



For Immediate Release

**CRA reports small increase in total sales amid difficult operating environment**

***Group prepares for renewed growth in 2010***

*Hong Kong, 4 August 2009* – Convenience Retail Asia Limited (“CRA” or “the Group”; SEHK: 08052), operator of Circle K convenience stores and Saint Honore cake shops in Hong Kong and on the Chinese Mainland, reported a small total sales increase but a minor impact on comparable Circle K store sales in Hong Kong and Guangzhou due to continued weak consumer sentiment had narrowed margins in a highly competitive environment.

For the three months ended 30 June 2009, the Group’s turnover increased by 0.5% to HK\$815.3 million when compared to the same period last year. Net profit attributable to shareholders decreased by 14.6% to HK\$21.9 million. Basic earnings per share were 3 HK cents.

For the six months ended 30 June 2009, the Group recorded a turnover of HK\$1,616.8 million, an increase of 1.7% when compared with the same period last year. Meanwhile, net profit attributable to shareholders decreased by 9% to HK\$35.8 million over the same period.

The Group has a strong cash position of HK\$400.3 million with no bank borrowings. In view of this position, the Board of Directors has resolved to declare an interim dividend of 1.7 HK cents per share.

The comparable convenience store sales in Hong Kong and Guangzhou decreased slightly while store sales of the Saint Honore bakery business remained flat with increasing pressure on gross margins. A focus on achieving long-term cost savings had seen a consolidation of Saint Honore production facilities.

Mr. Richard Yeung, Chief Executive Officer of CRA, said: “The challenging operating environment is expected to continue to impact turnover and profitability during the second half of the year. However, the Group has achieved significant efficiencies across the business operations and is well-prepared for renewed growth in 2010”.

## **Business Review**

In the second quarter of 2009, total retail sales volume in Hong Kong continued to decline, registering a decrease of 5.6% for the first five months compared with the same period last year.

The impact of the global economic recession was reflected in key economic indicators such as the year-on-year decline in the average real wage of 1.4% in March, the unemployment rate of 5.4% in April, followed by the notable drop of 13.4% in visitor arrivals in May due to the outbreak of human swine influenza. These negative factors combined to further dampen consumer sentiment in Hong Kong.

Although the Group's operations in Hong Kong were relatively less affected than the higher-end retail sector, the overall sales performance when compared with the same period last year was inevitably affected.

In response, the Group launched a series of aggressive and innovative promotions to satisfy consumer demand for value proposition and build on the "always something new" brand positioning. These marketing tactics proved to be effective in a recessionary environment when bargain hunting was not only the market norm, but was also the most salient feature of consumer behaviour.

These sustained promotional efforts took a toll on the Group's overall margins. However, when the retail market stabilises, the Group's reliance on promotional offers will reduce, enabling overall profitability levels to return to normal as the basic pricing and cost structure will remain intact and unchanged.

Following the consolidation exercise that was undertaken in the first quarter of 2009, the Group has a much more effective base of operations in Guangzhou although the convenience store operations faced severe challenges in an adverse market environment. Slight decreases in both the average daily transaction count and transaction value were registered. Sales in the food services category, which had previously been a major contributor to revenue, were also affected.

One of the Group's major initiatives in the second quarter of 2009 was the quality upgrade and new product introductions in the "Hot & In" food services, resulting in an instant improvement in sales performances. A similar initiative was launched for the Saint Honore operations in Guangzhou aimed at reinforcing its positioning as the leading bakery brand in the market.

## Outlook

The Group anticipates that the challenges posed by the global economic recession and weakened consumer sentiment will continue for some time and will exert the same pressures on turnover and profitability in the latter half of 2009.

In addition to the unfavourable economic conditions, a number of market factors outside its control will continue to impact on the Group's business performance. These include the 50% increase in cigarette tax and the implementation of the environmental levy on plastic bags in Hong Kong and its negative effect on transaction value as shoppers become less willing to buy more items without a free shopping bag. In addition, the risk of potential further spread of human swine influenza when the flu season peaks in August may also adversely impact on customer traffic.

