



For Immediate Release

**Convenience Retail Asia reports sustained growth in turnover and profit
for first half**

Business momentum continues despite surging costs

Hong Kong, 4 Aug 2008 – Convenience Retail Asia Limited (“CRA” or “the Group”; SEHK: 08052), operator of the Circle K convenience stores and Saint Honore bakeries in Hong Kong and on the Chinese Mainland, announced that the Group has maintained business growth for the first half of 2008, despite substantial food cost inflation and a weaker consumer sentiment.

For the three-month period ended 30 June 2008, the Group’s turnover increased by 11.5% to HK\$810.8 million when compared to the same period last year. Net profit attributable to shareholders increased slightly by 0.4% to HK\$25.6 million. Basic earnings per share were 3.51 HK cents.

For the six-month period ended 30 June 2008, the Group recorded a turnover of HK\$1,589.4 million and a net profit of HK\$ 39.3 million, an increase of 20.1% and 4.8% respectively when compared to the results for the six months ended 30 June 2007. Basic earnings per share were 5.39 HK cents. In view of the Group’s profitability and cash position, the Board of Directors has resolved to declare an interim dividend of 1.7 HK cents per share.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “Despite pressure on our margins resulting from rising prices for food ingredients and higher labour costs, our management and staff have worked successfully to increase productivity, control costs, improve customer service and innovate for ongoing success.” He added that turbulence in the global economy and financial markets, escalating inflation and the sustained summer rains in Hong Kong contributed to a weaker consumer sentiment.

Business Review

During the second quarter of 2008, sales at comparable convenience stores (stores in existence throughout the first and second quarters of both 2007 and 2008) in Hong Kong and Southern China increased by 5.4% and 13.3% respectively against the same quarter in 2007. The turnover of the bakery business increased by 21.4 % to HK\$163.7 million compared to the same period last year, due mainly to the opening of new stores.

In Hong Kong, the Group's Circle K operations managed to sustain fairly healthy comparable store sales growth of 6.3% compared to the six-month period ended 30 June 2007, despite the unusually cool and wet weather during the second quarter.

The launch of mass customised store models designed to meet differentiated neighbourhood needs, upgraded store interiors and exteriors, smoother operation processes, consistent customer service training and smarter energy utilisation all made positive contributions to rising sales.

Gross margin and other income for the Group (excluding interest income as a percentage of turnover) decreased slightly to 36.8% during the quarter, compared to 37.3% in the same period last year. The decrease was mainly caused by the substantial increase in food costs, which had a negative impact on the gross margin of the bakery business.

To neutralise these negative impacts, the Group implemented a range of measures, including productivity improvements and overhead reductions at the manufacturing centres, in-store cost-saving measures (such as energy-saving initiatives and interactive roster scheduling), continuous marketing and promotion activities, and ongoing incremental retail price adjustments.

At the close of the first full year of operations of the integrated Saint Honore businesses, much has been achieved. Enhancements to the product quality and range have translated into incremental sales. In addition, high quality steamed food items supplied by Saint Honore are now available through more Circle K stores, greatly enhancing the competitiveness of the convenience store food offerings.

A significant strategic development was the conversion of three Circle K stores in Guangzhou into franchised stores to test the unique franchising model, which allows for entrepreneurial initiatives while ensuring management control of operational standards and protection of the Circle K brand.

Outlook

In the coming six months, uncertain prospects for the global economy and the general weakening of consumer confidence will inevitably impact on the overall retail market performance in Hong Kong.

However, looking ahead, Mr. Yeung commented, “Both the convenience stores and the bakery chains are engaged in retailing consumer products that are basic daily necessities with low transaction value, so it is anticipated that the Group’s operations will be less affected than most other retail trades.”

For the Group’s operations on the Chinese Mainland, a summary of key learning from the prototype franchise operations in Guangzhou is expected before the end of the year. This will feed into plans to launch a full-scale franchise model. “We will continue to actively seek new strategic opportunities on the Chinese Mainland to build up our scale of operations and increase profit potential,” said Mr. Yeung.

