



For Immediate Release

CRA reports sales and profit growth for FY2012

Circle K and Saint Honore both make solid contributions to Group results

Hong Kong, 27 March 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, announced that it achieved satisfactory revenue and net profit growth for the year ended 31 December 2012 despite challenging market conditions. The Group also reported healthy profit and cash contributions from both businesses.

The Group’s turnover for the year increased to HK\$4,270.3 million, representing growth of 7.5% when compared to the corresponding period in 2011. This was mainly attributable to the opening of new stores and an increase in comparable convenience store sales (stores in existence throughout 2012 and 2011). Comparable convenience store sales in Hong Kong and Southern China increased by 4% and 11% respectively against 2011. Turnover for the Saint Honore Cake Shop business increased by 7.3% to HK\$950 million year on year. This was primarily due to single-digit comparable store sales growth in Hong Kong, an increase in the number of stores and improvement in festive products sales in 2012.

The Group’s net profit increased year on year by 20.2% to HK\$199.9 million. Excluding gains on the disposal of a real estate property in 2012 and in gross margin resulting from cigarette inventory after the tobacco tax increase in 2011, the Group recorded a net profit of HK\$161.4 million, 10.9% higher than the previous year.

Gross margin and other income decreased from 36.9% to 36.4% of turnover for the year against 2011. The higher gross margin achieved in 2011 was mainly due to the one-off gain as a result of the favourable impact on cigarette margin for a certain amount of inventory after the tobacco tax increase during the year. Excluding this one-off gain, gross margin as percentage of turnover maintained a level similar to the same period in 2011.

Operating expenses as a percentage of turnover decreased marginally from 32.4% to 32.3% for the year against 2011. Despite escalating rentals and inflationary operating

costs, the Group's store operating expenses were managed well on a percentage-of-sales basis.

Basic earnings per share rose from 22.69 HK cents to 27.13 HK cents, an increase of 19.6%. The Board of Directors has recommended a final dividend of 13 HK cents per share (2011: 11 HK cents). Together with the interim dividend of 3.8 HK cents per share (2011: 3.8 HK cents) plus a special dividend of 5.2 HK cents per share (2011: nil), the total dividend for 2012 is 22 HK cents per share (2011: 14.8 HK cents). The Group holds a strong cash position of HK\$743 million as at 31 December 2012 without any bank borrowings.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, "The year under review saw the Group work hard to expand its footprint in the Chinese Mainland and strengthen its already considerable brand preference in Hong Kong. Both the Circle K and Saint Honore businesses have become effective cash contributors, giving the Group an even stronger foundation to work with in the coming months and years despite continuing macroeconomic challenges."

Business Review

In a difficult retail environment characterized by rental agreements renewal increasing as much as 20% to 30%, the Group has achieved satisfactory earnings in Hong Kong through a focus on marketing and product innovation, branding, an enhanced store network, customer service, staff training and development. Other factors contributing to sales and profit increases included cost control, store productivity and operational streamlining initiatives.

Retail sales in the Chinese Mainland slowed in the second half due to the contraction in export trade, affecting consumer sentiment in Guangzhou. Despite this, the Group recorded a healthy increase in revenue for Saint Honore through savings in the food and raw materials category following stabilisation of the Consumer Price Index in the second half of 2012. As a result, excluding the one-off gain, gross profit saw modest growth, with a satisfactory increase in profit attributable to shareholders.

Circle K China's Hot & In food services saw a modest sales increase of 9.7% in comparable store sales growth due to the weak economic environment and conservative consumer sentiment prevailing in the second half of the year, while a steady increase in operating expenses negatively impacted profit. The offering still continued to be the key driver for sales and profit growth because of new product introductions and a loyalty

programme promotion that helped maintain customer traffic. The Group has completed integration of the Circle K and Saint Honore management and operations teams in Guangzhou and the Group store opening programme remains on track after growing by 11 new stores to a total of 70 Circle K stores and 19 new stores to a total of 38 Saint Honore stores as at the end of 2012.

