



For immediate release

CRA achieves higher turnover, comparable store sales in 2015

Strong marketing and innovative product offerings help offset rising costs, difficult retail environment

- Full-year net profit including Discontinued Operations grew 31.5% on back of Circle K Guangzhou sale
- High costs and operating expenditures caused 8.3% decrease in core operating profit
- The Group maintained a strong financial position with net cash of HK\$568 million without any bank borrowings
- Intense competition, low consumer sentiment expected to produce another challenging year in 2016
- In view of the one-off gain from Circle K Guangzhou sale, the Board proposed to pay a special dividend of 6 HK cents per share

Hong Kong, 15 March 2016 – Convenience Retail Asia Limited, (“CRA” or “the Group”; SEHK: 00831), operator of Circle K convenience stores and Saint Honore Cake Shops in Hong Kong, Macau and Guangdong province, today announced its annual results for the year ended 31 December 2015. The Group reported turnover of HK\$4,728 million, representing a 4.3% increase over the previous year, a result that was mainly driven by solid performance in comparable store sales.

Turnover for the Circle K convenience store business in Hong Kong was HK\$3,693 million, while turnover for the Saint Honore bakery business across Hong Kong and southern China was HK\$1,081 million. These figures represent year-on-year increases over 2014 of 4.7% and 3.0%, respectively, and were mainly attributed to comparable store sales growth.

Core operating profit decreased by 8.3% to HK\$162 million, which was mainly due to escalating rental and labour costs. The Group also reported higher operating expenditures for burgeoning e-commerce platform FingerShopping.com. These factors offset growth in comparable store sales across all markets and also impacted net profit for Continuing Operations, which dropped slightly by 7.5% to HK\$134 million. However, net profit including Discontinued Operations increased by 31.5% to HK\$159 million due to the one-off gain of HK\$48 million from the sale of the Group’s Circle K convenience store business in Guangzhou in August 2015.

Gross margin and other income as a percentage of turnover was impacted by high manufacturing costs and an increasingly competitive retail environment. Operating expenses as a percentage of turnover decreased from 32.8% in 2014 to 32.7% in 2015.

Basic earnings per share for Continuing Operations decreased by 8.2%, from 19.38 HK cents to 17.80 HK cents, while basic earnings per share including Discontinued Operations increased by 30.5%, from 16.18 HK cents to 21.12 HK cents.

As at 31 December 2015, the Group had a strong financial position with a net cash balance of HK\$568 million and no bank borrowings. The Board of Directors has resolved to declare a final dividend of 13 HK cents per share. In view of the one-off gain from the sale of Circle K Guangzhou, the Board has further resolved to declare a special dividend of 6 HK cents per share.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “The past year was a difficult one in terms of macroeconomic issues and their impact on the retail market. In 2015 retailers had to once again contend with high labour, rental and manufacturing costs, as well as slowing growth and low consumer sentiment. In spite of these challenges, the Group persevered with strong efforts in marketing, product innovation, category management and customer service.”

“These unfavourable conditions are expected to last well into 2016. However, our financials are robust, and our convenience store and bakery brands continue to grow as preferred brands in the markets where we operate. The Group will continue to explore opportunities for organic growth and acquisitions, and as always, we will continue to place customer relationships and the brand experience at the top of our agenda.”

Business Review

Hong Kong’s overall retail sales decreased in 2015 with lower visitor arrivals and spending. Daily consumable purchases by local customers remained steady, helping mitigate the impact of the tourism slowdown on the Group’s sales. However, high operating costs, labour wages and rentals had inevitable impacts on margins. On the Chinese Mainland, GDP and retail sales growth slowed while consumer confidence remained stagnant.

To combat these difficulties, the Group focused on core strengths such as brand loyalty, product innovation, effective marketing, timely category management and caring customer service. It also promoted Circle K's new "Dare to Try" brand positioning with an advertising campaign called "The Daring New Generation", which targeted young "Internet+" customers. The campaign introduced popular food, drink and premium items from Japan and Korea, achieving strong incremental sales and expanding the Group's brand loyalty among influential new consumers.

During the year, Saint Honore continued to develop high-quality products and promotions while enhancing customer service, efforts that ultimately helped drive comparable store sales in a difficult retail environment. In Guangzhou and Shenzhen, the Group has narrowed the bakery store business's losses from HK\$15 million in 2013 to HK\$11 million in 2015. This continuous improvement is the result of the combined effort of Saint Honore's sound store model, strong brand image, innovative product development and effective cost controls.

FingerShopping.com, the Group's online-to-offline shopping platform that enables customers to order online and pick up purchases in select Circle K stores, now offers 17,000 stock-keeping units across 1,200 brands. In 2015, FingerShopping.com achieved 100% gross merchandise value growth and 80% member growth over the previous year. The site has seen particular success in the high-growth health and beauty category.

