



For immediate release

Comparable store sales drive Group turnover as CRA achieves profit growth in 2016

Group posts growth despite sluggish retail market

- Convenience store and bakery businesses both achieved satisfactory comparable store sales growth in Hong Kong
- Effective marketing campaigns by Circle K, improved performance by Saint Honore led to a 4.7% increase in core operating profit and a 4.1% increase in net profit for Continuing Operations
- Difficult operating conditions are expected to continue, but the Group believes downward adjustment in the commercial rental market will enable better selection of store sites
- New initiatives to drive growth and market share planned for 2017 and beyond, including rapid expansion of successful "OK Stamp It" customer loyalty programme
- The Board of Directors has resolved to declare a final dividend of 13 HK cents per share and a special dividend of 27 HK cents per share
- The Group maintains a strong financial position with net cash of HK\$543 million and no bank borrowings

Hong Kong, 21 March 2017 – 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 2016. CRA reported turnover of HK\$4,871 million, an increase of 3% over 2015, which was attributed to solid comparable store sales growth.

Turnover for the Circle K convenience store business in Hong Kong was HK\$3,850 million, representing a year-on-year increase of 4.3% that was driven by 5.2% comparable store sales growth. Turnover for the Saint Honore Cake Shop business across Hong Kong and southern China was relatively stable at HK\$1,072 million, with low-single-digit comparable store sales growth in Hong Kong.

Core operating profit increased by 4.7% to HK\$170 million compared to last year, while net profit for Continuing Operations increased by 4.1% to HK\$140 million. The Group achieved this despite intense retail market competition and high manufacturing costs, primarily on the back of satisfactory comparable store sales growth in Hong Kong and improved performance by the Saint Honore operations. Net profit including Discontinued Operations decreased by 12.3% to HK\$140 million, which was mainly due to the disposal of the Guangzhou convenience store business that resulted in a one-off gain of HK\$25 million in 2015.

Gross margin and other income as a percentage of turnover increased by 0.5%. Operating expenses as a percentage of turnover slightly increased from 32.7% to 33.1% against 2015 due to rising operating costs and rentals.

Basic earnings per share for Continuing Operations increased by 3.9%, from 17.8 HK cents to 18.5 HK cents. Basic earnings per share including Discontinued Operations decreased by 12.4% from 21.12 HK cents to 18.5 HK cents.

As at 31 December 2016, the Group had a net cash balance of HK\$543 million with no bank borrowings. The Board of Directors has resolved to declare a final dividend of 13 HK cents per share. In view of the Group's sizeable cash reserve, the Board has further resolved to declare a special dividend of 27 HK cents per share. Subject to shareholders' approval on the final and special dividends, the Group expects to maintain a strong financial position with net cash of HK\$241 million and no bank borrowings following the distribution of dividends.

Mr Richard Yeung, Chief Executive Officer of CRA, said, "Hong Kong retail is still going through a difficult period because of decreasing visitation and spending by Chinese Mainland visitors, low local consumer sentiment and high operating expenses. However, corrections in the commercial property market should help bring down rental costs, which will enable us to choose better store locations and drive additional revenue."

"In 2016 we successfully introduced a breakthrough O2O (online to offline) customer loyalty programme app at Circle K, 'OK Stamp It', which made important achievements in terms of customer engagement and membership recruitment. We also invested in new systems at Saint Honore to boost production and reduce costs. These accomplishments, plus other strategic initiatives we have planned for the current year, have put the Group in a good position to succeed in 2017 and beyond."

Business Review

The uncertainties of the global macroeconomic environment and dwindling visitation from the Chinese Mainland continued to affect retail in Hong Kong. The supermarket and convenience store category experienced a slight increase in sales value due to steady local demand for daily consumables, but profits were still hit by high raw material, labour and rental costs.

In August 2016, Circle K launched “OK Stamp It”, a new customer loyalty programme that enables customers to earn and redeem reward gifts while paying for items at stores. The programme, which had attracted nearly 500,000 members as at 31 December 2016, will be a key marketing and promotional focus for 2017. The Group also launched a “do re mi Monchhichi” premium redemption programme featuring figurines of the popular Japanese character Monchhichi, effectively increasing Circle K store traffic and sales.

In category management, Circle K introduced well-received “do re mi Monchhichi”-themed food and confectionery products such as Super Soft Sandwiches and toy candies that also coincided with the launch of the “OK Stamp It” programme. The company also rolled out a new “Multi-Temperature Drink Zone” to provide hot, cold and ambient beverages in all seasons, and new services such as Hong Kong Housing Authority rental payment at Circle K counters.

During 2016, Saint Honore completed the production conversion from chilled dough to frozen dough, which offers higher capacity and efficiency as well as significant labour cost savings. The Group also made further investments in Saint Honore’s supply chain infrastructure and fully implemented a digital CRM programme to engage customers on a more personal level. In Guangzhou, Saint Honore took great strides toward narrowing business losses and reinforcing its premium brand positioning via a series of store upgrade and modernisation programmes.

