



# **Convenience Retail Asia Ltd**

## **2008 Annual Results Presentation**

16 March 2009



# Agenda

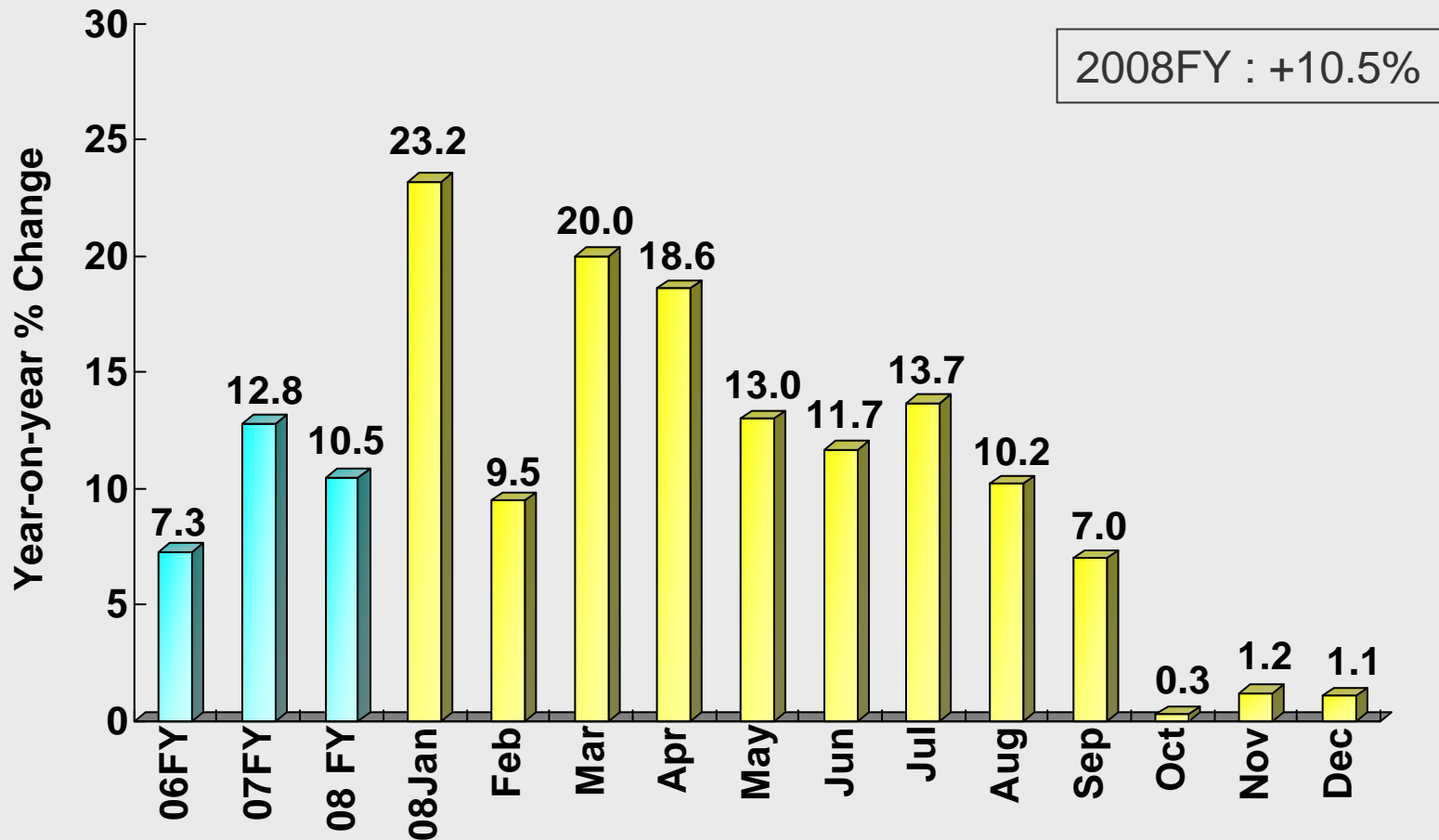
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1. 2008 Annual Results
  - Overall Hong Kong and Guangzhou Retail Markets
  - 2008 Key Highlight
  - 2008 Financial Results Highlight
2. 2009 Update & Outlook
3. Questions & Answers

