



For Immediate Release

## **CRA achieves Q3 profit growth through effective cost controls**

***Group to take advantage of rebound in consumer confidence by focusing on enhanced product offerings, operational efficiency and cost-effectiveness***

*Hong Kong, 5 November 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, announced increased profit despite decreased turnover due to effective controls on operating expenses amid a challenging economic environment.

For the three-month period ended 30 September 2009, the Group’s turnover decreased by 0.6% to HK\$896.8 million when compared to the same period last year. However, operating expenses were effectively controlled, decreasing from 33.6% to 33.2% of turnover year on year. As a result, the Group recorded a net profit attributable to shareholders of HK\$28.5 million during the quarter, representing an increase of 1.8% over the third quarter of 2008.

Comparable convenience store sales in Hong Kong and Southern China decreased by 2.6% and 6.5% respectively over the same quarter last year. Comparable store sales for the Saint Honore Cake Shop business achieved a low single-digit increase.

Gross margin and other income as a percentage of turnover decreased slightly to 37.2% during the third quarter of 2009, compared to 37.4% in Q3 2008.

### **Business Review**

Uncontrollable market factors impacted Circle K’s overall sales performance in Hong Kong during the third quarter of 2009. The substantial increase in the tobacco tax in February affected convenience store sales, as did the plastic bag levy implemented in July, which caused shoppers to purchase fewer items.

In the third quarter of 2009, the retail market in Hong Kong started to show some signs of recovery when the year-on-year decrease in the value of total retail sales dropped to 0.2% in August, compared to the decrease of 5.3% in July. This could be attributed in part to the gradual improvement of the local economy, stabilisation of the labour market and healthy recovery of inbound tourism.

In Guangzhou, aggressive government measures to drive domestic consumption along with a gradual but perceptible turnaround in export trade and manufacturing led to a positive growth trend for total retail sales. However, this more buoyant consumer sentiment was tempered by the implementation of a Government regulation that effectively forbade cigarette sales by multinational chain operations on the Chinese Mainland. In response, the Group has rolled out aggressive marketing initiatives to build overall store sales and high-margin categories, including food services and packaged drinks.

Saint Honore Cake Shop launched a premium promotion for birthday cakes during the third quarter of 2009 that generated considerable incremental sales. And while the 2009 mooncake season was split into Q3 and Q4, sales prior to the holiday nevertheless contributed a significant portion of the revenue during the quarter for both Hong Kong and Guangzhou. Gross margin also increased, contributing to an overall improvement in Saint Honore's financial results in the third quarter.

## **Outlook**

Along with the improvement in Hong Kong retail sales figures, the Group expects more positive trends to gradually develop. However, with approximately 1,300 convenience stores in Hong Kong, it is anticipated that keen competition will continue to put pressure on organic growth and margin performance.

In Guangzhou, the Group will strive to upgrade productivity and increase sales volume per store by localising and customising individual stores to enhance their product offerings.

Saint Honore Cake Shop sales are anticipated to be slower in the fourth quarter of the year as there are no major festivals in the remaining months of 2009, which means no more incremental sales generated by festive products. However, the continuous improvement in product offerings as well as the cool weather of the last quarter will be conducive to stronger demand for bakery products.

The Group also undertook major operational initiatives earlier in the year to upgrade the cost effectiveness, efficiency and productivity of its manufacturing centres. The benefits of these investments should lead to consistent improvement in margin performance in the coming months.

Mr. Richard Yeung, Chief Executive Officer of CRA, concluded, "The Group anticipates that the rebound in consumer confidence will bring about a moderate improvement in the general operating environment, although a full recovery for sales growth might not happen immediately. Our focus, therefore, is to make all the necessary preparations

that will enable us to take full advantage of the impending turnaround in the retail market and to return to a more satisfactory business growth.”

- ENDS -

### **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 September 2009, there were 62 company-owned-and-managed Circle K stores outside Hong Kong, together with 6 franchised stores in Guangzhou and 32 licensed stores in Macau and Zhuhai for a total of 100 Circle K stores outside Hong Kong. Adding these to the 293 stores in Hong Kong, the Group operates a total of 393 Circle K stores in the Pearl River Delta. Together with the Saint Honore chain, which currently has a total of 103 stores in Hong Kong, Macau and Guangzhou, the Group operates a total store network of 496 outlets as at the end of the third 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)

### THIRD QUARTERLY RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

Three months ended 30 September		2009	2008
• Revenue	-0.6%	HK\$896,753,000	HK\$902,557,000
• Profit attributable to shareholders of the Company	+1.8%	HK\$28,468,000	HK\$27,953,000
• Basic earnings per share (HK cents)	+1.8%	3.90	3.83
Nine months ended 30 September		2009	2008
• Revenue	+0.8%	HK\$2,513,519,000	HK\$2,492,786,000
• Profit attributable to shareholders of the Company	-4.5%	HK\$64,240,000	HK\$67,273,000
• Basic earnings per share (HK cents)	-4.6%	8.80	9.22
• Interim dividend per share (HK cents)	0%	1.70	1.70

### Highlights

- Effective cost control contributed to satisfactory profit increase despite challenging market conditions
- Comparable store sales for Circle K Hong Kong affected by the plastic bag levy implemented on 7 July 2009
- Mooncake sales improved Saint Honore performance
- Strong net cash position of HK\$490.3 million

### Number of Stores as of 30 September 2009

<b>Circle K Stores</b>	
Hong Kong	293
Guangzhou	61
Shenzhen	1
<b>Subtotal</b>	<b>355</b>
<b>Franchised Circle K Stores</b>	
Guangzhou	6
Macau	20
Zhuhai	12
<b>Subtotal</b>	<b>38</b>
<b>Total number of Circle K Stores</b>	<b><u>393</u></b>
<b>Saint Honore Cake Shops</b>	
Hong Kong	82
Macau	7
Guangzhou	14
<b>Total number of Saint Honore Cake Shops</b>	<b><u>103</u></b>
<b>Total number of Stores under Convenience Retail Asia</b>	<b><u>496</u></b>

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

	<b>Nine months ended 30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2,513,519	2,492,786
Cost of sales	(1,758,972)	(1,736,273)
Gross profit	<u>754,547</u>	<u>756,513</u>
Other income	169,567	158,149
Store expenses	(674,211)	(660,646)
Distribution costs	(62,474)	(62,327)
Administrative expenses	(106,299)	(108,353)
Operating profit	<u>81,130</u>	<u>83,336</u>
Interest income	2,116	3,693
Profit before income tax	<u>83,246</u>	<u>87,029</u>
Income tax expenses	(19,006)	(19,756)
Profit attributable to shareholders of the Company	<u><u>64,240</u></u>	<u><u>67,273</u></u>
Dividend	<u><u>12,409</u></u>	<u><u>12,409</u></u>
Earnings per share		
- Basic (HK cents)	<u><u>8.80</u></u>	<u><u>9.22</u></u>
- Diluted (HK cents)	<u><u>8.80</u></u>	<u><u>9.22</u></u>