



For immediate release

**Convenience Retail Asia reports increased sales  
with slight net profit drop for 2013**

***Challenging operating environment continues to impact retail industry  
across the Group's operating markets***

Hong Kong, 27 February 2014 – 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 revenue of HK\$4,521 million for the year ended 31 December 2013, representing an increase of 5.9% compared to 2012. The Group attributed the higher turnover to comparable store sales growth, successful promotional and marketing campaigns, and effective category management.

CRA's operating profit dropped slightly by 6.9% to HK\$150 million due to a continuously challenging operating environment marked by high rent and labour costs. Operating profit was further impacted by the higher number of non-comparable new stores in Southern China and the Group's investment in the online shopping platform FingerShopping.com. Store network growth was relatively flat due to escalating rents across Hong Kong and Southern China.

Year-on-year net profit dropped marginally by 6.9% to HK\$150 million. The decline excluded a one-off gain from the disposal of real estate property in 2012.

Comparable convenience store sales in Hong Kong and Southern China increased by 4.6% and 13.3% respectively compared to 2012. Turnover for the Saint Honore Cake Shop business increased by 7.0% to HK\$1,016 million against 2012 on satisfactory comparable store sales growth in Hong Kong and an increase in festive products sales.

Gross margin and other income increased from 36.4% to 36.8% of turnover due to category management improvements in the convenience store business, despite escalating raw material prices and factory labour costs. Operating expenses as a percentage of turnover increased from 32.3% to 33.1% year on year because of new store development in Southern China and the launch of FingerShopping.com.

Basic earnings per share decreased by 7.5%, from 21.91 HK cents to 20.27 HK cents, excluding the one-off gain in 2012. As at 31 December 2013 the Group had a strong financial position with net cash of HK\$483 million and no bank borrowings.

Mr. Richard Yeung, Chief Executive Officer of CRA, said, “The retail industry is continuing to deal with high rents, a severe labour shortage and rising costs, and these factors have had an inevitable near-term impact on our financial performance. However, we are pleased with our ability to continue driving traffic to our stores and build customer loyalty, which is going to serve us well when the economy on the Chinese Mainland gathers steam, with the emergence of the upper middle class and the investments across our multiple sales channels begin to pay dividends.”

### **Business Review**

In 2013 CRA continued to combat a challenging retail environment by emphasising cost control and innovative marketing. The Group successfully launched a number of campaigns that resulted in increased customer traffic and solid revenue growth, particularly the award-winning “Let’s LINE” promotion based on the popular cartoon characters.

In June 2013 CRA entered omni-channel sales and marketing with its launch of FingerShopping.com, an online shopping platform operated by subsidiary FingerShopping Limited with order fulfilment and payment supported by the Circle K store network.

Another key to the Group’s revenue for 2013 was enhanced category management, which included several launches of new category promotions such as ‘Japanese Bistro’ for sake and Japanese snack food, ‘K-Snack Headquarters’ for Korean snacks, ‘Craft Beer Festival’ for imported designer beer, ‘Sweet Season’ for chocolate confectionery and ‘Eat Healthy’ for food services. A dedicated sourcing team was also formed to directly source international products, particularly popular Japanese and Korean, to further expand Circle K’s product offering.

The Group also invested significant resources in customer service and employee training to drive brand loyalty. During the year it launched the HEARTS employee engagement initiative to improve retention, recruitment and job satisfaction in view of the severe labour shortage in the retail sector.

## Outlook

While softening exports continue to hamper the global economy, the local retail industry is experiencing encouraging trends such as rising consumer sentiment, stable employment and individual income, and more inbound visitor arrivals to Hong Kong. The Circle K and Saint Honore chains have opportunities to benefit from an increase in same-day visitors from the Chinese Mainland, who are driving more purchases of daily consumables. However, CRA anticipates that expenses will remain high, resulting in another challenging operating environment for 2014.

The Group has moved to leverage the rising trend for e-commerce through its establishment of FingerShopping.com. FingerShopping.com is also expected to diversify CRA's revenue channels.

Mr Yeung concluded, "Circle K and Saint Honore are already regarded as high-quality, customer-preferred brands, and we believe this will be a major strength in the near term. As always, we will introduce appealing, high-quality products, extend our track record of popular and award-winning promotional campaigns, and rely on the excellence of our customer service to fulfil our 'Always Something New' consumer proposition."

- ENDS -

## 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 Southern China, including Hong Kong and Macau.*

*As at 31 December 2013, there were a total of 116 Circle K stores outside Hong Kong. In addition to the 335 stores in Hong Kong, the Group operates a total of 451 Circle K stores in the Southern China. Together with the Saint Honore chain, which currently has a total of 141 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 592 outlets as at the end of 2013.*

**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)

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

	Change	2013 HK\$'000	2012 HK\$'000
• Revenue	+5.9%	4,521,289	4,270,318
• Profit attributable to shareholders of the Company (before gain on disposal of property, net of tax)	-6.9%	150,353	161,449
• Gain on disposal of property, net of tax	N/A	Nil	38,502
• Profit attributable to shareholders of the Company	-24.8%	150,353	199,951
• Basic earnings per share (HK cents)	-25.3%	20.27	27.13
• Dividend per share (HK cents)			
Final	Nil	13.00	13.00
Full year			
• Basic	Nil	16.80	16.80
• Special – paid	+669.2%	40.00	5.20

### Operation Highlights

- Slight decrease in operating profit due to higher number of non-comparable new stores in Southern China and investment in FingerShopping.com
- Continued escalation in rental and labour costs place pressure on operating results across all markets
- Neutral store network growth due to unfavourable leasing environment and store closures upon lease renewal
- Comparable store sales growth, enhanced category management both key contributors to operating profit
- Group maintains a strong financial position with net cash of HK\$483 million without any bank borrowings

### Number of Stores as of 31 December 2013

<b>Circle K Stores</b>	
Hong Kong	335
Guangzhou	68
Shenzhen	1
<b>Subtotal</b>	<b>404</b>
<b>Franchised Circle K Stores</b>	
Guangzhou	11
Macau	25
Zhuhai	11
<b>Subtotal</b>	<b>47</b>
<b>Total number of Circle K Stores</b>	<b><u>451</u></b>
<b>Saint Honore Cake Shops</b>	
Hong Kong	89
Macau	8
Guangzhou	41
Shenzhen	3
<b>Total number of Saint Honore Cake Shops</b>	<b><u>141</u></b>
<b>Total number of Stores under Convenience Retail Asia</b>	<b><u>592</u></b>

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

	<b>Year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4,521,289	4,270,318
Cost of sales	(2,942,260)	(2,801,587)
Gross profit	<u>1,579,029</u>	<u>1,468,731</u>
Other income	86,417	84,250
Other gains, net	9,988	42,621
Store expenses	(1,188,133)	(1,099,556)
Distribution costs	(110,810)	(103,918)
Administrative expenses	(199,202)	(174,135)
Operating profit	<u>177,289</u>	<u>217,993</u>
Interest income	7,483	11,585
Profit before income tax	<u>184,772</u>	<u>229,578</u>
Income tax expenses	(34,419)	(29,627)
Profit attributable to shareholders of the Company	<u><u>150,353</u></u>	<u><u>199,951</u></u>
Earnings per share (HK cents)		
Basic	<u><u>20.27</u></u>	<u><u>27.13</u></u>
Diluted	<u><u>20.04</u></u>	<u><u>26.94</u></u>
Dividends	<u><u>422,047</u></u>	<u><u>162,676</u></u>