



For Immediate Release

Solid 1H results for CRA despite challenging economic environment

Group credits sales efforts, increasing strength of Circle K, Saint Honore brands

Hong Kong, 6 August 2012 – 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 higher sales and profit for the first half of 2012 despite a challenging retail sales environment, due to tapering inflation, effective marketing and promotional initiatives, and strong performance in Guangzhou.

The Group’s turnover increased 7.2% year on year to HK\$2,021.9 million during the first six months of 2012. This was mainly attributable to the opening of new stores and an increase in comparable convenience store sales (stores in existence throughout 2011 and 2012) in Hong Kong and Southern China, which rose by 3.5% and 16.8% respectively over the same period last year.

During the first half of 2012, the Group recorded a net profit attributable to shareholders of HK\$103.6 million for the first six months, representing an increase of 32.9% over the same period in 2011. The Group’s net profit increased by 8.4% to HK\$65.1 million, excluding the one-off gains on the disposal of a real estate in the second quarter of 2012 and higher gross margin for a portion of cigarette inventory following the tobacco tax increase in 2011.

Gross margin and other income as a percentage of turnover decreased to 35.8% compared to 37% in the first six months of 2011, primarily because of the one-off gain on cigarette margin in 2011. Excluding this gain, gross margin as a percentage of turnover maintained a level similar to the same period in 2011. Operating expenses rose from 32.1% to 32.2% of turnover, which was mainly due to escalating rental expenses. Basic earnings per share increased by 32.2% from 10.66 HK cents to 14.09 HK cents.

The Board of Directors has resolved to declare an interim dividend of 3.8 HK cents per share, as well as a special dividend of 5.2 HK cents per share due to the one-off gain generated by the real estate disposal. As of 30 June 2012, the Group had a net cash balance of HK\$746.9 million with no bank borrowings.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “The macroeconomic environment is increasingly challenging, but we are pleased to be able to deliver very solid results for the first half of 2012. Timely, effective product and marketing campaign launches, as well as growing affinity with the Circle K and Saint Honore brands in Hong Kong and on the Chinese Mainland, have been important reasons for the Group’s performance, and we will continue to leverage these strengths moving forward.”

Business Review

During the year the Hong Kong operations continued to focus on enhancing customer service, improving store productivity and utilising cost control measures. The Group also embarked upon a number of thematic and seasonal campaigns, premium promotions, and the introduction of new products and services to drive sales and build brand preference.

The Chinese Mainland retail market continued to grow due to a burgeoning middle class with increasing disposable income, a rapid urbanisation rate and continued measures from the Chinese Government to stimulate domestic consumption. Food service innovations such as an exclusive range of cold summer drinks as part of the Hot & In food service offering, plus the success of the Hot & In VIP card loyalty programme, helped drive a robust double-digit increase in comparable store sales.

Saint Honore Cake Shop delivered satisfactory performance, particularly in terms of margin, where the tapering of price inflation relieved considerable pressure on food and raw material costs. The Group also attributed the performance to continuous upgrades in product quality and range; improved efficiency in logistics for product availability and freshness; and vigilant pricing review. The recent opening of a new flagship store at a high-traffic shopping venue in Tianhe, Guangzhou, is expected to build brand affinity for Saint Honore.

Outlook

The Group has conservative expectations for the second half of 2012, largely due to continued economic uncertainty in the Eurozone and tepid recovery in the United States. These are anticipated to affect the local economy, consumer sentiment, and ultimately retail sales for both Hong Kong and the Chinese Mainland.

In Hong Kong, the Group anticipates that maintaining strong comparable store sales growth will be challenging due to the high incremental sales achieved in 2011. The recent

performance in Guangzhou, rising domestic consumption on the Chinese Mainland and enhanced margin for Saint Honore Cake Shop due to stabilising price trends could help mitigate some of the negative impacts of the macroeconomic environment and help drive results through the second half of the year.

Mr. Yeung said, “Given the economic environment, we will continue to manage expenses carefully and maintain product margin across all our operations. As a people-oriented business in an increasingly competitive employment landscape, we are also putting significant focus on retention and career-building for our employees.

“While an economic slowdown poses certain challenges to our business, an adjustment could also result in more reasonable rental terms, which would help us achieve the number of store openings we set for this year. Market rationalisation could also create potential merger and acquisition opportunities for the Group.”

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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 the Circle K convenience store and Saint Honore Cake Shop bakery chains in the Pearl River Delta, including Hong Kong and Macau.

As of 30 June 2012, there were a total of 105 Circle K stores outside Hong Kong. In addition to the 331 stores in Hong Kong, the Group operates a total of 436 Circle K stores in the Pearl River Delta. Together with the Saint Honore chain, which currently has a total of 121 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 557 outlets as of the end of the first six months of 2012.

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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 2012

		2012	2011
	Change	HK\$'000	HK\$'000
• Revenue	+7.2%	2,021,931	1,886,668
• Profit attributable to shareholders of the Company	+32.9%	103,647	78,018
• Basic earnings per share (HK cents)	+32.2%	14.09	10.66
• Interim dividend per share (HK cents)	0%	3.80	3.80
• Special dividend per share (HK cents)	N/A	5.20	Nil

Operation Highlights

- Favourable results across all operations despite challenging economic environment
- Robust comparable store sales growth in the Guangzhou operations
- Tapering of food cost inflation reduced margin pressure on the Saint Honore operations
- Cautious outlook for the second half of 2012 due to increasingly uncertain market conditions
- Strong cash position of HK\$746.9 million without any bank borrowing
- In view of one-off gain from disposal of real estate, the Board resolved to pay a special dividend of 5.2 HK cents per share

Number of Stores as of 30 June 2012

Circle K Stores	
Hong Kong	331
Guangzhou	61
Shenzhen	1
Subtotal	393
Franchised Circle K Stores	
Guangzhou	8
Macau	22
Zhuhai	13
Subtotal	43
Total number of Circle K Stores	<u>436</u>
Saint Honore Cake Shops	
Hong Kong	90
Macau	8
Guangzhou	22
Shenzhen	1
Total number of Saint Honore Cake Shops	<u>121</u>
Total number of Stores under Convenience Retail Asia	<u>557</u>

Convenience Retail Asia Limited
Unaudited Consolidated Profit & Loss Account

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Revenue	2,021,931	1,886,668
Cost of sales	(1,338,804)	(1,227,386)
Gross profit	<u>683,127</u>	<u>659,282</u>
Other income	41,485	39,531
Other gains, net	38,257	4,364
Store expenses	(520,669)	(485,513)
Distribution costs	(49,752)	(44,775)
Administrative expenses	(81,183)	(80,294)
Operating profit	<u>111,265</u>	<u>92,595</u>
Interest income	5,887	3,432
Profit before income tax	<u>117,152</u>	<u>96,027</u>
Income tax expenses	(13,505)	(18,009)
Profit attributable to shareholders of the Company	<u>103,647</u>	<u>78,018</u>
Earnings per share (HK cents)		
Basic	<u>14.09</u>	<u>10.66</u>
Diluted	<u>14.05</u>	<u>10.65</u>
Dividends	<u>66,373</u>	<u>27,874</u>