



For immediate release

Convenience Retail Asia announces 1H 2018 results

Group's online-to-offline (O2O) customer relationship management (CRM) programmes drive profit growth; convenience store operations see higher comparable store sales

- Core operating profit and net profit increased 16% and 17.9% respectively mainly due to effective O2O business model and encouraging results from Developing Businesses, including fast-fashion eyewear brand Zoff
- Circle K's O2O eCRM programme "OK Stamp It" achieved significant milestone for member recruitment exceeding 1.1 million and driving strong comparable store sales growth
- Appreciation of the renminbi unfavourably impacted Saint Honore's cost of products in the first half of 2018, though recent depreciation indicates potential margin improvements ahead
- The Group will continue prudently with its marketing and store network expansion programmes; maintains a strong financial position with HK\$391 million net cash and no bank borrowings

Hong Kong, 16 August 2018 – Convenience Retail Asia Limited ("CRA" or "the Group"; SEHK: 00831), operator of Circle K convenience stores in Hong Kong, Saint Honore Cake Shops in Hong Kong, Macau and Guangdong province and Zoff eyewear stores in Hong Kong, today announced its financial results for the first half of 2018. Turnover increased by 6.1% to HK\$2,574 million compared to the same period last year, which was largely driven by sales growth in the convenience store business of 5.1% to HK\$2,061 million. Circle K's successful "OK Stamp It" eCRM programme and a year-on-year increase in comparable store sales of 4.4% both contributed to the strong performance in the convenience store business. Turnover for the Saint Honore bakery business achieved modest growth, rising to HK\$523 million against HK\$491 recorded in the first six months of 2017, which was contributed by the opening of new stores in Hong Kong and an increase in festive product sales.

CRA achieved core operating profit of HK\$81 million and net profit of HK\$67 million, representing 16% and 17.9% growth over the corresponding period in 2017, respectively. The Group also improved its gross margin and other income as a percentage of turnover by 0.8% to 37.1%. Primary contributors were the effective eCRM programme “OK Stamp It” and differentiation in category management despite strong competition. The Group experienced high costs exacerbated by the appreciation of the renminbi during the majority of the period under review, which impacted Saint Honore’s cost of goods sold and gross margin.

High rental and labour costs led to a slight increase in operating expenses of 33.9% of turnover, up from 33.4% during the same period in 2017. Basic earnings per share increased 17.4% to 8.83 HK cents. As at 30 June 2018, the Group had a net cash balance of HK\$391 million and no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 5 HK cents per share.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “Our O2O strategies and eCRM initiatives continued to deliver great success, driving sales growth and providing excellent marketing platforms for our businesses. Creative promotions and truly differentiating products and services helped us build loyalty and preference among customers. Our Developing Businesses performed admirably, in particular our new fast-fashion eyewear brand Zoff. We also continued to enhance our service and supply chain operations, and exercised prudent cost management to increase efficiency and boost profit.”

Business Review

CRA leveraged strong category management as well as robust digital marketing and promotional initiatives to outpace the supermarket and convenience store segment during the period under review. Many of the Group’s efforts were focused through the award-winning “OK Stamp It” customer loyalty programme, which delivers promotional offers to members via a downloadable mobile app to convert online traffic into in-store traffic. As at 30 June 2018, “OK Stamp It” had grown to more than 1.1 million members, who in the first half of the year responded enthusiastically to a variety of game, premiums and product promotions. Key product launches included healthy food and drinks from Europe as well as gourmet snack foods and ice cream varieties from Japan and Korea. The Group also introduced well-received convenience services such as cash withdrawal without purchase for senior citizens and attractive discounts on certain mobile payments.

The appreciation of the renminbi during most of the first six months of 2018 caused increases in raw material and labour costs, impacting Saint Honore's manufacturing operations on the Chinese Mainland and narrowing gross profit margin. However, the renminbi began to depreciate toward the end of the first half of the year, a trend the Group anticipates could create a better cost environment in the coming six months. Saint Honore's eCRM digital platform "Cake Easy" had registered more than 400,000 members as at 30 June 2018, providing a strong sale and marketing base for the Group. Launches of popular and innovative new products such as packaged bread and specialised cakes continued to drive sales for the bakery business. In Guangzhou, a new O2O e-coupon campaign for VIP members and "4-Hour Delivery" service for online cake ordering both contributed to turnover growth.

