



For Immediate Release

## **CRA achieves robust profitability and sales growth for 1H 2011**

### ***Strong comparable store sales***

*Hong Kong, 27 July 2011* – 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 strong sales growth in both markets for the first half of 2011.

The Group’s turnover increased 14.1% year on year to HK\$1,886.7 million during the first six months of 2011, while net profit attributable to shareholders increased 35.3% to HK\$78 million. Sales at comparable convenience stores – a key performance measure referring to stores in existence throughout 2010 and 2011 – grew by 10.6% and 14.2% in Hong Kong and Southern China respectively.

Gross margin and other income as a percentage of turnover increased to 37% compared to 36.5% in the first half of 2010, while operating expenses decreased from 32.5% of turnover to 32.1% year on year due to tight operational control and a higher sales base.

The Group recorded a net operating profit of HK\$78 million, representing an increase of 96.5% over the corresponding period in 2010 before factoring in the gain on the disposal of a real estate property last year. Including this one-off gain, the Group recorded a year-on-year increase in net profit attributable to shareholders of 35.3%. Basic earnings per share increased by 96%, from 5.44 HK cents to 10.66 HK cents, before factoring in the gain on the disposal. Including the one-off gain, basic earnings per share saw an increase of 34.9% from 7.9 HK cents to 10.66 HK cents.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “While CRA turned in a robust performance in the first half of 2011, rising costs of food, labour and retail rental will continue to put pressure on the Group’s operating costs in the months ahead. The Group will remain vigilant in monitoring market trends and implementing cost-cutting measures where necessary to protect margins and bottom-line performance.”

The Board of Directors has resolved to declare an interim dividend of 3.8 HK cents per share. The Group had a net cash balance of HK\$649.4 million with no bank borrowings.

## **Business Review**

Increasing tourist arrivals from the Mainland and strong consumer sentiment led to a healthy retail sales market in Hong Kong during the period under review. Sales increased in several tourist-related categories, helping boost total retail sales by 23.6% in value and 18.4% in volume year on year. On the Chinese Mainland, continued economic expansion pushed consumer confidence to a high of 105.8 as of May 2011, helping drive 16.6% cumulative sales growth in the retail market.

Over the first six months of 2011, the Group applied aggressive marketing, product innovation and quality customer service to maximize the retail sales environments of Hong Kong and the Mainland. The Group continued to build the brand equity of Circle K stores in Hong Kong through customer service improvement initiatives, resulting in it being named the Service Leader in the Convenience Store Category by the Hong Kong Retail Management Association twice in 2011 and the 10<sup>th</sup> Most Trusted Brand in Hong Kong in a major brand recognition survey, the only convenience store brand among the top ten brands. CRA also launched a series of major operational and marketing initiatives for Saint Honore Cake Shop, including new store concepts and a television ad campaign. On the Chinese Mainland, the Group strove to improve Circle K productivity and profitability on a per-store basis while expanding its store network.

On 20 June 2011, CRA successfully transferred its listing from the Growth Enterprise Market (“GEM”) to the Main Board of The Hong Kong Stock Exchange, an initiative undertaken to enhance share liquidity and pave the way for future growth through network expansion and acquisition.

## **Outlook**

Inflationary pressure in areas such as rental, labour, food and raw materials persists, posing challenges to CRA and the retail industry for the remainder of the year. The Group will continue to implement cost-saving initiatives across its operations and focus on category management, new product introduction, service expansion, daily store sales volume and margin performance to offset any negative impact of prevailing market trends.

Mr. Yeung added, “We will continue to focus on marketing and brand-building initiatives that position Circle K and Saint Honore as preferred brands for consumers in our major markets in the Pearl River Delta. We are also seeking out acquisition opportunities that will help us improve our presence on the Chinese Mainland and expand our business to a wider base of consumers.”

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**About CRA**

*Convenience Retail Asia Limited (CRA, SEHK stock code: 00831), a member of the Li & Fung Group, is principally engaged in the operation of a convenience store chain and bakery chain in the Pearl River Delta, including Hong Kong and Macau, under the brand names of Circle K and Saint Honore Cake Shop respectively.*

*As of 30 June 2011, there were 62 company-owned-and-managed Circle K stores outside Hong Kong, together with 6 franchised stores in Guangzhou and 35 licensed stores in Macau and Zhuhai, for a total of 103 Circle K stores outside Hong Kong. Adding these to the 319 stores in Hong Kong, the Group operates a total of 422 Circle K stores in the Pearl River Delta. Together with the Saint Honore chain, which currently has a total of 117 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 539 outlets as of the end of the first six months of 2011.*

*(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: 00831)

## HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

		2011	2010
	Change	HK\$'000	HK\$'000
• Revenue	+14.1%	1,886,668	1,653,400
• Financial gain on disposal of property, net of tax	N/A	Nil	17,981
• Profit attributable to shareholders of the Company	+35.3%	78,018	57,683
• Basic earnings per share (HK cents)	+34.9%	10.66	7.90
• Interim dividend per share (HK cents)	+100%	3.80	1.90
• Special dividend per share (HK cents)	N/A	Nil	2.40

### Operation Highlights

- Successful transfer from GEM Board to Main Board on 20 June 2011
- Strong growth in profitability and comparable store sales across all operations
- Challenging outlook for the second half of 2011 due to inflationary trend and increasing rental and labour costs
- Strong cash position of HK\$649.4 million without any bank borrowings as of 30 June 2011

### Number of Stores as of 30 June 2011

#### Circle K Stores

Hong Kong	319
Guangzhou	61
Shenzhen	1
<b>Subtotal</b>	<b>381</b>

#### Franchised Circle K Stores

Guangzhou	6
Macau	22
Zhuhai	13
<b>Subtotal</b>	<b>41</b>

**Total number of Circle K Stores** **422**

#### Saint Honore Cake Shops

Hong Kong	88
Macau	7
Guangzhou	21
Shenzhen	1

**Total number of Saint Honore Cake Shops** **117**

**Total number of Stores under Convenience Retail Asia** **539**

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	1,886,668	1,653,400
Cost of sales	(1,227,386)	(1,088,439)
Gross profit	<u>659,282</u>	<u>564,961</u>
Other income	39,531	37,756
Other gain, net	4,364	16,748
Store expenses	(485,513)	(438,615)
Distribution costs	(44,775)	(40,213)
Administrative expenses	(80,294)	(74,710)
Operating profit	<u>92,595</u>	<u>65,927</u>
Interest income	3,432	2,872
Profit before income tax	<u>96,027</u>	<u>68,799</u>
Income tax expenses	(18,009)	(11,116)
Profit attributable to shareholders of the Company	<u><u>78,018</u></u>	<u><u>57,683</u></u>
Earnings per share		
Basic (HK cents)	<u>10.66</u>	<u>7.90</u>
Diluted (HK cents)	<u>10.65</u>	<u>7.90</u>
Dividends	<u>27,874</u>	<u>31,386</u>