“Strategic priorities are set to be cost control, margin improvement and maintaining strong sales growth momentum in comparable stores. Aggressive marketing and promotion programme together with enhanced category management, superior products and quality customer service will help to achieve the sales target set for 2008,” Mr Yeung concluded.

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About CRA

Convenience Retail Asia Limited (CRA, SEHK stock code: 08052), 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.

In February 2007, CRA acquired Saint Honore Cake Shop Ltd.

As of 30 June 2008, there were 77 company-owned-and-managed Circle K stores outside Hong Kong, together with 3 franchised stores in Guangzhou, 27 licensed stores in Macau and Zhuhai — giving a total of 107 Circle K stores outside Hong Kong. Adding these to the 278 stores in Hong Kong, the Group operates a total of 385 Circle K stores in the Pearl River Delta.

*Convenience Retail Asia Limited
Press Release – 2008 Interim Results*

Together with the Saint Honore chain, which currently has a total of 102 stores in Hong Kong, Macau and Guangzhou, the Group operates a total store network of 487 outlets as at the end of the second quarter of 2008.

(CRA website: www.cr-asia.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: 08052)

HALF YEAR RESULTS FOR THE PERIOD ENDED 30 JUNE 2008

Three Months Ended 30 June		2008	2007
• Revenue	+11.5%	HK\$810,759,000	HK\$727,136,000
• Profit attributable to shareholders of the company	+0.4%	HK\$25,623,000	HK\$25,523,000
• Earnings per share	0%	HK3.51 cents	HK3.51 cents
Six Months Ended 30 June		2008	2007
• Revenue	+20.1%	HK\$1,589,376,000	HK\$1,323,901,000
• Profit attributable to shareholders of the company	+4.8%	HK\$39,320,000	HK\$37,503,000
• Earnings per share	+1.9%	HK5.39 cents	HK5.29 cents
• Interim dividend per share	0%	HK1.7 cents	HK1.7 cents

HIGHLIGHTS

- Maintained business growth despite exceptionally wet weather and huge surge in cost and operating expenses.
- Substantial food cost inflation resulted in margin squeeze in the bakery business.
- Pilot testing of Circle K franchising business model in Guangzhou well under way.
- Net cash position of HK\$427.3 million as of 30 June 2008.

Number of Stores as of 30 June 2008

Circle K Convenience Stores

Hong Kong	278
Guangzhou	69
Dongguan	5
Shenzhen	3
Subtotal	355

Franchised Circle K Stores

Guangzhou	3
Macau	15
Zhuhai	12
Subtotal	30

Total Number of Circle K Stores **385**

Saint Honore Group

Hong Kong - Cake Shop	70
- Bread Boutique	11
Subtotal	81

Macau - Cake Shop	7
Guangzhou - Cake Shop	14
Subtotal	21

Total Number of Saint Honore Stores **102**

Total Number of Stores under Convenience Retail Asia **487**

Convenience Retail Asia Limited

Unaudited Consolidated Profit & Loss Account

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Revenue	1,589,376	1,323,901
Cost of sales	(1,120,496)	(946,250)
Gross profit	468,880	377,651
Other income	107,661	103,340
Store expenses	(419,661)	(349,076)
Distribution costs	(40,371)	(28,237)
Administrative expenses	(65,651)	(57,674)
Operating profit	50,858	46,004
Finance costs	-	(745)
Profit before income tax	50,858	45,259
Income tax expenses	(11,538)	(10,325)
Profit for the period	39,320	34,934
Profit attributable to:		
Shareholders of the Company	39,320	37,503
Minority interests	-	(2,569)
	39,320	34,934
Dividend	12,409	12,384
Earnings per share for profit attributable to the shareholders of the Company		
- Basic earnings per share	HK5.39 cents	HK5.29 cents
- Diluted earnings per share	HK5.39 cents	HK5.27 cents