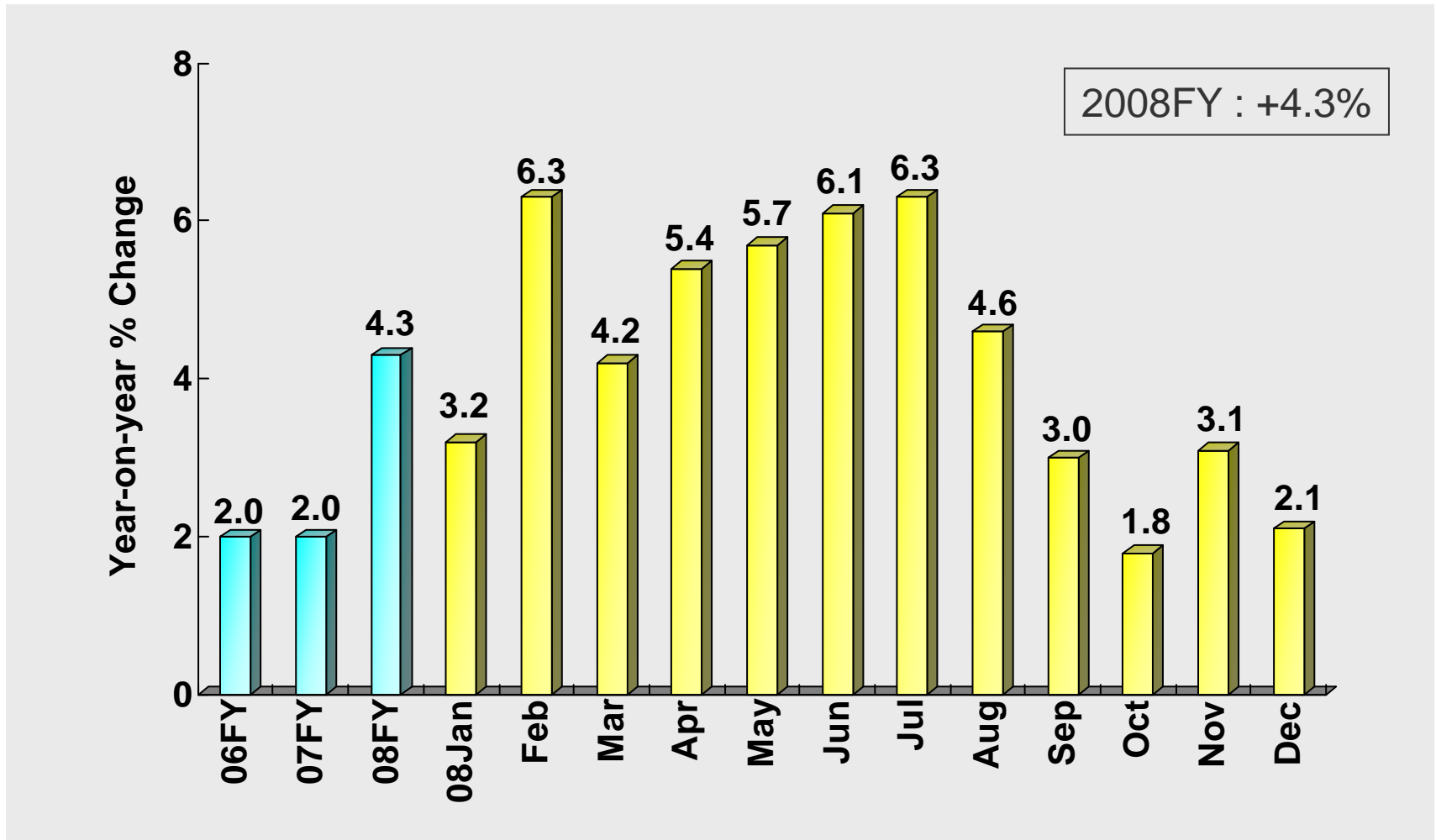
# 2008 Annual Results



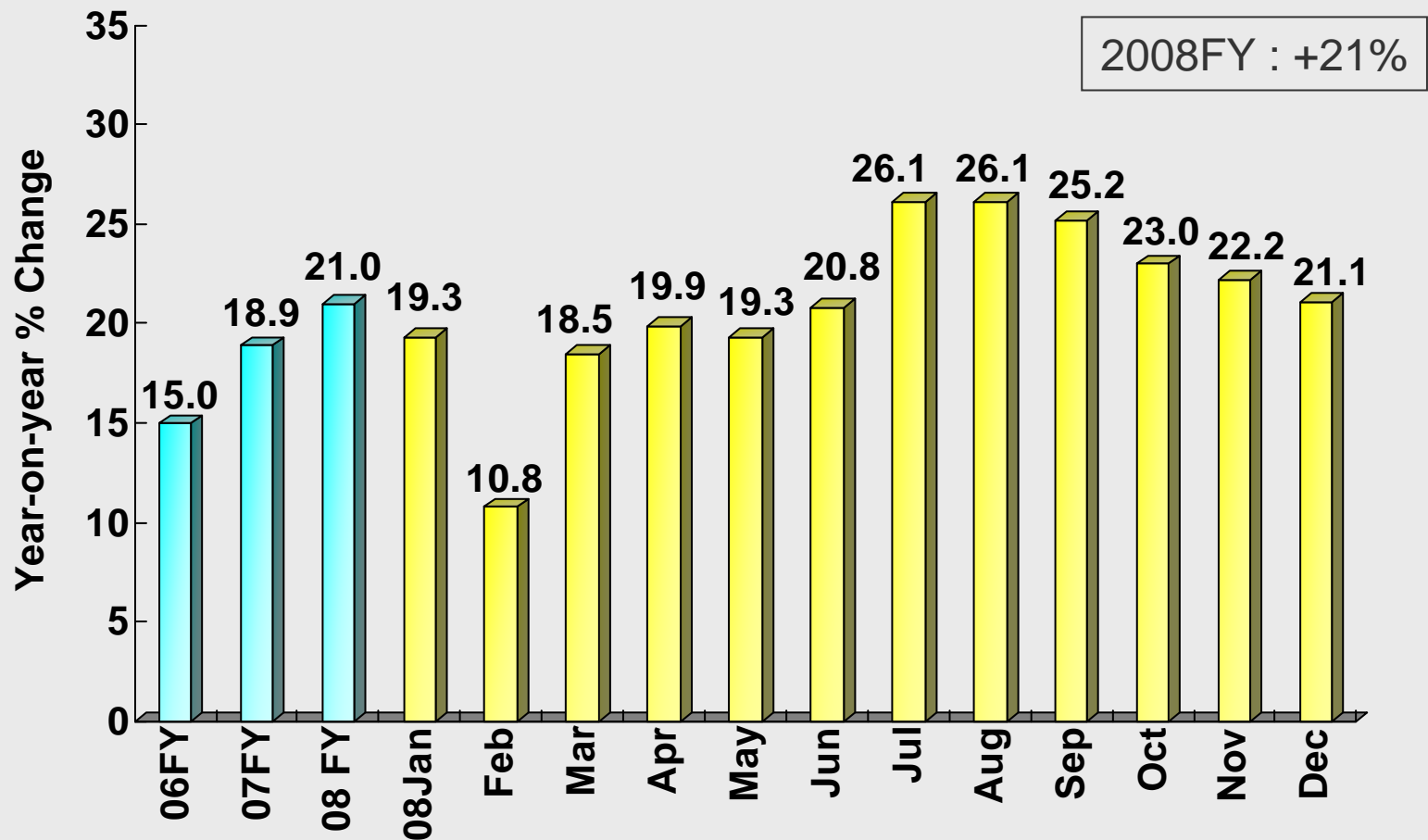
# Hong Kong Retail Sales Value



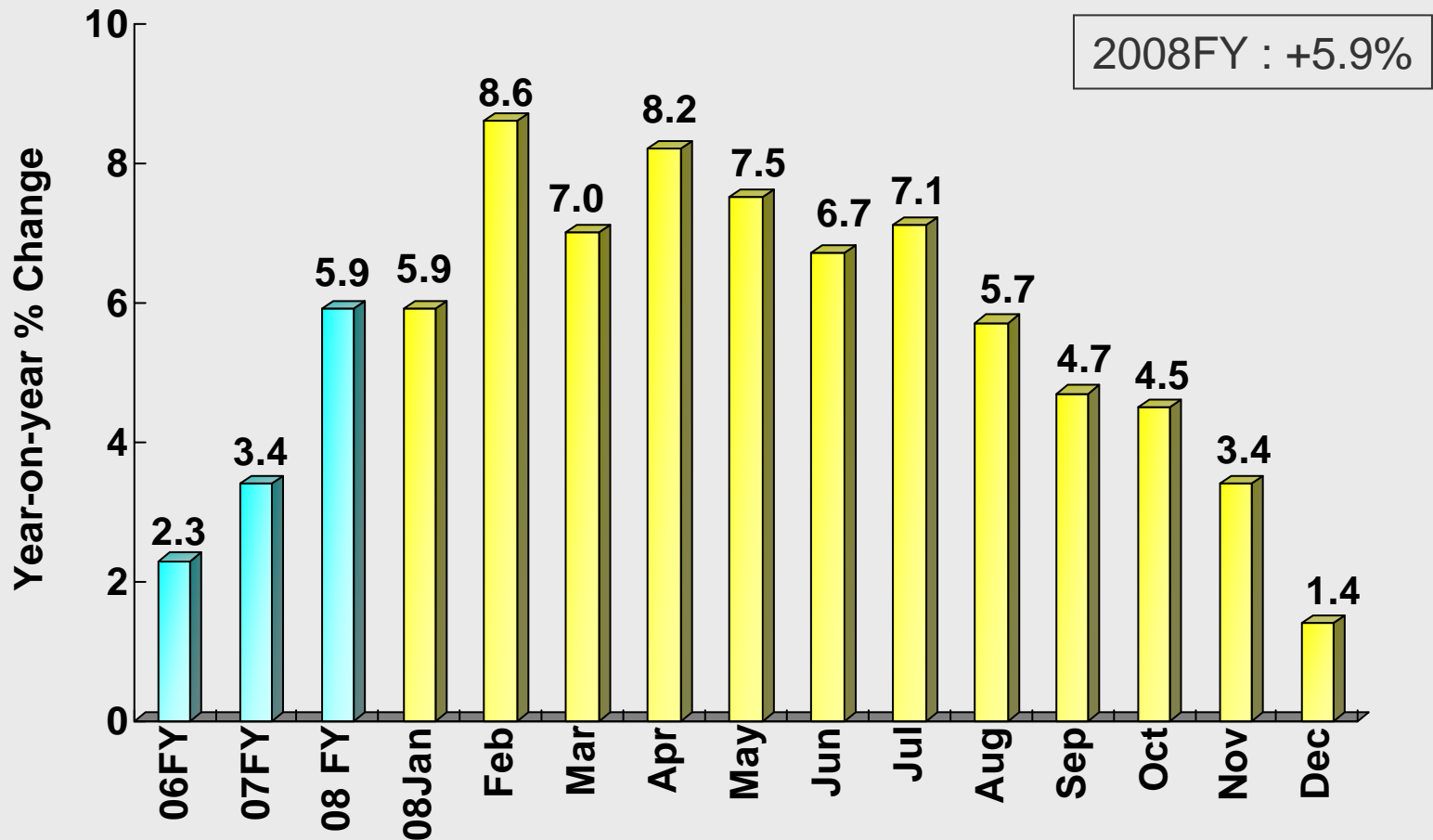
# Hong Kong Consumer Price Index



# Guangzhou City Retail Sales Value



# Guangzhou City Consumer Price Index



# 2008 Key Highlight





# 2008 Key Highlight

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- Deteriorating economy, high raw material costs and operating expenses combined to make Q4 2008 a challenging one for retailers
- Total Circle K stores reached 395 in Hong Kong, Macau and the Pearl River Delta, while that of Saint Honore reached 105
- CRA's total store count reached 500 representing a net additional of 30 stores. Total 2008 turnover for the Group exceeded \$3.3 billion for the first time
- Closed down remaining 5 stores in Dongguan so as to focus on developing the Guangzhou market