Mr Yeung said: "The Group will focus on innovation and value enhancement strategies in the form of new product introduction, creative promotions and irresistible value propositions to generate incremental sales and protect market share, in order to prepare for renewed growth in 2010."

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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 2009, there were 67 company-owned-and-managed Circle K stores outside Hong Kong, together with 4 franchised stores in Guangzhou, 31 licensed stores in Macau and Zhuhai — giving a total of 102 Circle K stores outside Hong Kong. Adding these to the 292 stores in Hong Kong, the Group operates a total of 394 Circle K stores in the Pearl River Delta. Together with the Saint Honore chain, which currently has a total of 104 stores in Hong Kong, Macau and Guangzhou, the Group operates a total store network of 498 outlets as at the end of the second quarter of 2009.*

*(CRA website: [www.cr-asia.com](http://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 2009

Three months ended 30 June		2009	2008
• Revenue	+0.5%	HK\$815,262,000	HK\$810,866,000
• Profit attributable to shareholders of the Company	-14.6%	HK\$21,871,000	HK\$25,623,000
• Basic earnings per share	-14.5%	3.00 HK cents	3.51 HK cents
Six months ended 30 June		2009	2008
• Revenue	+1.7%	HK\$1,616,766,000	HK\$1,590,229,000
• Profit attributable to shareholders of the Company	-9.0%	HK\$35,772,000	HK\$39,320,000
• Basic earnings per share	-9.1%	4.90 HK cents	5.39 HK cents
• Interim dividend per share	0%	1.70 HK cents	1.70 HK cents

### Highlights

- Slight decrease in comparable store sales for Circle K in Hong Kong and Guangzhou due to poor consumer sentiment, adversely affecting earnings per share
- Challenging operating environment expected to continue to impact turnover and profitability during second half of 2009
- Preparing for renewed growth in 2010 with improved effectiveness of all business operations
- Focus on achieving long-term cost savings by consolidating Saint Honore production facilities
- Net cash position of HK\$400.3 million without any bank borrowings as of 30 June 2009

### Number of Stores as of 30 June 2009

<b>Circle K Convenience Stores</b>		
Hong Kong		292
Guangzhou		66
Shenzhen		1
<b>Subtotal</b>		<b>359</b>
<b>Franchised Circle K Stores</b>		
Guangzhou		4
Macau		18
Zhuhai		13
<b>Subtotal</b>		<b>35</b>
<b>Total number of Circle K Stores</b>		<b><u>394</u></b>
<b>Saint Honore Group</b>		
Hong Kong	- Cake Shop	80
	- Bread Boutique	3
<b>Subtotal</b>		<b>83</b>
Macau	- Cake Shop	7
Guangzhou	- Cake Shop	14
<b>Subtotal</b>		<b>21</b>
<b>Total number of Saint Honore Stores</b>		<b><u>104</u></b>
<b>Total number of Stores under Convenience Retail Asia</b>		<b><u>498</u></b>

**Convenience Retail Asia Limited**  
**Unaudited Consolidated Profit & Loss Account**

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	1,616,766	1,590,229
Cost of sales	(1,139,439)	(1,116,428)
Gross profit	<u>477,327</u>	<u>473,801</u>
Other income	113,238	103,192
Store expenses	(436,406)	(420,212)
Distribution costs	(41,045)	(40,394)
Administrative expenses	(67,525)	(67,795)
Operating profit	<u>45,589</u>	<u>48,592</u>
Interest income	1,359	2,266
Profit before income tax	<u>46,948</u>	<u>50,858</u>
Income tax expenses	(11,176)	(11,538)
Profit attributable to shareholders of the Company	<u><u>35,772</u></u>	<u><u>39,320</u></u>
Dividend	<u><u>12,409</u></u>	<u><u>12,409</u></u>
Earnings per share		
- Basic (HK cents)	<u><u>4.90</u></u>	<u><u>5.39</u></u>
- Diluted (HK cents)	<u><u>4.90</u></u>	<u><u>5.39</u></u>