



For Immediate Release

**CRA reports solid comparable store sales growth in 1H 2013
despite challenging retail sector**

Group anticipates difficult operating environment heading into second half of the year

Hong Kong, 6 August 2013 – Convenience Retail Asia Limited (“CRA” or “the Group”; SEHK: 00831), operator of Circle K convenience stores and Saint Honore Cake Shops in Hong Kong and on the Chinese Mainland, reported satisfactory sales growth for comparable stores despite a challenging operating environment marked by dampened consumer sentiment in the Chinese Mainland and rising costs across all markets.

For the period under review, CRA saw a year-on-year increase in turnover of 7.4% to HK\$2,171.6 million. Turnover for Circle K convenience stores increased 7% to HK\$1,739 million, with comparable convenience store sales in Hong Kong and Southern China growing 6.2% and 10.1% respectively. Turnover for Saint Honore increased 9.1% to HK\$ 469.1 million, with comparable store sales in Hong Kong rising by 3.9%.

Excluding the one-off gain from the disposal of real estate property in 2012, the operating profit decreased by 7.7% to HK\$60.1 million compared to the same period last year. The decline was attributable to escalating store operating expenses, which rose from 25.8% to 26.4% of turnover on the back of higher rental and labour costs. Also contributing to the decline was a large number of new stores opened in Guangzhou and Shenzhen in the second half of 2012, which is still in the investment period.

Gross margin and other income as a percentage of turnover was stable in the first six months of 2013. Excluding the one-off gain in 2012, basic earnings per share decreased by 8.4% to 8.12 HK cents.

As at 30 June 2013, the Group had a net cash balance of HK\$715.9 million with no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 3.8 HK cents per share, along with a special dividend of 40 HK cents per share due to the Group’s increasingly sizeable cash reserve. After the interim dividend and special dividend, the Group’s net cash balance is HK\$390.6 million with no bank borrowings. The Group will continue its efforts to identify new opportunities for growth through expansion and acquisitions.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “Although we had to deal with a number of external challenges in the first half of the year, we are encouraged by the sales growth momentum for comparable stores. We are also very pleased with the launch of FingerShopping.com, which we believe will help us capitalise on the growing trend for multi-channel shopping and expand the scope of our convenience services.”

Business Review

In Hong Kong retail rentals levelled but remained high, while labour expenses continued to rise on the back of 3.3% unemployment, strong labour demand in the retail sector and increased minimum wage. The Group’s operations were also affected by the sluggish recovery of the global economy and weaker consumer sentiment. Despite this, the Group achieved satisfactory sales for the first half of the financial year, including comparable stores sales growth of 6.2% for Circle K and 3.9% for Saint Honore, while also maintaining stable net profit margin.

In the Chinese Mainland, slowdowns in GDP growth and overall consumer spending had some effect on business, but still reporting satisfactory comparable store sale growth for Circle K. The Hot & In food service continued to be the main driver of revenue and margin growth for the Guangzhou market, contributing approximately 40% of the sales mix. Continuous improvement in the product range and a highly successful VIP programme helped contributing to the strong sales performance. The Group expanded Saint Honore Cake Shop’s presence in Guangzhou. Stores opened less than 12 months currently account for almost 50% of the chain’s total store number. The Group introduced new store models including on-site bakery and café seating to enhance customer experience.

In June 2013, CRA announced the launch of Fingershopping.com, paving the way for its strategic development into multi-channel retailing. Operated by subsidiary company FingerShopping Limited and using a “bricks & clicks” concept, FingerShopping.com is an online shopping platform enabling visitors to shop for merchandise with a high level of security. Orders are fulfilled via Circle store in more than 300 convenience locations in Hong Kong; payment could be made at the stores after pick-up of goods ordered.