The Group reported significant growth in both gross merchandise value (GMV) and membership for its O2O business FingerShopping.com compared to 2015, as well as high pick-up and payment rates at both Circle K Hong Kong and Circle K Macau. As at the end of 2016, FingerShopping.com had recruited nearly 340,000 members.

Outlook

Slightly lower labour costs and the downward adjustment in the rental market are expected to help offset what are once again anticipated to be difficult operating conditions in 2017.

Mr Yeung said, “The industry is constantly changing, and retailers need to be nimble to adjust to the ever-changing needs of their customers. The Group is seizing this opportunity to reinvent its businesses and grow market share by focusing on value transactions and offering fresh, exciting products and services in ways that today’s consumers expect them to be delivered.”

“To this end, the Group is rapidly expanding its sales and marketing initiatives, using innovative products, category management and technologies to take advantage of the new paradigms that are transforming the sector. We are also working hard to drive traffic to stores via our O2O business, and growing brand preference and customer loyalty through the highly successful ‘OK Stamp It’ programme. We are confident that these strategies will help us overcome the challenges of the current operating environment and win the customers of tomorrow.”

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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 2016 there were a total of 117 Circle K stores outside Hong Kong. In addition to the 331 stores in Hong Kong, the Group operates a total of 448 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 587 outlets as at the end of 2016.

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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 2016

	Change	2016 HK\$'000	2015 HK\$'000
• Revenue	+3.0%	4,871,437	4,728,151
• Core operating profit	+4.7%	169,953	162,247
• Profit attributable to shareholders of the Company			
Continuing Operations	+4.1%	139,627	134,177
Included Discontinued Operations	-12.3%	139,627	159,178
• Basic earnings per share (HK cents)			
Continuing Operations	+3.9%	18.50	17.80
Included Discontinued Operations	-12.4%	18.50	21.12
• Dividend per share (HK cents)			
Final	Nil	13.00	13.00
Special	+350.0%	27.00	6.00
Full year			
Basic	+2.5%	16.50	16.10
Special	+350.0%	27.00	6.00

Operation Highlights

- Despite weak retail market sentiment, the convenience store and bakery businesses remained stable, achieving satisfactory comparable store sales growth in Hong Kong
- Core operating profit increased by 4.7%, which was mainly attributable to effective marketing campaigns by Circle K and improved performance by Saint Honore
- Net profit decreased by 12.3% because of the one-off disposal gain of the Guangzhou convenience store business in 2015
- With signs of rental adjustments in the commercial property market, the Group intends to recommence store network expansion in the coming year while maintaining a cautious approach due to macroeconomic uncertainties
- The Board of Directors has resolved to declare a final dividend of 13 HK cents per share and a special dividend of 27 HK cents per share
- The Group maintains a strong financial position with net cash of HK\$543 million and no bank borrowings. Subject to shareholders' approval of the final and special dividends, the Group expects to maintain a strong financial position with net cash of HK\$241 million and no bank borrowings after distribution of dividends

Number of Stores as of 31 December 2016

Circle K Stores	
Hong Kong	331
Franchised Circle K Stores	
Guangzhou	71
Macau	30
Zhuhai	16
Subtotal	117
Total number of Circle K Stores	448
Saint Honore Cake Shops	
Hong Kong	89
Macau	9
Guangzhou	39
Shenzhen	2
Total number of Saint Honore Cake Shops	139
Total number of Stores under Convenience Retail Asia	587

Consolidated Profit and Loss Account

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Continuing Operations		
Revenue	4,871,437	4,728,151
Cost of sales	(3,196,622)	(3,124,522)
	1,674,815	1,603,629
Gross profit		
Other income	107,605	102,831
Store expenses	(1,276,294)	(1,225,140)
Distribution costs	(144,099)	(125,398)
Administrative expenses	(192,074)	(193,675)
	169,953	162,247
Core operating profit		
Non-core operating gain/(loss)	93	(618)
	170,046	161,629
Operating profit		
Interest income	2,154	3,358
	172,200	164,987
Profit before income tax		
Income tax expenses	(32,573)	(30,810)
	139,627	134,177
Profit for the year from Continuing Operations		
Discontinued Operations		
Profit for the period from Discontinued Operations	-	25,001
	139,627	159,178
Profit attributable to shareholders of the Company		
Earnings per share (HK cents)		
Basic earnings per share		
Continuing Operations	18.50	17.80
Included Discontinued Operations	18.50	21.12
	18.48	17.75
Diluted earnings per share		
Continuing Operations	18.48	17.75
Included Discontinued Operations	18.48	21.06
	18.48	21.06