



For immediate release

**Convenience Retail Asia posts record high turnover
and
core operating profit for 2018**

***Growth sparked by digital loyalty programmes
plus sales at comparable convenience stores and fast-fashion eyewear business Zoff***

- Satisfactory comparable sales for convenience store business, revenue growth at new eyewear business Zoff resulted in turnover increase of 4.4%
- The Group's online-to-offline (O2O) customer relationship management (CRM) programmes plus strong category management drove growth in core operating profit and net profit of 17.5% and 21.9%, respectively
- National Association of Convenience Stores (NACS) named Circle K "Asian Convenience Industry Leader of the Year 2018" for its O2O business model
- The Board of Directors has resolved to declare a final dividend of 17 HK cents per share
- The Group maintains a strong financial position with net cash of HK\$508 million and no bank borrowings

Hong Kong, 13 March 2019 – 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 Guangzhou and Zoff eyewear stores in Hong Kong, today announced its financial results for the year ended 31 December 2018. CRA reported record Group turnover of HK\$5,320 million, an increase of 4.4% compared to 2017, which was mainly attributed to higher comparable store sales at Circle K as well as revenue growth at fast-fashion eyewear business Zoff. Turnover for Circle K rose 3.6% year on year to HK\$4,207 million due to an increase in comparable store sales of 2.9%. Turnover for the Saint Honore Cake Shop business across Hong Kong and Southern China was HK\$1,120 million, an increase of 2.6% over 2017.

The Group's online-to-offline (O2O) customer relationship management (CRM) programmes and category management initiatives helped drive record high core operating profit of HK\$214 million, an increase of 17.5% compared to 2017, and net profit of HK\$183 million, a year-on-year growth of 21.9%.

During the year, the Group leveraged its eCRM programmes, effective category management initiatives and franchise for the popular Japanese fast-fashion eyewear brand Zoff to overcome strong competition and high operating costs. This resulted in gross margin and other income as a percentage of turnover of 38.1% compared with 36.9% last year. Operating expenses as a percentage of turnover increased to 34.1% compared to 33.3% in 2017 due to escalating rentals and labour costs.

The Group posted an increase in basic earnings per share of 21.7%, from 19.75 HK cents to 24.03 HK cents. As at 31 December 2018, the Group had a net cash balance of HK\$508 million with no bank borrowings. The Board of Directors has resolved to declare a final dividend of 17 HK cents per share.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “In 2018, we were once again able to capitalise on the growing customer trend toward digital shopping experiences with our well established online-to-offline customer relationship management platforms. We also continued to develop attractive products and promotions, adhere to strict cost management principles and focus on operational efficiency – all of which resulted in a very successful year of record growth and profitability.”

Business Review

In 2018, the convenience store industry faced a number of challenges including trade conflicts between the US and China, which caused lower spending among tourists from the Chinese Mainland and weak local consumer sentiment, which impacted sales of certain staple convenience store items. The Group countered these challenges by leveraging its industry-leading O2O CRM programmes, effective marketing campaigns and timely category management initiatives.

Circle K’s proprietary O2O CRM programme, “OK Stamp It”, continued to power many of the Group’s marketing strategies and internal business synergies. The platform, which had over 1.2 million members, uses a downloadable app containing product promotions, e-stamp redemption, coupons, games and social features to drive sales, in-store traffic and brand awareness. In 2018, Circle K Hong Kong was recognised by the National Association of Convenience Stores (NACS) – the world’s largest organisation for convenience store operators – as the “Asian Convenience Industry Leader of the Year 2018” due largely to the success of “OK Stamp It”.

Despite the depreciation of the renminbi in the second half of 2018, the currency's appreciation over the first six months caused an unfavourable impact on full-year gross margin for the Saint Honore bakery business. The Group recorded single-digit turnover growth over 2017 on the back of strong product development and marketing. Popular in-store and festive products included family-pack and "grab-and-go" bread items; new cakes including varieties based on licensed, child-friendly characters such as "Peppa Pig" and "My Little Pony" and new lava milk yolk moon cakes. Saint Honore's "Cake Easy" O2O CRM programme, which had over 500,000 members, also continued to generate solid results, especially in online cake sales.