Outlook

CRA remains cautious about the second half of 2013 due to decelerating economic growth and dampened consumer sentiment in the Chinese Mainland, which are anticipated to continue well into the second half of the year. Therefore it will be quite difficult for comparable store sales growth in the Guangzhou operations to maintain and achieve double-digit growth as in prior years. The Group expects steady growth in Hong Kong due

to the low unemployment rate and higher disposable income. Lease renewals and on-going competition for frontline staff recruitment will continue to pose challenges.

Mr. Yeung said, “We expect a difficult operating environment heading into the second half of the year. However, the Group is confident that the investments made in our rapidly growing store network will contribute to sustainable, long-term success. In the meantime, we will keep monitoring our expenses, exercise prudent cost control and maintain our focus on retaining the best talent.”

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About CRA

Convenience Retail Asia Limited (CRA, SEHK stock code: 00831), a member of Fung Retailing, is principally engaged in the operation of the Circle K convenience store and Saint Honore Cake Shop bakery chains in Southern China, including Hong Kong and Macau.

As of 30 June 2013, there were a total of 117 Circle K stores outside Hong Kong. In addition to the 335 stores in Hong Kong, the Group operates a total of 452 Circle K stores in Southern China. Together with the Saint Honore chain, which currently has a total of 142 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 594 outlets as of the end of the first six months of 2013.

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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: 00831)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Change	2013 HK\$'000	2012 HK\$'000
• Revenue	+7.4%	2,171,598	2,021,931
• Profit attributable to shareholders of the Company (before gain on disposal of property, net of tax)	-7.7%	60,146	65,145
• Gain on disposal of property, net of tax	N/A	Nil	38,502
• Profit attributable to shareholders of the Company	-42.0%	60,146	103,647
• Basic earnings per share (HK cents)	-42.4%	8.12	14.09
• Interim dividend per share (HK cents)	Nil	3.80	3.80
• Special dividend per share (HK cents)	+669.2%	40.00	5.20

Operation Highlights

- Maintains sales growth momentum for comparable stores despite challenging operating environment and increased cost pressures across all markets
- Higher proportion of non-comparable stores affects business performance of Southern China operations, resulting in a 7.7% drop in operating profit
- Dampened consumer sentiment from decelerating economic growth in the Chinese Mainland expected to continue into second half of 2013
- Launch of FingerShopping.com paves the way for multi-channel retailing development
- The Board has resolved to pay a special dividend of 40 HK cents per share
- After interim and special dividends, net cash balance is HK\$390.6 million without any bank borrowings

Number of Stores as of 30 June 2013

Circle K Stores	
Hong Kong	335
Guangzhou	70
Shenzhen	1
Subtotal	406
Franchised Circle K Stores	
Guangzhou	10
Macau	24
Zhuhai	12
Subtotal	46
Total number of Circle K Stores	<u>452</u>
Saint Honore Cake Shops	
Hong Kong	90
Macau	8
Guangzhou	41
Shenzhen	3
Total number of Saint Honore Cake Shops	<u>142</u>
Total number of Stores under Convenience Retail Asia	<u>594</u>

Convenience Retail Asia Limited
Unaudited Consolidated Profit & Loss Account

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Revenue	2,171,598	2,021,931
Cost of sales	(1,427,125)	(1,338,804)
Gross profit	<u>744,473</u>	<u>683,127</u>
Other income	42,969	41,485
Other gains, net	2,731	1,469
Store expenses	(573,618)	(520,669)
Distribution costs	(53,259)	(49,752)
Administrative expenses	(94,628)	(81,183)
Gain on disposal of property	-	36,788
Operating profit	<u>68,668</u>	<u>111,265</u>
Interest income	4,415	5,887
Profit before income tax	<u>73,083</u>	<u>117,152</u>
Income tax expenses	(12,937)	(13,505)
Profit attributable to shareholders of the Company	<u><u>60,146</u></u>	<u><u>103,647</u></u>
Earnings per share (HK cents)		
Basic	<u>8.12</u>	<u>14.09</u>
Diluted	<u>8.03</u>	<u>14.05</u>
Dividends	<u>325,277</u>	<u>66,373</u>