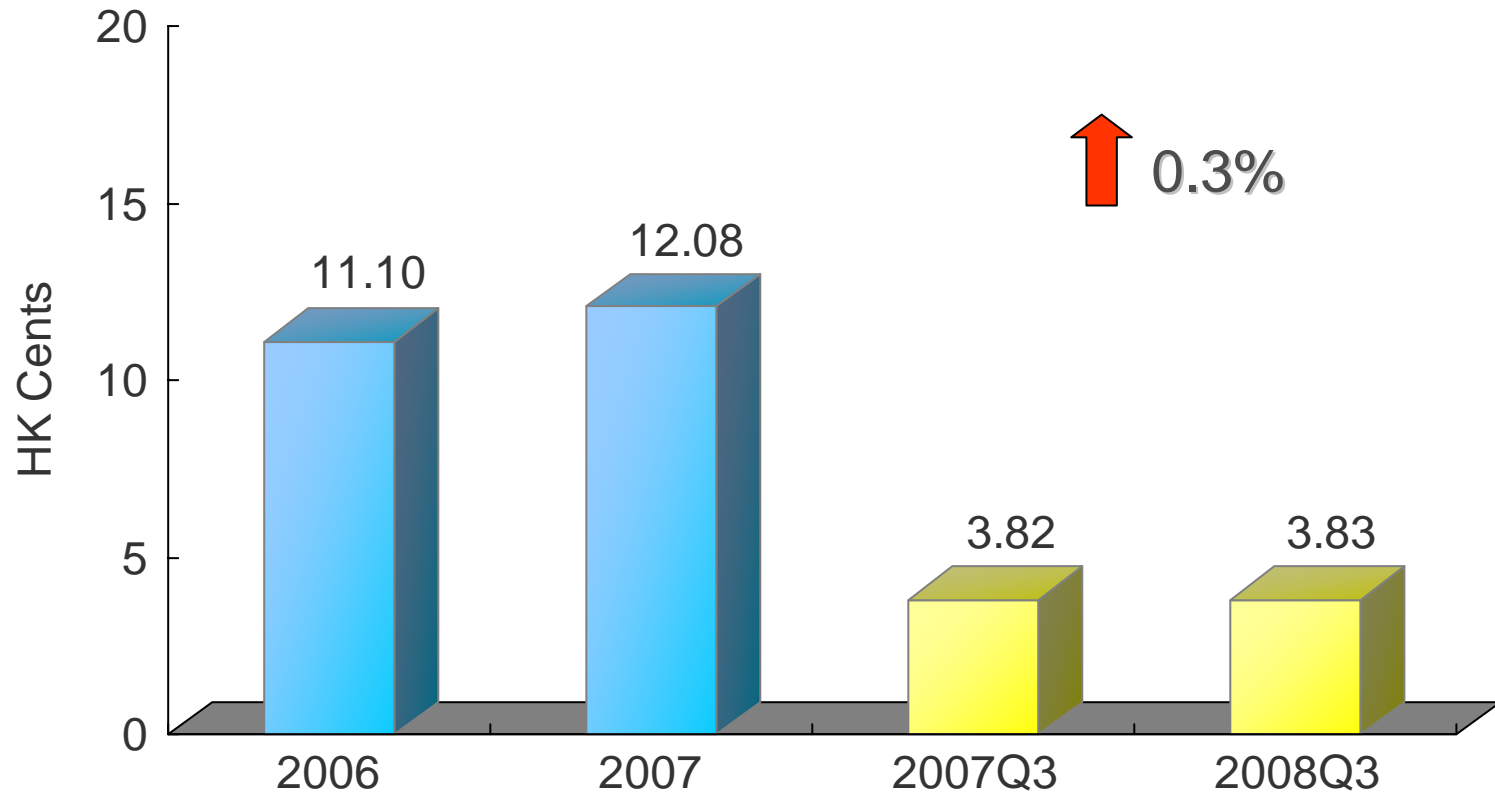
## Net Profit as % of Turnover – Sep YTD

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# 2008 Financial Results Highlights