The Group's Developing Businesses, FingerShopping.com and Zoff, delivered encouraging results for the period under review. FingerShopping.com recorded stable gross merchandise value and featured more than 1,700 brands and approximately 25,000 stock-keeping units as at 30 June 2018. Zoff, a Japanese eyewear brand launched in Hong Kong in the second half of 2017, has enjoyed an energetic start with younger generations and fast-fashion enthusiasts and has already begun contributing to the Group's net profit margin. Zoff currently has three stores, at Cityplaza in Taikoo Shing, Telford Plaza in Kowloon Bay and Sunshine City Plaza in Ma On Shan.

Outlook

The Group will continue its store expansion programmes, taking into consideration rising rents and macroeconomic conditions. It will also continue to channel sales and marketing efforts primarily through its eCRM programmes, "OK Stamp It" and "Cake Easy", recruiting more members and creating synergies between its convenience store and bakery businesses and its Developing Businesses. While the renminbi's recent downward trend could have a positive effect on costs in the second half of the year, the Group will remain pragmatic and streamline operations wherever possible.

“Our transformation into a ‘bricks-and-mortar+’ O2O enterprise has given us a strong edge and helped us outpace the supermarkets and convenience stores category,” said Mr Yeung. “The Group’s O2O eCRM platforms have demonstrated strong appeal for today’s smartphone-savvy consumers, and they will continue to be our core focuses moving forward, both in the short and long terms. Meanwhile, we will continue to launch innovative, trendy new promotions, products and services that present a unique brand proposition for consumers and differentiate us from the competition. Based on the on-going recovery of the local retail market and increased visitor spending, we are cautiously optimistic about the future ahead.”

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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 chain, Saint Honore Cake Shop bakery chain and Zoff eyewear stores in southern China, including Hong Kong and Macau.

As at 30 June 2018, there were a total of 111 Circle K stores outside Hong Kong. In addition to the 332 stores in Hong Kong, the Group operates a total of 443 Circle K stores in southern China. Together with the Saint Honore chain, which currently has a total of 136 stores in Hong Kong, Macau, Guangzhou and Shenzhen, and two Zoff eyewear stores in Hong Kong, the Group operates a total store network of 581 outlets as at the end of the first six months of 2018.

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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Change	2018 HK\$'000	2017 HK\$'000
• Revenue	+6.1%	2,573,932	2,426,822
• Core operating profit	+16.0%	81,293	70,096
• Profit attributable to shareholders of the Company	+17.9%	67,352	57,120
• Basic earnings per share (HK cents)	+17.4%	8.83	7.52
• Interim dividend per share (HK cents)	+25.0%	5.00	4.00

Number of Stores as of 30 June 2018

Circle K Stores

Hong Kong	332
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Franchised Circle K Stores

Guangzhou	65
Macau	30
Zhuhai	16

Subtotal	111
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Total number of Circle K Stores	443
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Saint Honore Cake Shops

Hong Kong	94
Macau	9
Guangzhou	32
Shenzhen	1

Total number of Saint Honore Cake Shops	136
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Zoff Eyewear Stores

Hong Kong	2
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Total number of Stores under Convenience Retail Asia	581
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Unaudited Consolidated Profit and Loss Account

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Revenue	2,573,932	2,426,822
Cost of sales	(1,674,991)	(1,599,326)
Gross profit	898,941	827,496
Other income	56,754	53,193
Store expenses	(687,267)	(639,144)
Distribution costs	(81,101)	(71,514)
Administrative expenses	(106,034)	(99,935)
Core operating profit	81,293	70,096
Interest income	765	1,045
Profit before income tax	82,058	71,141
Income tax expenses	(14,706)	(14,021)
Profit attributable to shareholders of the Company	67,352	57,120
Basic earnings per share (HK cents)	8.83	7.52