# 2008 Key Highlight

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- Circle K Hong Kong's "Always Something New" marketing and promotions + excellent execution generating strong sales in Hong Kong market

# 2008 Key Highlight Circle K Hong Kong



**OK 水都有**

凡購買指定款水樽 即送 \$1.4	凡購買指定款水樽 即送 \$1.5	凡購買指定款水樽 即送 \$1.5.9	凡購買指定款水樽 即送 \$1.2.9
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**Circle K 新鮮感 Version 2.4**

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**Circle K 新鮮感 Version 2.6**

## Rilakkuma Xmas

全球限量 全球首創禮物

凡購買指定款水樽即送 \$1.4 / \$1.5 / \$1.5.9 / \$1.2.9 / \$1.5.9 / \$1.5.9 / \$1.5.9 / \$1.3.9

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凡購買指定款水樽即送 \$1.4 / \$1.5 / \$1.5.9 / \$1.2.9 / \$1.5.9 / \$1.5.9 / \$1.5.9 / \$1.3.9

**Circle K 新鮮感 Version 2.5**

## 拉票大優惠

凡購買指定款水樽 即送 \$1	凡購買指定款水樽 即送 \$2	凡購買指定款水樽 即送 \$1	凡購買指定款水樽 即送 \$1	凡購買指定款水樽 即送 \$4.8	凡購買指定款水樽 即送 \$14
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凡購買指定款水樽 即送 \$1	凡購買指定款水樽 即送 \$1	凡購買指定款水樽 即送 \$15	凡購買指定款水樽 即送 \$9	凡購買指定款水樽 即送 \$6.9	凡購買指定款水樽 即送 \$13.2

凡購買指定款水樽即送 \$1 / \$2 / \$1 / \$1 / \$4.8 / \$14 / \$10.2 / \$11.2 / \$7.5 / \$4.5 / \$6.9 / \$7.9 / \$1 / \$1 / \$15 / \$9 / \$6.9 / \$13.2

# 2008 Key Highlight

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- Circle K Hong Kong's "Always Something New" marketing and promotions + excellent execution generating strong sales in Hong Kong market
- Saint Honore's store rejuvenation plus new products led to continued improvement in Q4 2008 sales and profitability

# 2008 Key Highlight Saint Honore Group



# 2008 Key Highlight

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- Circle K Hong Kong's "Always Something New" marketing and promotions + excellent execution generating strong sales in Hong Kong market
- Saint Honore's store rejuvenation plus new products led to continued improvement in Q4 2008 sales and profitability
- Plastic bag tax levy, melamine and drastic drop in export adversely affected Guangzhou, Dongguan and Shenzhen markets