Outlook

The Group aims to double the number of Saint Honore Cake Shops in Guangzhou and other surrounding cities once again to approximately 80 in 2013. The Group intends to operate almost the same number of cake shops as convenience stores in Guangzhou in order to maximise store profit and achieve an economy of scale through a two-brand expansion strategy, as well as to bolster its reputation as a leading bakery operator in the market.

The continued uncertainty in the global economy could impact consumer sentiment in Hong Kong. Although rental increases are expected to slow down relative to 2012, they are anticipated to stay at high levels. Higher labour costs also remain a source of concern.

Mr Yeung concluded, “Although we are once again facing challenging market conditions, we feel the Group has very positive brand perceptions and a good and committed core team in place, all of which will provide a solid foundation for future network expansion and sales growth.”

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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 the Pearl River Delta, including Hong Kong and Macau.

As at 31 December 2012, there were a total of 120 Circle K stores outside Hong Kong. In addition to the 331 stores in Hong Kong, the Group operates a total of 451 Circle K stores in the Pearl River Delta. Together with the Saint Honore chain, which currently has a total of 138 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 589 outlets as at the end of 2012.

CRA website: www.cr-asia.com

For media inquiry, please contact:

Convenience Retail Asia Limited
Ms. Louisa Kwan

Telephone: 2991 6300
Direct line: 2991 6229

Convenience Retail Asia Limited

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00831)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011
	Change	HK\$'000	HK\$'000
• Revenue	+7.5%	4,270,318	3,972,615
• Profit attributable to shareholders of the Company	+20.2%	199,951	166,320
• Basic earnings per share (HK cents)	+19.6%	27.13	22.69
• Dividend per share (HK cents)			
Final	+18.2%	13.00	11.00
Full year			
• Basic	+13.5%	16.80	14.80
• Special – paid	N/A	5.20	Nil

Operation Highlights

- Satisfactory sales and profit growth for the year
- Solid profit and cash contributions from Circle K and Saint Honore Hong Kong
- Complete integration of the Circle K and Saint Honore management and operations teams in Guangzhou
- Challenging outlook for 2013 as rentals and labour cost continue to be concerns
- Group maintains a strong financial position with net cash of HK\$743 million without any bank borrowings

Number of Stores as of 31 December 2012

Circle K Stores	
Hong Kong	331
Guangzhou	70
Shenzhen	1
Subtotal	402
Franchised Circle K Stores	
Guangzhou	12
Macau	23
Zhuhai	14
Subtotal	49
Total number of Circle K Stores	<u>451</u>
Saint Honore Cake Shops	
Hong Kong	90
Macau	8
Guangzhou	38
Shenzhen	2
Total number of Saint Honore Cake Shops	<u>138</u>
Total number of Stores under Convenience Retail Asia	<u>589</u>

Convenience Retail Asia Limited
Consolidated Profit & Loss Account

	Year ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
Revenue	4,270,318	3,972,615
Cost of sales	(2,801,587)	(2,589,639)
Gross profit	<u>1,468,731</u>	<u>1,382,976</u>
Other income	84,250	84,534
Other gains, net	42,621	15,789
Store expenses	(1,099,556)	(1,022,760)
Distribution costs	(103,918)	(94,418)
Administrative expenses	(174,135)	(173,176)
Operating profit	<u>217,993</u>	<u>192,945</u>
Interest income	11,585	8,575
Profit before income tax	<u>229,578</u>	<u>201,520</u>
Income tax expenses	(29,627)	(35,200)
Profit attributable to shareholders of the Company	<u><u>199,951</u></u>	<u><u>166,320</u></u>
Earnings per share (HK cents)		
Basic	<u><u>27.13</u></u>	<u><u>22.69</u></u>
Diluted	<u><u>26.94</u></u>	<u><u>22.68</u></u>
Dividends	<u><u>162,676</u></u>	<u><u>108,614</u></u>