



For immediate release

Convenience Retail Asia Interim Turnover and Profit Rise

Group benefits from higher comparable store sales, stabilised operating costs

- Turnover increased by 3.4% to HK\$2,339 million despite tough market conditions, mainly due to higher comparable store sales
- Stabilised operating costs, improvement in Saint Honore operations led to 7% increase in core operating profit
- Net profit grew 68.4% after including results of Discontinued Operations
- Group intends to drive growth through product innovation, inventive marketing, store expansion

Hong Kong, 11 August 2016 – Convenience Retail Asia Limited (“CRA” or “the Group”; SEHK: 00831), operator of Circle K convenience stores in Hong Kong and Saint Honore Cake Shops in Hong Kong, Macau and Guangdong province, today announced its financial results for the first half of 2016. CRA generated turnover of HK\$2,339 million, 3.4% higher than the same period in 2015, which was mainly attributed to higher comparable store sales despite tough market conditions.

Turnover for the Circle K business in Hong Kong increased 4.7% to HK\$1,870 million, with comparable store sales rising 5.2% over the same period last year. Turnover for Saint Honore Cake Shops slightly decreased 0.5% to HK\$496 million, with low-single-digit growth in comparable store sales in Hong Kong.

The Group’s core operating profit increased 7% to HK\$64 million. Including the results of the Discontinued Operations (namely the Circle K Guangzhou operations that were disposed of in the second half of 2015), the Group’s net profit increased 68.4% to HK\$52 million for the six months ended 30 June 2016.

Gross margin and other income as a percentage of turnover increased slightly to 35.9%, despite keen competition in the retail market and high manufacturing costs. Operating expenses increased slightly from 33.1% of turnover to 33.2% against the same period in 2015, which was primarily due to high rental and labour costs. The operating results of Saint Honore Guangzhou improved following the restructuring of the business.

Basic earnings per share for Continuing Operations increased 7% to 6.87 HK cents, while basic earnings per share including Discontinued Operations increased 68% to 6.87 HK cents.

As at 30 June 2016, the Group had a net cash balance of HK\$481 million. The Group had no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 3.5 HK cents per share.

“Comparable store sales performance is a benchmark indicator of the strength of a retail business’ underlying operations,” said Mr Richard Yeung, Chief Executive Officer of CRA. “In this respect, we are pleased with how the Group has responded to the considerably difficult market environment. We were able to drive modest revenue growth at our existing convenience store and bakery outlets in Hong Kong due to efficient management and innovative marketing campaigns. This helped offset the effects of high rentals and labour costs, weak consumer sentiment, decreasing tourist arrivals and a weak economy. The disposal of the Circle K Guangzhou operations in 2015 has also helped the Group focus our efforts on more profitable endeavours.”

Business Review

In Hong Kong, the Group and its retail industry competitors continued to deal with demanding market conditions resulting from declining tourism arrivals from the Chinese Mainland and weak market sentiment. However, stable local demand for daily consumable products supported the supermarket category - including convenience stores - which posted a small year-on-year sales value increase.

Circle K’s new “Dare to Try” brand positioning gained traction in Hong Kong with exciting new products and services aimed at younger generations. Over the first six months of 2016, the Group also enhanced its convenient “Quick Breakfast” offerings, revamped its successful deli and sandwich ranges and introduced a premium promotion themed on the popular character Gudetama. Building on its reputation for innovation, the Group introduced the first MasterCard gift card in Hong Kong in May.

Saint Honore posted low-single-digit growth in comparable store sales in Hong Kong despite a very challenging retail environment, supported by the introduction of successful products. With the stabilisation of the commercial property rental market, the Group opened new stores in some of Hong Kong’s busiest districts. It also launched a new digital customer relationship management programme in Hong Kong. In addition, the Group invested in

further automation along its factory production lines to ensure product quality and consistency, boost productivity and capacity, and reduce labour costs. Saint Honore in Guangzhou achieved promising performance during the first half of 2016, capitalising on its restructuring to improve supply chain efficiency, store and office operations.

The Group's O2O (online-to-offline) retailing platform FingerShopping.com – which allows customers to purchase products online and pick up and pay at nearby Circle K stores – continued to make promising headway during the first six months of 2016. FingerShopping.com now carries approximately 21,000 stock-keeping units from about 1,500 brands. The O2O platform also extended its market coverage to Macau in February. Over the period, FingerShopping.com recorded almost 100% growth in both gross merchandise value and membership compared to the first half of 2015.