# 2008 Key Highlight Circle K Southern China



# 2008 Financial Results Highlight





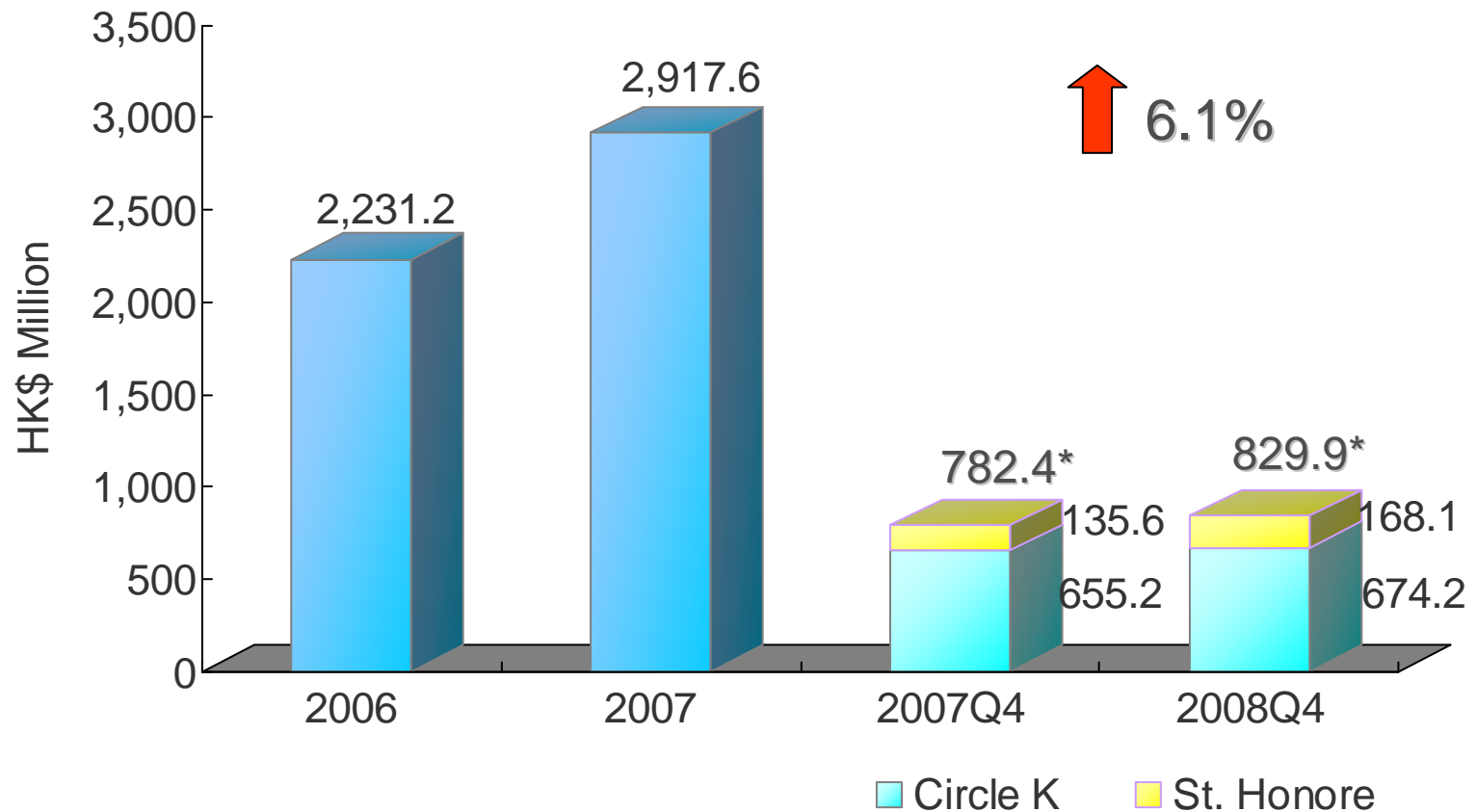


# 2008 Financial Results Highlight

## Number of Stores

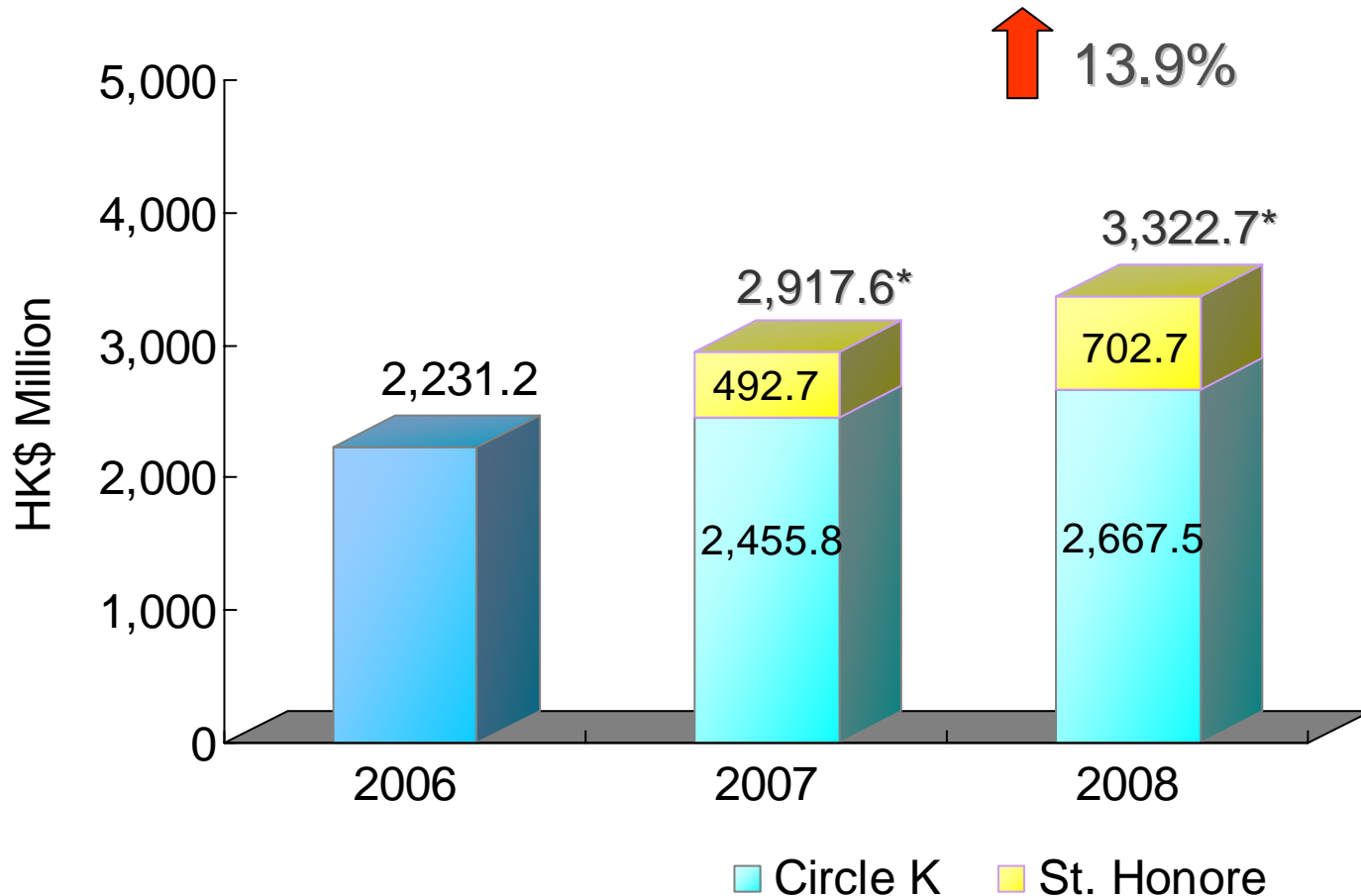
	End of 2007	Opened	Closed / Changed to Franchise	End of 2008
Circle K Hong Kong	270	23	(9)	284
Circle K Southern China	77	27	(22)	82
- <i>Guangzhou (owned)</i>	63	19	(11)	71
- <i>Guangzhou (franchised)</i>	1	4	-	5
- <i>Dongguan</i>	9	0	(9)	0
- <i>Shenzhen</i>	4	4	(2)	6
Circle K Macau (J.V.)	16	2	(1)	17
Circle K Zhuhai (J.V.)	10	3	(1)	12
Saint Honore Group	97	31	(23)	105
<b>CRA Group Total</b>	<b>470</b>	<b>86</b>	<b>(56)</b>	<b>500</b>

# 2008 Financial Results Highlight Group Turnover – 4th Quarter



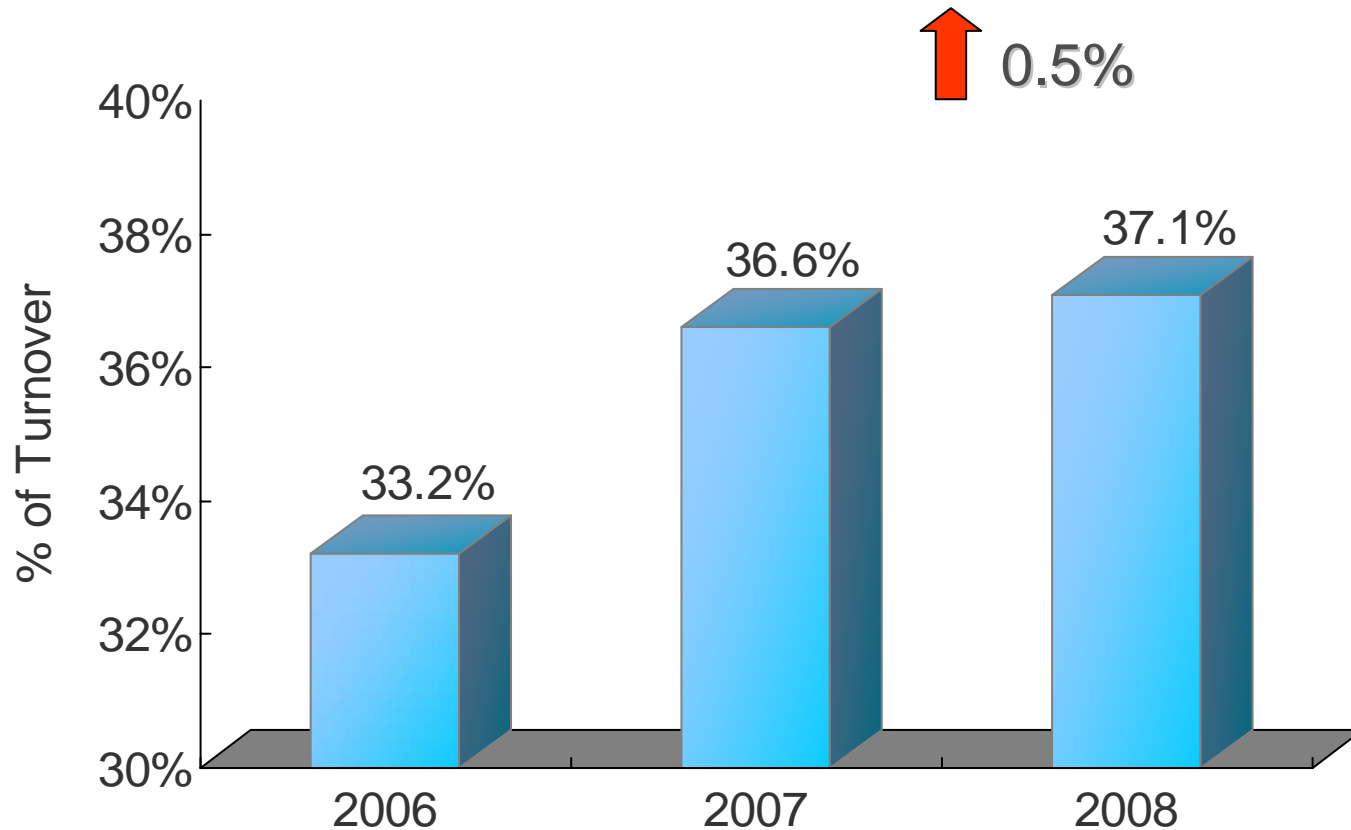
\* Less inter-group sales: HK\$8.4M in 2007Q4 and HK\$12.4M in 2008Q4

