



For Immediate Release

CRA reports continued business growth in Q2 2010

Total number of Circle K and Saint Honore stores surpasses the 500 mark

Hong Kong, 2 August 2010 – 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 that it recorded a positive improvement in overall performance during Q2 2010 with total store count reaching 501.

During the three-month period ended 30 June 2010, the Group’s turnover was HK\$838.6 million, an increase of 2.9% when compared with the same period last year. Net profit attributable to shareholders, before the gain on the disposal of a real estate property in the first quarter of 2010, for the six months ended 30 June 2010 and the second quarter of 2010 increased by 11% and 9.1% to HK\$39.7 million and HK\$23.9 million respectively. Including the one-off gain, the Group recorded a net profit attributable to shareholders of HK\$57.7 million during the six months ended 30 June 2010, representing an increase of 61.3% over the same period last year. Basic earnings per share were 7.9 HK cents.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “The increase in turnover in the second quarter was largely due to overall growth of sales at comparable stores, supported by the opening of seven new Circle K stores – an addition of 16 when compared to the same period in 2009. Expanded product lines, improvements in product quality, creative promotions and cost savings across all levels of the business will deliver continued growth in 2010.”

Gross margin and other income as a percentage of turnover increased to 37.1% during the second quarter of 2010, compared to 36.7% achieved in the same period last year however inflation in food costs continued to exert pressure on Saint Honore’s performance.

The Group has a strong cash position of HK\$565.5 million with no bank borrowings. In view of this, the Board of Directors has resolved to declare an interim dividend of 1.9 HK cents per share. Due to the one-off financial gain generated by the disposal of an old manufacturing centre in Hong Kong in the first quarter, the Board has further resolved to pay a special dividend of 2.4 HK cents per share.

Business Review

In the second quarter of 2010 overall economic performance across all markets showed encouraging signs of growth with retail sales for the first five months of 2010 delivering a 15.2% and 18.2% increase in volume in Hong Kong and on the Chinese Mainland respectively. This was partly due to a rapid rebound in inbound tourism which reported a record year-on-year growth of arrivals in May, with visitors from the Chinese Mainland increasing by 46.8%, as well as significant growth across all market sectors including short haul and long haul air travel. The implementation of multiple entry permits to Shenzhen residents also increased the frequency of visitors coming to Hong Kong for shopping purposes.

In Hong Kong, despite some challenging market factors such as the plastic bag environmental levy, which continued to affect transaction count and basket size at convenience stores, the Group was able to report healthy sales growth in the second quarter. This was achieved via a number of effective consumer promotions and new product offerings designed to boost customer loyalty and drive incremental sales.

In particular, the Group's Circle K operations benefited greatly from television coverage of the World Cup, which generated increased demand for take home consumption of packaged drinks, beer, snacks and confectionery, helping to boost sales of these core convenience store categories toward the end of the quarter, supported by aggressive category advertising and thematic promotions.

In Guangzhou, after implementing some key initiatives in category management by enhancing the "Hot & In" food service offerings and customising the store models to fit consumer demand in different neighbourhoods, the comparable store sales reported a positive turnaround of 1.5% growth in the second quarter.

The Group's Saint Honore Cake Shop operations also reported healthy growth with a series of quality improvement programmes, brand building initiatives and premium promotions which enhanced sales as well as the overall brand image. Highlights included newly designed packaging for cake boxes and shopping bags and the re-launch of a VIP discount card.

Outlook

In Hong Kong, as long as the strong trend in the growth of inbound tourism continues, it will render support for the overall retail market growth. The television coverage of the World Cup at the beginning of July continued to create significant in-home consumption of key convenience store categories which benefited the Group's operations in Hong Kong and Guangzhou.

However, it is also generally anticipated that the double digit retail sales growth registered

in the first five months of 2010 may not be sustainable in the coming months as a result of the uncertainties in the Eurozone and the global economic environment. Operating margin may come under potential challenge including increased inflationary pressure, particularly on raw materials, store rental and labour costs.

Mr Yeung said, “In order to mitigate any potential negative impacts on margin, the Group will undertake initiatives to review the pricing and operation cost structure in both markets and implement rational pricing adjustments as appropriate.”

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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 2010, there were 55 company-owned-and-managed Circle K stores outside Hong Kong, together with 4 franchised stores in Guangzhou and 32 licensed stores in Macau and Zhuhai for a total of 91 Circle K stores outside Hong Kong. Adding these to the 308 stores in Hong Kong, the Group operates a total of 399 Circle K stores in the Pearl River Delta. 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 501 outlets as at the end of the second quarter of 2010.

(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 2010

Three months ended 30 June		2010	2009
	Change	HK\$'000	HK\$'000
• Revenue	+2.9%	838,564	815,262
• Profit attributable to shareholders of the Company	+9.1%	23,859	21,871
• Basic earnings per share (HK cents)	+9.0%	3.27	3.00

Six months ended 30 June		2010	2009
	Change	HK\$'000	HK\$'000
• Revenue	+2.3%	1,653,400	1,616,766
• Financial gain on disposal of property	N/A	17,981	Nil
• Profit attributable to shareholders of the Company	+61.3%	57,683	35,772
• Basic earnings per share (HK cents)	+61.2%	7.90	4.90
• Interim dividend per share (HK cents)	+11.8%	1.90	1.70
• Special dividend per share (HK cents)	N/A	2.40	Nil

Operation Highlights

- Satisfactory growth in turnover and profitability in the second quarter
- Number of stores increased by six to 501 during the quarter
- Saint Honore operations reported healthy growth but margins affected by higher material prices in the second quarter
- Strong cash position of HK\$565.5 million without any bank borrowings as of 30 June 2010
- Due to the one-off financial gain generated by the disposal of an old manufacturing centre in Hong Kong in the first quarter, the Board resolved to pay a special dividend of 2.4 HK cents per share in addition to the interim dividend of 1.9 HK cents per share

Number of Stores as of 30 June 2010

Circle K Stores	
Hong Kong	308
Guangzhou	54
Shenzhen	1
Subtotal	363
Franchised Circle K Stores	
Guangzhou	4
Macau	20
Zhuhai	12
Subtotal	36
Total number of Circle K Stores	<u>399</u>
Saint Honore Cake Shops	
Hong Kong	83
Macau	7
Guangzhou	12
Total number of Saint Honore Cake Shops	<u>102</u>
Total number of Stores under Convenience Retail Asia	<u>501</u>

Convenience Retail Asia Limited
Unaudited Consolidated Profit & Loss Account

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Revenue	1,653,400	1,616,766
Cost of sales	(1,088,439)	(1,059,563)
Gross profit	<u>564,961</u>	<u>557,203</u>
Other income	37,756	33,362
Other gain/(loss), net	16,748	(3,654)
Store expenses	(438,615)	(433,009)
Distribution costs	(40,213)	(40,739)
Administrative expenses	<u>(74,710)</u>	<u>(67,574)</u>
Operating profit	65,927	45,589
Interest income	<u>2,872</u>	<u>1,359</u>
Profit before income tax	68,799	46,948
Income tax expenses	<u>(11,116)</u>	<u>(11,176)</u>
Profit attributable to shareholders of the Company	<u><u>57,683</u></u>	<u><u>35,772</u></u>
Earnings per share		
Basic (HK cents)	<u>7.90</u>	<u>4.90</u>
Diluted (HK cents)	<u>7.90</u>	<u>4.90</u>
Dividends		
Interim	13,868	12,409
Special	<u>17,518</u>	<u>-</u>
	<u><u>31,386</u></u>	<u><u>12,409</u></u>