Outlook

The macroeconomic environment is expected to remain challenging. In Hong Kong, falling visitor numbers and tourist spending along with weak local consumer sentiment are likely to continue impacting retail sales. However, the supermarket and convenience store sector is expected to remain resilient, while rising vacancy rates and falling rentals for commercial property have allowed the Group to recommence its store expansion programme.

“In the remainder of 2016, we will seek to grow profit at existing stores by continuing to improve efficiency, reduce costs, and drive sales through innovative product development, marketing and category management,” said Mr Yeung. “Cautious store expansion will play a role in driving revenue across the convenience store and bakery businesses. Although the business environment has been challenging, the Group's core operations remain strong and healthy, and we have a solid balance sheet with a good cash position.”

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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 30 June 2016, there were a total of 118 Circle K stores outside Hong Kong. In addition to the 324 stores in Hong Kong, the Group operates a total of 442 Circle K stores in southern China. Together with the Saint Honore chain, which currently has a total of 144 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 586 outlets as at the end of the first six months of 2016.

CRA website: www.cr-asia.com

For media enquiries, please contact:

Convenience Retail Asia Limited
Annie Leung, Golin

Telephone: 2991 6300
Telephone: 2501 7918

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 2016

| | Change | 2016 HK\$'000 | 2015 HK\$'000 (Restated) |
|--|--------|------------------|--------------------------------|
| • Revenue | +3.4% | 2,339,035 | 2,261,620 |
| • Core operating profit | +7.0% | 63,766 | 59,620 |
| • Profit attributable to shareholders of the Company | | | |
| Continuing Operations | +7.2% | 51,820 | 48,334 |
| Included Discontinued Operations | +68.4% | 51,820 | 30,766 |
| • Basic earnings per share (HK cents) | | | |
| Continuing Operations | +7.0% | 6.87 | 6.42 |
| Included Discontinued Operations | +68.0% | 6.87 | 4.09 |
| • Interim dividend per share (HK cents) | +12.9% | 3.50 | 3.10 |

Operation Highlights

- Despite weak retail market sentiment, convenience store and bakery operations achieved satisfactory comparable store sales growth in Hong Kong
- Core operating profit increased 7% on back of stabilised operating costs and improvement in Saint Honore operations
- Net profit increased by 68.4%, primarily due to the disposal of Circle K business in Guangzhou last year
- The Group expects a difficult business environment in second half of 2016 due to weak consumer sentiment, high operating costs; latter expected to persist notwithstanding possible mild downward adjustments
- The Group maintains a strong financial position with net cash of HK\$481 million without any bank borrowings

Number of Stores as of 30 June 2016

| | |
|---|------------|
| Circle K Stores | |
| Hong Kong | 324 |
| Franchised Circle K Stores | |
| Guangzhou | 72 |
| Macau | 28 |
| Zhuhai | 18 |
| Subtotal | 118 |
| Total number of Circle K Stores | 442 |
| Saint Honore Cake Shops | |
| Hong Kong | 94 |
| Macau | 9 |
| Guangzhou | 39 |
| Shenzhen | 2 |
| Total number of Saint Honore Cake Shops | 144 |
| Total number of Stores under Convenience Retail Asia | 586 |

Unaudited Consolidated Profit and Loss Account

| | Six months ended 30 June | |
|--|-----------------------------|--------------------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 (Restated) |
| Continuing Operations | | |
| Revenue | 2,339,035 | 2,261,620 |
| Cost of sales | (1,551,588) | (1,503,615) |
| | 787,447 | 758,005 |
| Gross profit | | |
| Other income | 52,109 | 49,291 |
| Store expenses | (614,633) | (595,491) |
| Distribution costs | (69,033) | (58,892) |
| Administrative expenses | (92,124) | (93,293) |
| | 63,766 | 59,620 |
| Core operating profit | | |
| Non-core operating gain/(loss) | 42 | (615) |
| | 63,808 | 59,005 |
| Operating profit | | |
| Interest income | 1,124 | 2,132 |
| | 64,932 | 61,137 |
| Profit before income tax | | |
| Income tax expenses | (13,112) | (12,803) |
| | 51,820 | 48,334 |
| Profit for the period from Continuing Operations | | |
| Discontinued Operations | | |
| Loss for the period from Discontinued Operations | - | (17,568) |
| | 51,820 | 30,766 |
| Profit attributable to shareholders of the Company | | |
| Earnings per share (HK cents) | | |
| Basic earnings per share | | |
| Continuing Operations | 6.87 | 6.42 |
| Included Discontinued Operations | 6.87 | 4.09 |
| | 6.87 | 6.39 |
| Diluted earnings per share | | |
| Continuing Operations | 6.87 | 6.39 |
| Included Discontinued Operations | 6.87 | 4.07 |
| | 6.87 | 4.07 |