# 2008 Financial Results Highlight Group Turnover – Full Year



\* Less inter-group sales: HK\$30.9M in 2007 and HK\$47.5M in 2008

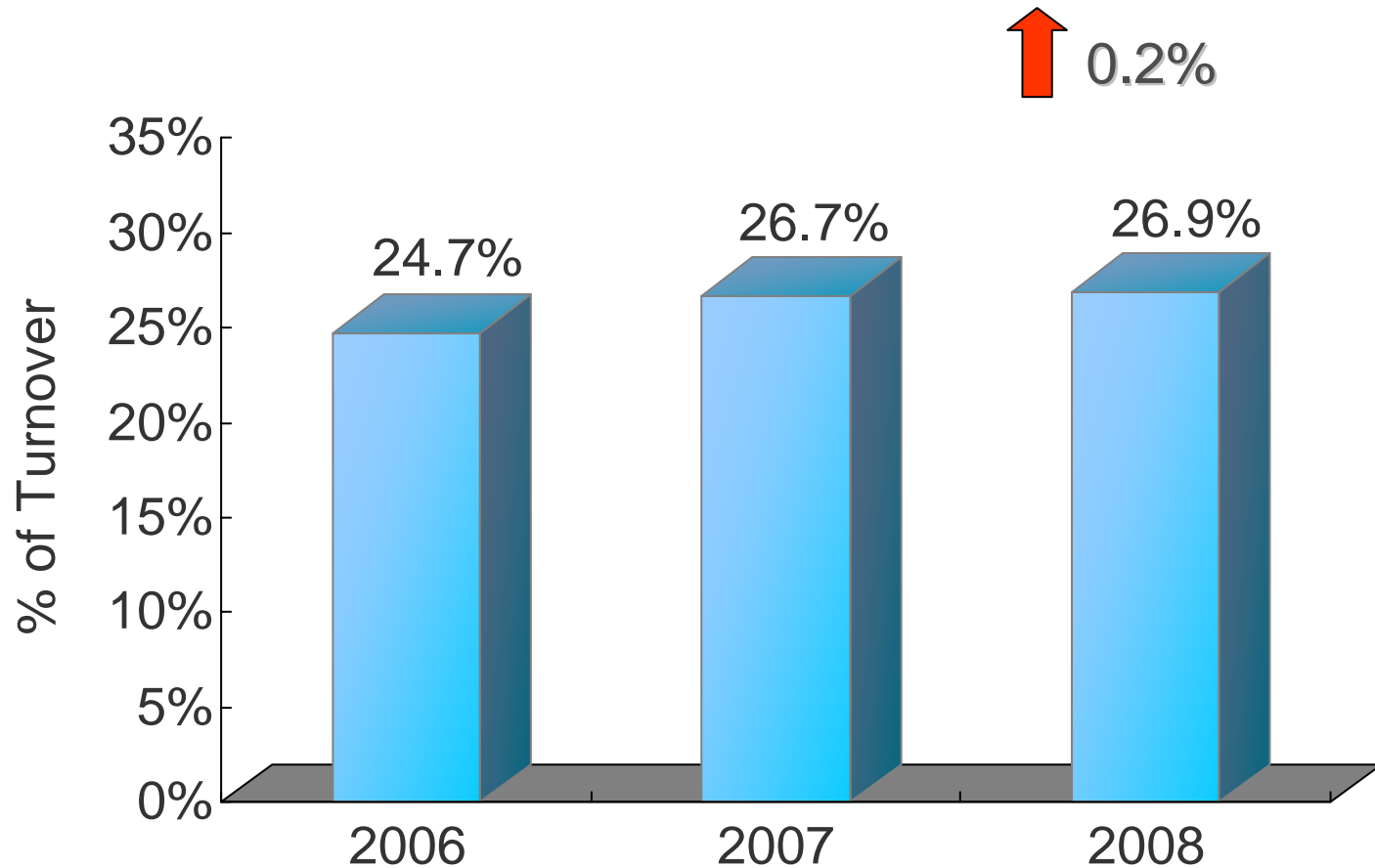
# 2008 Financial Results Highlight Gross Margin / Other Income



