



For Immediate Release

## **Convenience Retail Asia reports strong results for Q1 2008**

### ***Positive consumer sentiment and consolidation of Saint Honore operations drives robust turnover growth***

*Hong Kong, 7 May 2008* – Convenience Retail Asia Limited (“CRA” or “the Group”; SEHK: 08052), operator of the Circle K convenience stores and Saint Honore cake shops in Hong Kong and on the Chinese Mainland, announced robust growth in turnover and profit for the first quarter of 2008.

For the three-month period ended 31 March 2008, the Group’s turnover was HK\$778.6 million, an increase of 30.5% when compared to the same period last year. As a result of the strong turnover growth, consolidated net profit increased by 14.3% to HK\$13.7 million when compared to the same period last year. Basic earnings per share were 1.88 HK cents, compared to 1.73 HK cents in the first quarter of 2007.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “We achieved satisfactory turnover and profit growth for the first quarter of 2008, in sometimes challenging circumstances. The period also marked one year since the Group acquired Saint Honore, and we are pleased to have seen the full integration of Saint Honore operations with Circle K operations resulting in synergy and financial benefits during that time.”

### **Business Review**

Despite uncertain global economic conditions, consumer sentiment in Hong Kong and Southern China remained positive and the retail market continued to grow. Comparable convenience store sales (stores in existence throughout the first quarter of 2007 and 2008) in Hong Kong and Southern China increased by 7.3% and 23.2% respectively over the first quarter of 2007.

In Hong Kong, escalating food prices became a challenge during the first quarter of 2008. The mid-January snowstorms in Mainland China had a significant impact on agricultural production and caused a surge in food, fuel and other raw material costs which increased pressure on net profit margins in the short term. The Group regularly reviewed prices to mitigate the inflationary trend and neutralise its impact on margins.

The Group's active promotional activities also helped combat the effect of the cold weather which hit Hong Kong during the first quarter. While sales of packaged ice-creams, beer and packaged drinks decreased as a result of the cold weather, non-stop promotional activities ensured healthy growth in confectionery, snacks, publication and tobacco sales.

Positive consumer sentiment, fuelled by Chinese New Year festivities and the golden week holiday, provided a favourable environment for the Group's operations in Guangzhou. Key categories that contributed to the Group's sales growth were confectionery, snack, packaged drink and food services.

Rising food prices also provided an unexpected challenge in Guangzhou. Staple items such as wheat flour, reported phenomenal increases during the first quarter. To combat erratic price movements, the Group maintained constant vigilance through regular product pricing and cost control reviews.

It has been one year since the Group acquired Saint Honore, and the Saint Honore operations are now fully integrated with the Circle K operations. The strategic synergy and financial benefits created by the integration and consolidation have been clearly reflected in the Group's improved financial performances over the year.

At the end of the first quarter of 2008, there were 373 Circle K stores in Hong Kong, Guangzhou, Shenzhen, Dongguan, Macau and Zuhai compared to 344 stores as of the end of the first quarter of 2007. The number of Saint Honore stores increased from 87 to 100 stores, while CRA's combined store network increased from 431 to a total of 473 stores.

## **Outlook**

Going forward, Mr. Yeung said, "While global economic conditions remain unclear and inflation remains a concern, we are devoting considerable effort towards mitigating the effect of price increases by controlling costs and regularly reviewing prices. As a result, the first-quarter performance indicates that 2008 will be favourable for the Group's organic business growth in Hong Kong and the Pearl River Delta."

To sustain sales momentum and consolidate the brand-building initiatives launched in 2007 in Hong Kong, the Group will continue to invest in strategic advertising and promotional initiatives to support the "Always Something New" brand positioning and marketing platform across the Circle K chain of stores.

In Guangzhou, the Group will continue to roll out its franchising model for Circle K stores and its business effectiveness will be assessed by the end of the year. The Group is also investigating new business opportunities in various markets on the

Chinese Mainland which would fulfill the strategic criteria of business synergy and geographical proximity to the Group's current operations.

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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 October 2002, CRA established Convenience Retail Southern China Limited in joint venture with Guangzhou Grain Group Limited and Shanghai Shenhong Corporation to develop the South China market.

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

As of 31 March 2008, there were 76 company-owned-and-managed Circle K stores in Southern China, together with 26 licensed stores in Macau and Zhuhai – a total of 102 Circle K stores outside Hong Kong. Adding these to the 271 Circle K stores in Hong Kong, the Group operated 373 Circle K stores in the Pearl River Delta. With the addition of the 100 outlets of the Saint Honore Chain in Hong Kong, Macau and Guangzhou, the Group operated 473 stores as of 31 March 2008.

(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)

### FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2008

		2008	2007
• Revenue	+30.5%	HK\$778,617,000	HK\$596,765,000
• Profit attributable to shareholders of the Company	+14.3%	HK\$13,697,000	HK\$11,980,000
• Earnings per share	+8.7%	HK1.88 cents	HK1.73 cents

### HIGHLIGHTS

- Healthy sales growth supported by strong consumer sentiments in Hong Kong and Guangzhou.
- The Group operated a total of 473 stores in the Pearl River Delta including 373 Circle K stores and 100 Saint Honore stores as of 31 March 2008.
- Net cash position of HK\$410.1 million as of 31 March 2008.

### Number of Outlets as of 31 March 2008

#### Circle K Convenience Stores

Hong Kong	271
Guangzhou	63
Dongguan	8
Shenzhen	5
<b>Subtotal</b>	<b>347</b>

#### Franchised Circle K Stores

Macau	16
Zhuhai	10
<b>Subtotal</b>	<b>26</b>
<b>Total Number of Circle K Outlets</b>	<b><u>373</u></b>

#### Saint Honore Group

Hong Kong - Cake Shop	70
- Bread Boutique	14

<b>Subtotal</b>	<b>84</b>
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Macau - Cake Shop	7
Guangzhou - Cake Shop	9

<b>Subtotal</b>	<b>16</b>
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<b>Total Number of Saint Honore Outlets</b>	<b><u>100</u></b>
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<b>Total Number of Stores Under Convenience Retail Asia</b>	<b><u>473</u></b>
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# Convenience Retail Asia Limited

## Unaudited Consolidated Profit & Loss Account

	Three months ended 31 March	
	2008	2007
	HK\$'000	HK\$'000
Revenue	778,617	596,765
Cost of sales	(550,195)	(440,760)
Gross profit	<u>228,422</u>	<u>156,005</u>
Other income	47,021	52,274
Store expenses	(204,127)	(156,569)
Distribution costs	(18,642)	(11,633)
Administrative expenses	(34,392)	(25,429)
Operating profit	<u>18,282</u>	<u>14,648</u>
Finance costs	-	(300)
Profit before income tax	<u>18,282</u>	<u>14,348</u>
Income tax expenses	(4,585)	(3,666)
Profit for the period	<u><u>13,697</u></u>	<u><u>10,682</u></u>
Profit attributable to:		
Shareholders of the Company	13,697	11,980
Minority interests	-	(1,298)
	<u><u>13,697</u></u>	<u><u>10,682</u></u>
Earnings per share for profit attributable to the shareholders of the Company		
- Basic earnings per share	<u><u>HK1.88 cents</u></u>	<u><u>HK1.73 cents</u></u>