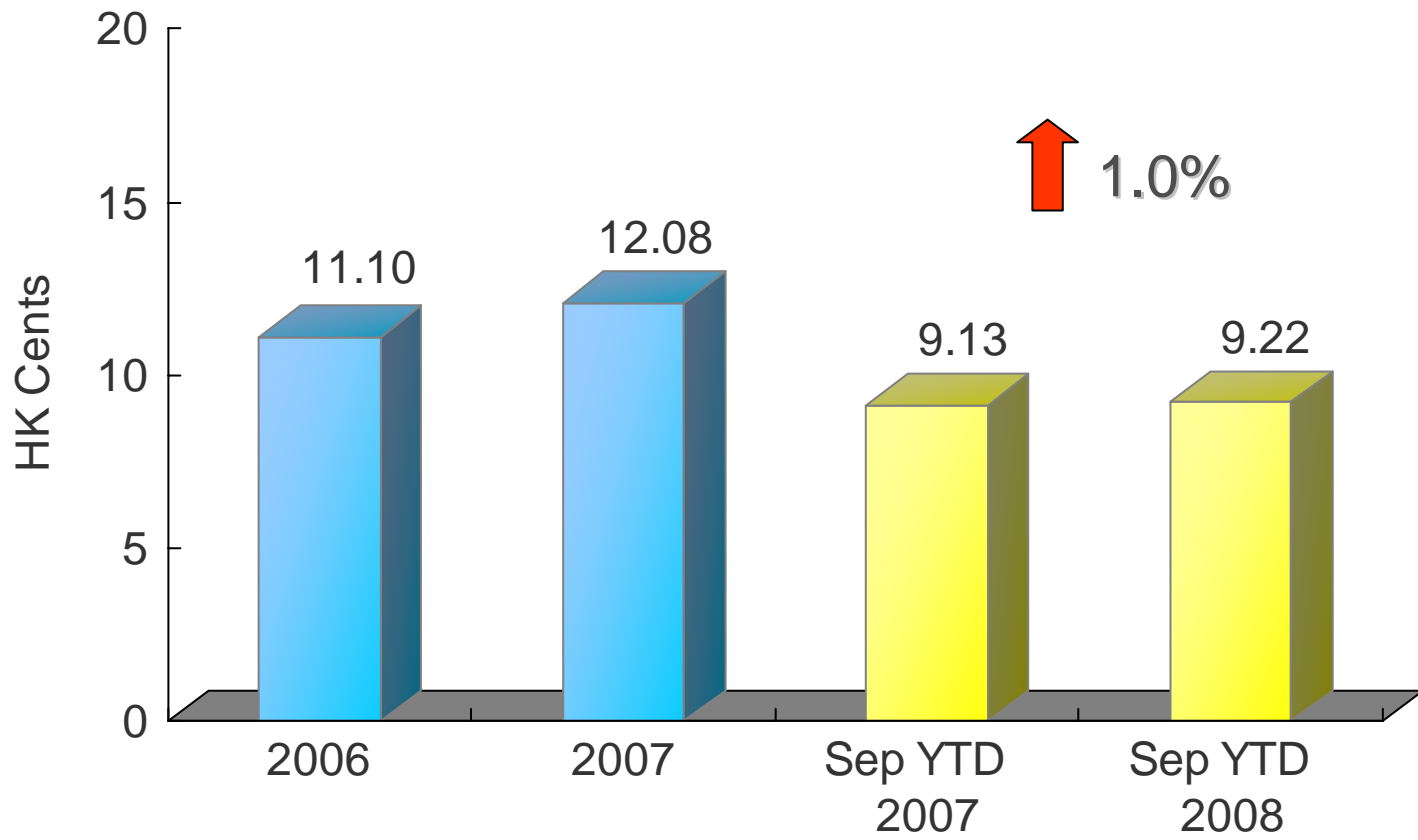
## Basic Earnings Per Share – 3rd Qtr



# 2008 Financial Results Highlights

## Basic Earnings Per Share – Sep YTD

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# 2008 Financial Results Highlights

## 3rd Quarter

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	2007Q3	2008Q3	Change
Number of Stores	454	501	+ 10.4%
Group Turnover (HK\$M)	810.8	898.5	+ 10.8%
Group Net Profit (HK\$M)	27.8	27.9	+ 0.4%
Net Profit as % of Turnover	3.4%	3.1%	- 0.3%
Basic Earnings Per Share	3.82 cents	3.83 cents	+ 0.3%



# 2008 Financial Results Highlights September YTD

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	Sep YTD 2007	Sep YTD 2008	Change
Number of Stores	454	501	+ 10.4%
Group Turnover (HK\$M)	2,135.2	2,487.9	+ 16.5%
Group Net Profit (HK\$M)	65.3	67.3	+ 3.0%
Net Profit as % of Turnover	3.1	2.7	- 0.4%
Basic Earnings Per Share	9.13 cents	9.22 cents	+ 1.0%

# 2008 Update and Outlook



# 2008 Update & Outlook

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- Financial tsunami to unfavorably impact on retail sales in 2008Q4 and 2009
- Pressure on selling prices and gross margin because of the need to maintain market share
- Operating expenses and raw material cost to start downward adjustment in 2009Q2
- Good opportunities to reduce cost and expenses
- Most challenging time expected from coming 2 quarters
- Promotions, tight expenses control and aggressive plan in place

# 2008 Update & Outlook To Summarize

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- Satisfactory results in 2008Q3 despite market turmoil
- Challenging period ahead because of the financial tsunami
- Quick actions and plan in place to deal with challenges
- Very healthy balance sheet with cash of HK\$484M and no bank loan

**Thank You!**