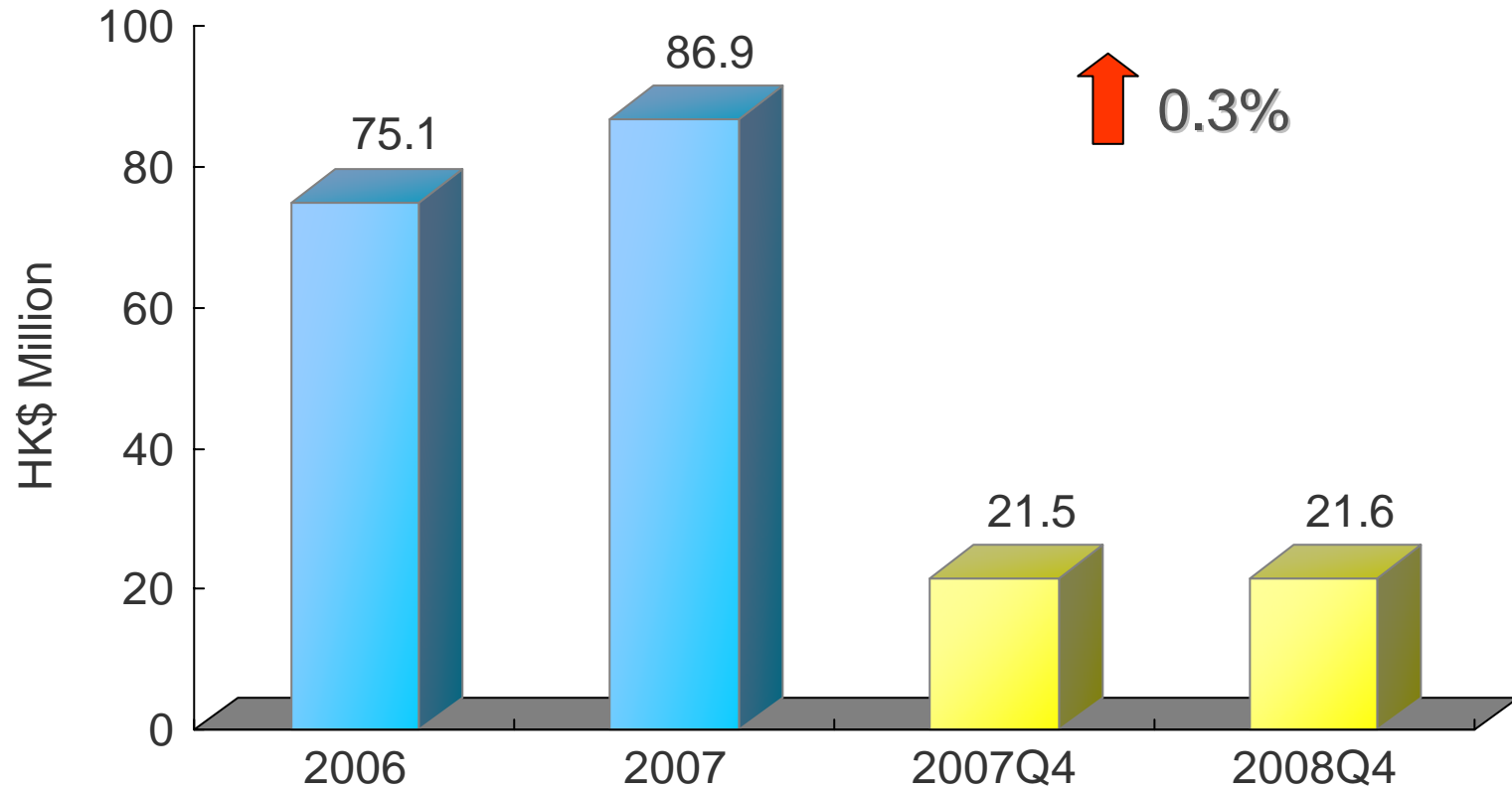
\* Excluding interest income

# 2008 Financial Results Highlight Store Operating Expenses

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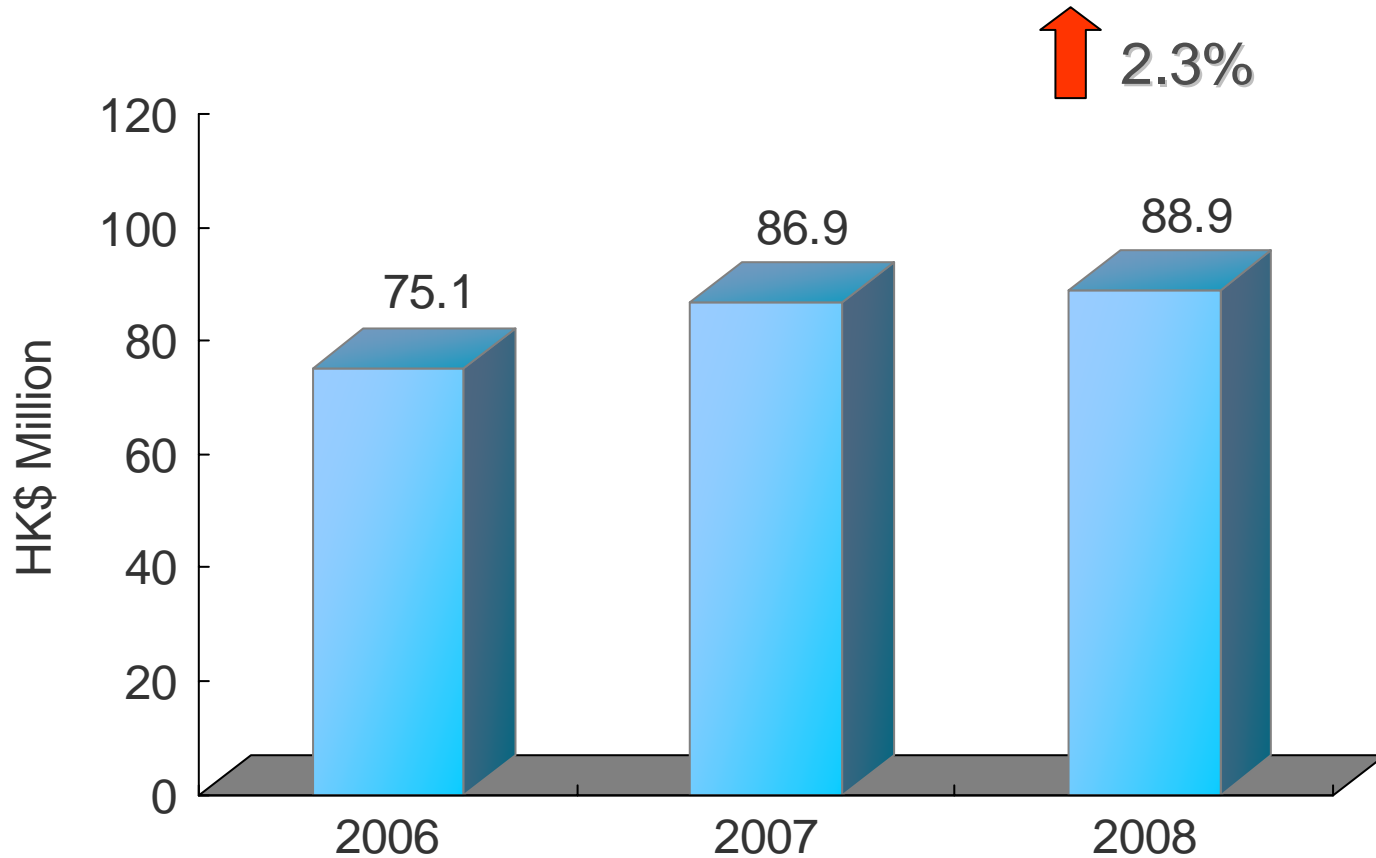


# 2008 Financial Results Highlight Group Net Profit – 4th Quarter



# 2008 Financial Results Highlight Group Net Profit – Full Year

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# 2008 Financial Results Highlight