In August 2015, the Group strategically divested itself of its loss-making Circle K convenience store chain in Guangzhou, selling the business to its controlling shareholder, Fung Holdings (1937) Limited. The sale was driven by profitability and shareholder value considerations, and it has enabled the Group to exit a difficult retail environment, further strengthen its balance sheet and focus resources on other growth opportunities. The deal has also ended the Group's involvement in its pilot programme with Sinopec Marketing Co., Ltd. to operate petrol stations and Easy Joy convenience stores in Guangzhou.

Outlook

Adverse macroeconomic conditions, declining tourism spending, and rising labour and material costs are expected to contribute to difficult operating environments in Hong Kong and on the Chinese Mainland once again in 2016.

Mr Yeung said, “Our key strategies for the coming year are to reinvent every aspect of our businesses, and to continue enhancing customer service and employee satisfaction, which will help us strengthen customer loyalty and retain quality staff at reasonable cost. We will also look at accelerating the growth of our store network if commercial rental trends are favourable, especially in secondary locations where most of the Group’s stores are situated.”

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About CRA

Convenience Retail Asia Limited (CRA, SEHK stock code: 00831), a member of Fung Retailing Group, is principally engaged in the operation of the Circle K convenience store and Saint Honore Cake Shop bakery chains in southern China, including Hong Kong and Macau.

As at 31 December 2015, there were a total of 121 Circle K stores outside Hong Kong. In addition to the 328 stores in Hong Kong, the Group operates a total of 449 Circle K stores in southern China. Together with the Saint Honore chain, which currently has a total of 139 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 588 outlets as at the end of 2015.

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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 2015

	Change	2015 HK\$'000	2014 HK\$'000 (Restated)
• Revenue	+4.3%	4,728,151	4,531,321
• Core operating profit	-8.3%	162,247	176,842
• Profit attributable to shareholders of the Company			
• Continuing Operations	-7.5%	134,177	145,008
• Included Discontinued Operations	+31.5%	159,178	121,032
• Basic earnings per share (HK cents)			
• Continuing Operations	-8.2%	17.80	19.38
• Included Discontinued Operations	+30.5%	21.12	16.18
• Dividend per share (HK cents)			
Final	Nil	13.00	13.00
Special	N/A	6.00	Nil
Full year			
• Basic	Nil	16.10	16.10
• Special	N/A	6.00	Nil

Operation Highlights

- Despite weak market sentiment, the Group achieved strong comparable store sales growth in Hong Kong
- Core operating profit declined by 8.3%, mainly due to escalating rental and labour costs and higher operating expenditures for FingerShopping.com
- Full-year profit including Discontinued Operations increased by 31.5%, primarily due to one-off gain of HK\$48 million from sale of Circle K Guangzhou
- The Group maintained a strong financial position with net cash of HK\$568 million without any bank borrowings
- In view of the one-off gain from Circle K Guangzhou sale, the Board proposed to pay a special dividend of 6 HK cents per share

Future Prospects

- Following sale of the loss-making Circle K Guangzhou operations, the Group will focus on driving quality and sustainable profit growth, primarily in Hong Kong, in the short and medium terms
- Another challenging year expected in 2016 due to fierce retail competition and weak consumer sentiment

Number of Stores as of 31 December 2015

Circle K Stores	
Hong Kong	328
Franchised Circle K Stores	
Guangzhou	76
Macau	27
Zhuhai	18
Subtotal	121
Total number of Circle K Stores	<u>449</u>
Saint Honore Cake Shops	
Hong Kong	89
Macau	9
Guangzhou	40
Shenzhen	1
Total number of Saint Honore Cake Shops	<u>139</u>
Total number of Stores under Convenience Retail Asia	<u>588</u>

Consolidated Profit and Loss Account

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000 (Restated)
Continuing Operations		
Revenue	4,728,151	4,531,321
Cost of sales	(3,124,522)	(2,963,855)
	1,603,629	1,567,466
Gross profit	1,603,629	1,567,466
Other income	102,831	95,653
Store expenses	(1,225,140)	(1,184,926)
Distribution costs	(125,398)	(108,868)
Administrative expenses	(193,675)	(192,483)
	162,247	176,842
Core operating profit	162,247	176,842
Non-core operating loss	(618)	(1,334)
	161,629	175,508
Operating profit	161,629	175,508
Interest income	3,358	5,573
	164,987	181,081
Profit before income tax	164,987	181,081
Income tax expenses	(30,810)	(36,073)
	134,177	145,008
Profit for the year from Continuing Operations	134,177	145,008
Discontinued Operations		
Profit/(loss) for the period/year from Discontinued Operations	25,001	(23,976)
	159,178	121,032
Profit attributable to shareholders of the Company	159,178	121,032
Earnings per share (HK cents)		
Basic earnings per share		
Continuing Operations	17.80	19.38
Included Discontinued Operations	21.12	16.18
Diluted earnings per share		
Continuing Operations	17.75	19.24
Included Discontinued Operations	21.06	16.06