The Group's new fast-fashion eyewear business, Zoff, continued to show great promise in 2018 with an expanded store network, creative new product lines and compelling promotional campaigns. During the year, the Group opened five more Zoff stores to bring the brand's total network to six locations, all of which are in high-traffic areas frequented by younger clientele. The Group also invested strongly in building brand awareness in Hong Kong for the popular Japanese brand through advertisements, attractive marketing promotions, and partnerships with sister companies and third parties.

Outlook

With the rise of the internet+ generation and increasing enthusiasm among consumers for online shopping, the Group said it will continue developing, expanding and promoting its digital platforms to capture short- and long-term growth and drive in-store traffic. It also plans on prudently expanding its store networks and investing in the development of Zoff while paying close attention to macroeconomic conditions and other external factors that could impact business.

Mr Yeung said, "O2O marketing strategies like 'OK Stamp It' and 'Cake Easy' are no longer the future of our industry, but the present. Today's mobile-savvy consumers don't just expect quality products and services – they also need to access them in ways that suit their fast-paced, on-the-go lifestyles. The Group is striving to meet and exceed these expectations by developing on-trend offerings, packaging them in attractive, mobile-friendly ways, and making it more convenient than ever to purchase and pick up items. The success of our award-winning digital platforms is evident in the fact that it drives our overall business strategy, and it shows how seriously we take our role as trendsetters for the industry."

“We are also very excited about Zoff, our fast-fashion eyewear franchise. Zoff is already the leading brand of its kind in the market, and we intend to strengthen its position in the market in the years to come. We will continue to expand its store network, along with those of Circle K and Saint Honore, paying close attention to rental trends. We are also monitoring the movement of the renminbi and its effects on material costs, and taking necessary actions to reduce risk. As always, we will also keep striving to be an employer of choice and a good corporate citizen, working with the communities where we operate to ensure sustainable growth and social progress.”

– ENDS –

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 chain in Southern China, including Hong Kong, Macau and Guangzhou.

As at 31 December 2018, there were a total of 106 Circle K stores outside Hong Kong. In addition to the 337 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 131 stores in Hong Kong, Macau and Guangzhou, and six Zoff eyewear stores in Hong Kong, the Group operates a total store network of 580 outlets.

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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 2018

	Change	2018 HK\$'000	2017 HK\$'000
• Revenue	+4.4%	5,320,077	5,094,032
• Core operating profit	+17.5%	214,498	182,594
• Profit attributable to shareholders of the Company	+21.9%	183,203	150,311
• Basic earnings per share (HK cents)	+21.7%	24.03	19.75
• Dividend per share (HK cents)			
Final	+21.4%	17.00	14.00
Full year	+22.2%	22.00	18.00

Number of Stores as of 31 December 2018

Circle K Stores

Hong Kong **337**

Franchised Circle K Stores

Guangzhou 61

Macau 32

Zhuhai 13

Subtotal 106

Total number of Circle K Stores 443

Saint Honore Cake Shops

Hong Kong 91

Macau 9

Guangzhou 31

Total number of Saint Honore Cake Shops 131

Zoff Eyewear Stores

Hong Kong **6**

Total number of Stores under Convenience Retail Asia 580

**Consolidated Profit and Loss Account
For the year ended 31 December 2018**

	2018 HK\$'000	2017 HK\$'000
Revenue	5,320,077	5,094,032
Cost of sales	(3,409,248)	(3,320,189)
Gross profit	1,910,829	1,773,843
Other income	115,672	107,912
Store expenses	(1,428,956)	(1,342,132)
Distribution costs	(164,071)	(152,250)
Administrative expenses	(218,976)	(204,779)
Core operating profit	214,498	182,594
Interest income	2,355	1,542
Profit before income tax	216,853	184,136
Income tax expenses	(33,650)	(33,825)
Profit attributable to shareholders of the Company	183,203	150,311
Earnings per share (HK cents)		
Basic	24.03	19.75
Diluted	24.03	19.75