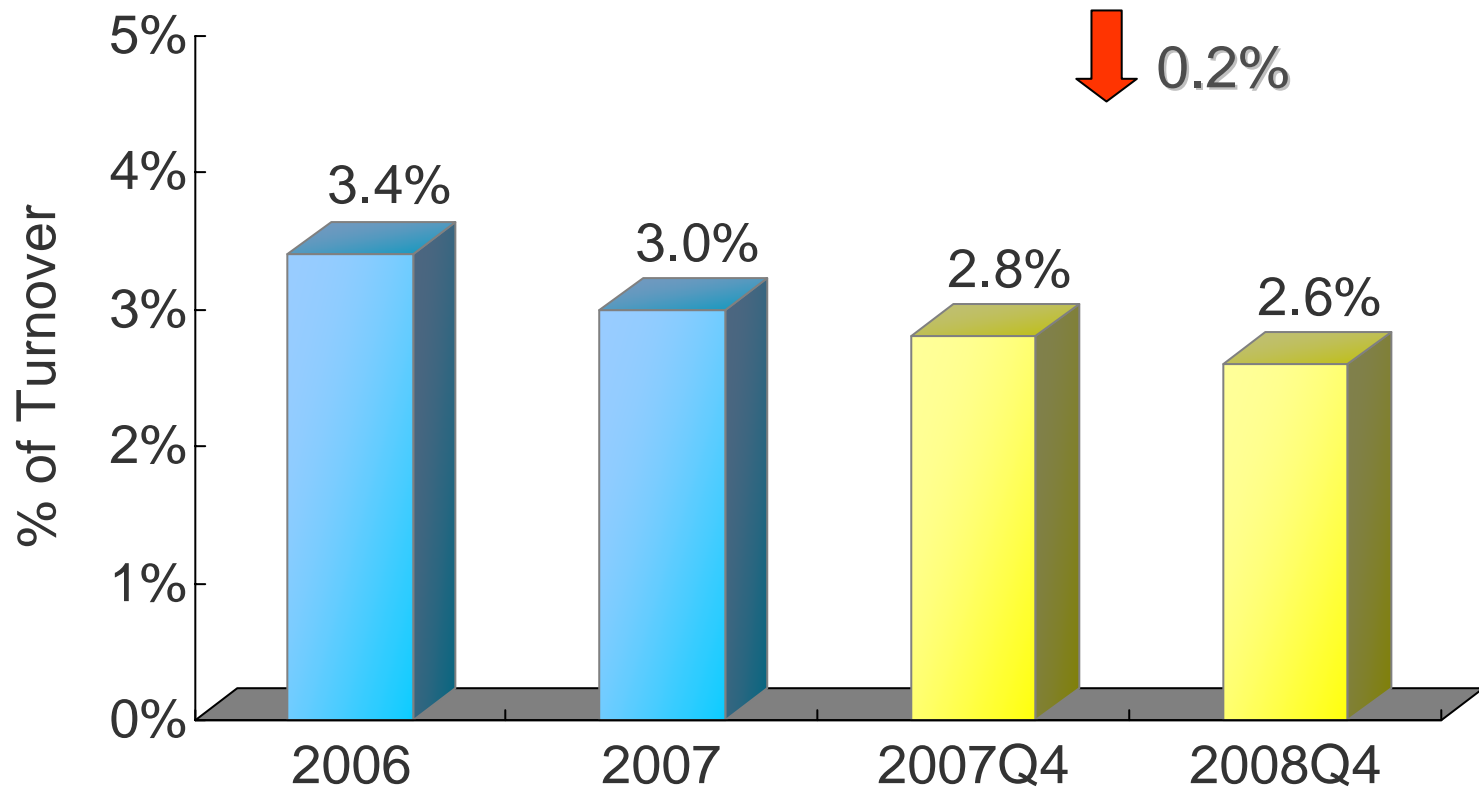
## Net Profit By Market

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<i>(HK\$ Million)</i>	2007 FY	2008 FY
Hong Kong and Macau Markets	109.2	131.9
China Market	(22.3)	(43.0)
<b>Total</b>	<b>86.9</b>	<b>88.9</b>

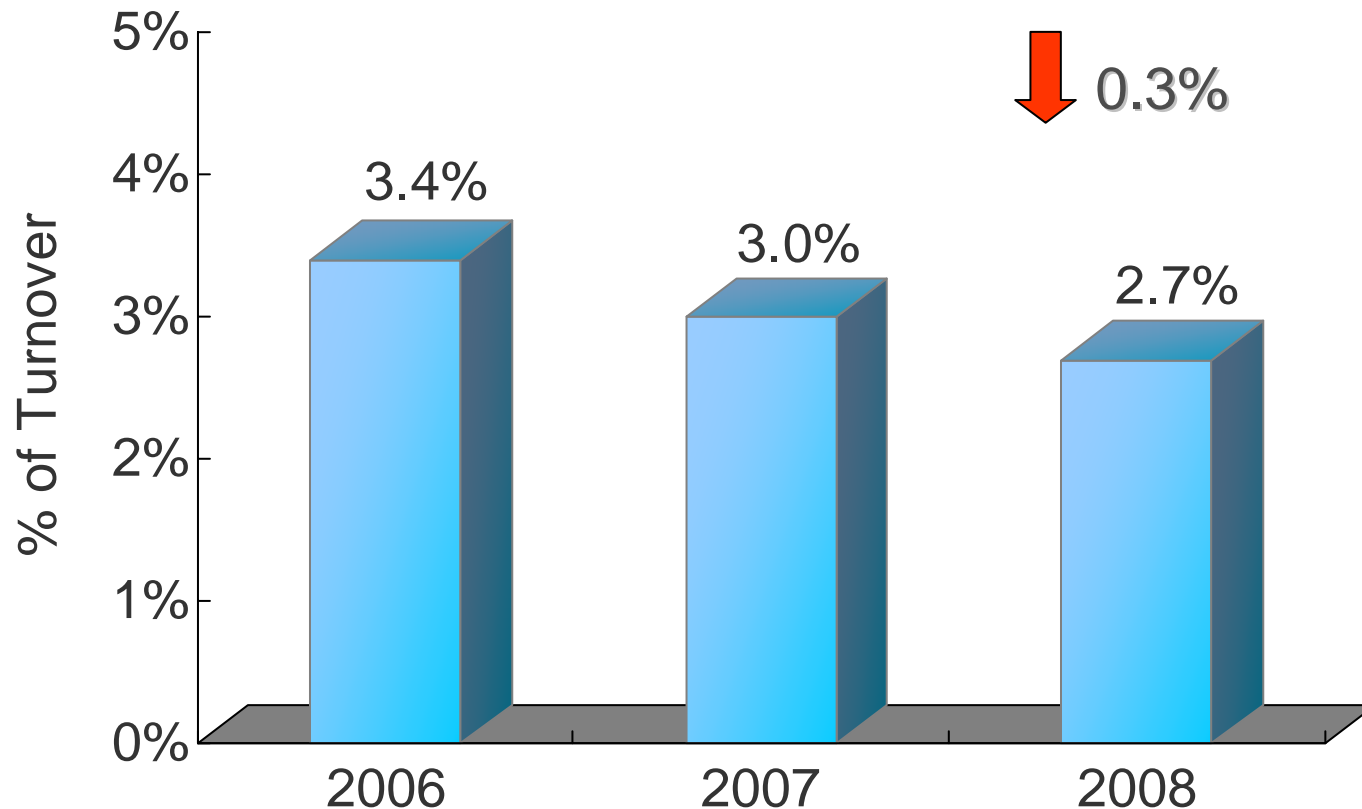


# 2008 Financial Results Highlight Net Profit (% of Turnover) – 4th Qtr



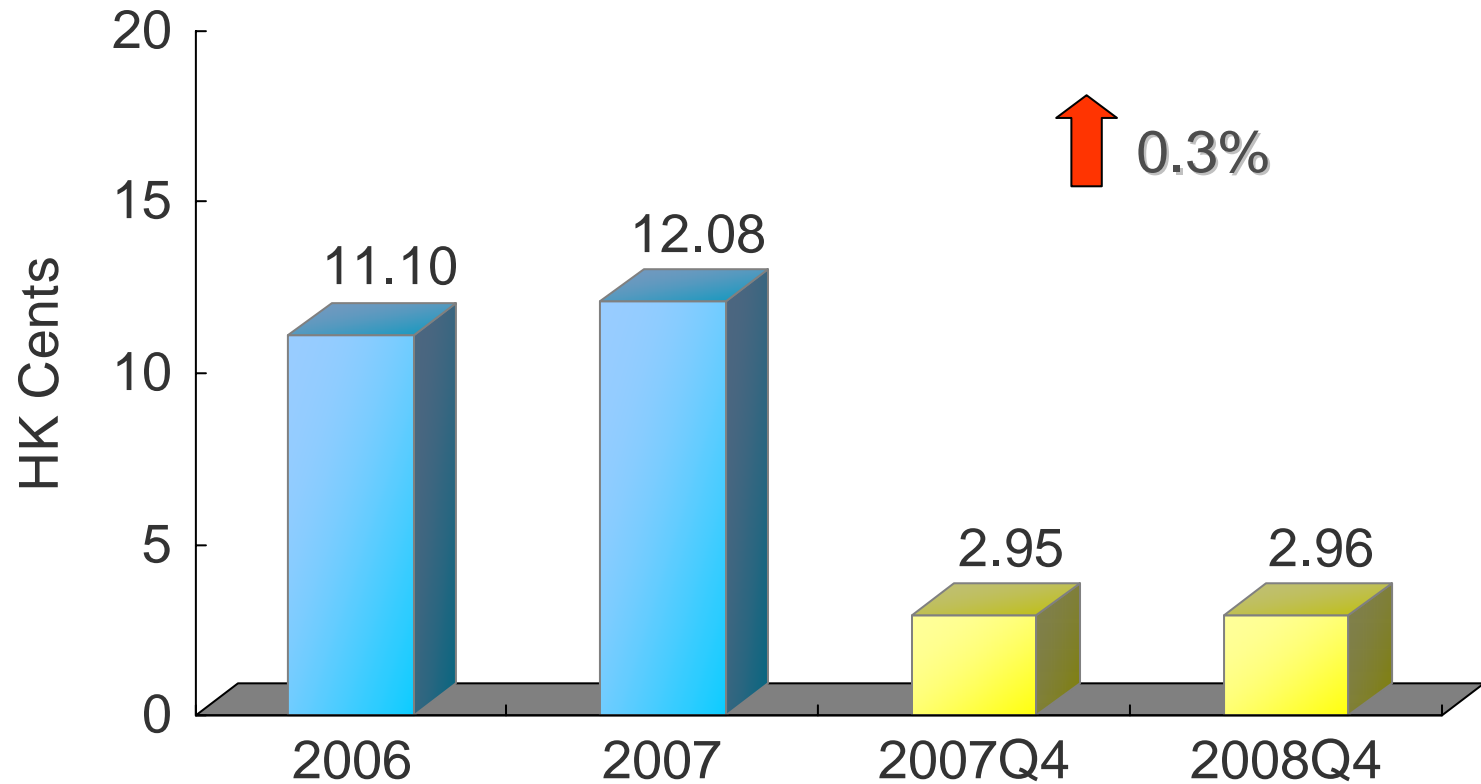
# 2008 Financial Results Highlight Net Profit (% of Turnover) – Full Year

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# 2008 Financial Results Highlight

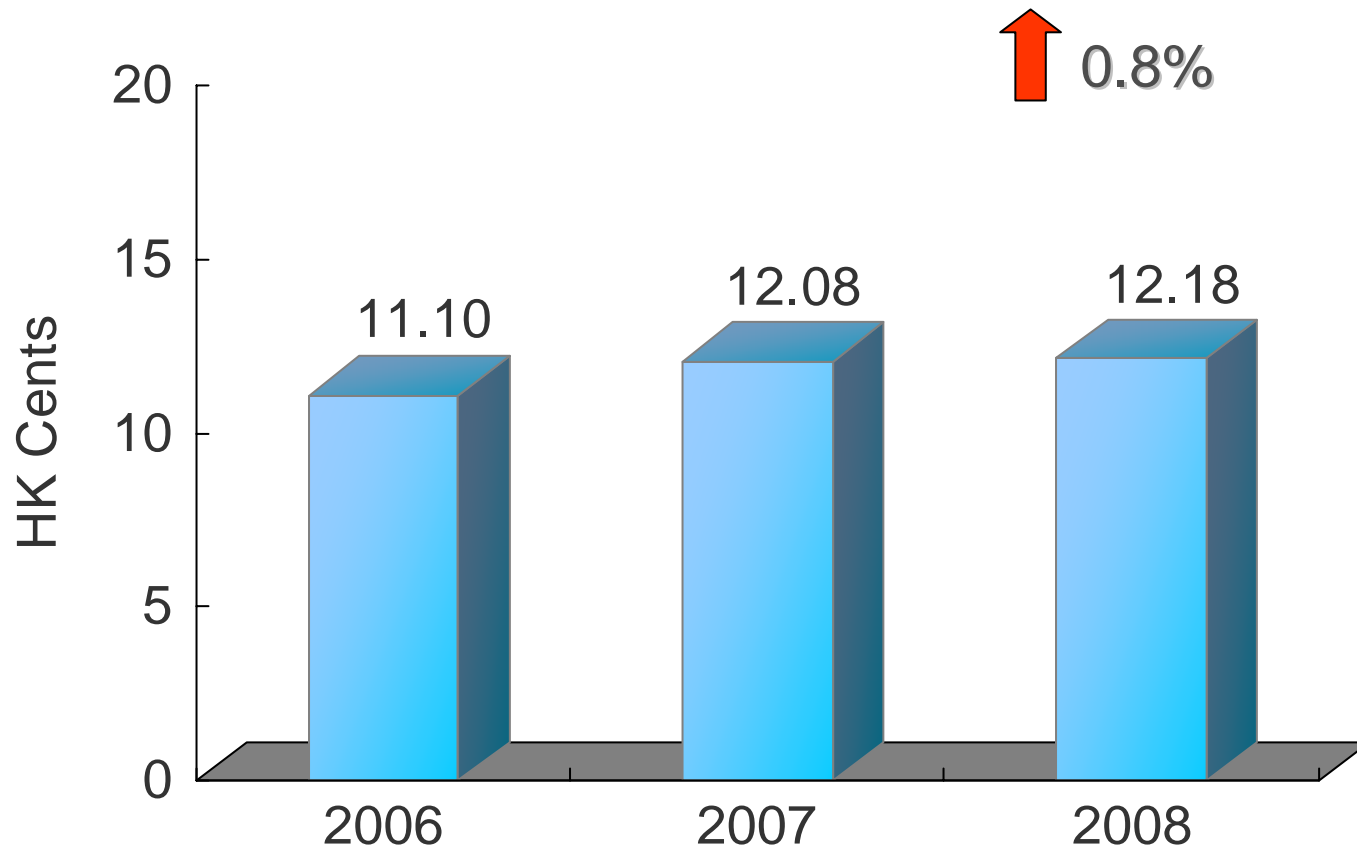
## Basic Earnings Per Share – 4th Qtr



# 2008 Financial Results Highlight

## Basic Earnings Per Share – Full Year

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# 2008 Financial Results Highlight 4th Quarter

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	2007Q4	2008Q4	Change
Number of Stores	470	500	+6.4%
Group Turnover (HK\$M)	782.4	829.9	+6.1%
Group Net Profit (HK\$M)	21.5	21.6	+0.3%
Net Profit as % of Turnover	2.8%	2.6%	-0.2%
Basic Earnings Per Share	2.95 cents	2.96 cents	+0.3%

# 2008 Financial Results Highlight Full Year

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	2007	2008	Change
Number of Stores	470	500	+6.4%
Group Turnover (HK\$M)	2,917.6	3,322.7	+13.9%
Group Net Profit (HK\$M)	86.9	88.9	+2.3%
Net Profit as % of Turnover	3.0%	2.7%	-0.3%
Basic Earnings Per Share	12.08 cents	12.18 cents	+0.8%
Total Dividend Per Share	7.2 cents	7.2 cents	Same as 2007's
■ <i>Interim Dividend</i>	1.7 cents	1.7 cents	
■ <i>Recommended Final Dividend</i>	5.5 cents	5.5 cents	

# 2009 Update & Outlook



# 2009 Update & Outlook

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- Economy and consumer sentiment going down quite quickly after CNY
- Customer suffering from USC (uncertainty, stress, confusion) and becoming less patient, less loyal and less desire to spend
- China's export continued to drop drastically
- HKSAR Government announced an \$8 increase in tax on cigarette on 25 Feb 2009
- Food cost started to come down gradually



# 2009 Strategies & Actions

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- Be prepared for a very tough year
- All staff aware of situation and mindset ready
- 4 strategies to ensure effectiveness:
  - Customer engagement
  - People engagement
  - Execution excellence
  - Tight F&A control

# 2009 Strategies & Actions Hong Kong & Macau Markets

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- In Hong Kong market, focus on profitability and cash flow generation of Circle K and Saint Honore businesses
- Upgrade quality of store networks
- Very conservative on new investment
- Circle K – “Always Something New” platform + excellence in execution
- Saint Honore – “Tasty, Fresh, Modern Presentation” differentiating strategies + innovative products
- Flexibility and speed to adapt, adjust and act

# 2009 Strategies & Actions Southern China Market

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- Defensive approach for this market
- Improve quality of store network
  - Close down unprofitable stores
  - Conservative on new investment
  - Strong differentiation versus other brands
- Rolling out franchising
- Strengthen “Hot & In’ food and drinks

# To Summarize

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- Satisfactory 2008 results despite challenges
- 2009 will be one of the toughest years for retailers
- Contingency plan prepared and actions taken to face challenges
- Expect to be affected but remain a strong and viable company
- Very healthy balance sheet and cash generating capability
- Will be aggressive when signs of bottoming out

**Thank You!**

