



For immediate release

Convenience Retail Asia announces 1H 2019 results

Group rides successful online-to-offline (O2O) business strategy to achieve revenue, profit growth despite retail market challenges

- Good comparable store sales growth at Circle K, higher sales at fast-fashion eyewear business Zoff drove satisfactory year-on-year turnover growth
- Combined with higher gross margin of Saint Honore business, net profit for the first half of 2019 increased by 22.4%
- The Group will continue its O2O strategy for Circle K and Saint Honore and its store network expansion programme for fast-growing Zoff
- The Board of Directors has resolved to declare an interim dividend of 6 HK cents per share, an increase of 20% as compared with 2018
- The Group maintains a healthy financial position with net cash of HK\$522 million and no bank borrowings

Hong Kong, 15 August 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 first half of 2019.

Despite dampened consumer sentiment in the local retail market resulting from global macroeconomic and trade dispute concerns, the Group’s turnover increased by 5% to HK\$2,704 million compared to the same period last year. This was primarily due to growth in comparable store sales for the convenience store business, which rose 4.4% and contributing total sales to HK\$2,185 million, and higher sales at the fast-growing Zoff eyewear chain.

The Group delivered net profit of HK\$82 million, representing 22.4% growth over the first six months of 2018. Main drivers were Circle K’s O2O CRM programme “OK Stamp It”, the depreciation of the renminbi, which led to lower production costs for the Saint Honore bakery business, and sales contributions from Zoff.

Basic earnings per share increased 22.3% to 10.8 HK cents. As at 30 June 2019, the Group had a net cash balance of HK\$522 million and no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 6 HK cents per share.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “CRA continues to succeed in difficult circumstances through its strong dedication to innovation, customer service excellence, productivity and efficiency. During the period under review, our O2O CRM platforms grew stronger every day and we continued to provide the high-quality products and in-demand convenience services that consumers expect. We are also excited about the rapid development of Zoff, which in less than two years has already become the leading fast-fashion eyewear business in Hong Kong.”

Business Review

In the first six months of 2019, the Group continued to generate sales growth via Circle K’s “OK Stamp It” customer loyalty platform, the primary vehicle for the convenience store business’ sales and marketing efforts. Supported by “OK Stamp It”, categories such as packaged drinks and food service saw strong sales. Other successful promotions during the period included a “Kakao Friends” premium stamp collection promotion, an AEON credit card 40% rebate offer and cash coupons for redeeming the Government’s transport subsidy at Circle K stores. Category management initiatives including the introductions of value-for-money meal boxes and Japanese health supplements also produced strong results.

During the first half of the year, the Group launched an official new thematic positioning, “We make it easy, so you can take it easy”, to serve as the guiding brand philosophy for Circle K’s store operations, convenience services and corporate culture. It also introduced two new self-checkout pilot schemes: a system which uses an advanced artificial intelligence algorithm that can recognise up to five products in a second, making it the first checkout solution in Hong Kong to feature image recognition; and the trial of a “Scan & Pay” self-checkout counter.

The Saint Honore bakery business leveraged strong product quality and new product development to post encouraging sales despite weak retail appetite for discretionary items. Popular items included packaged bread, “GrabNGo” products and innovative cakes. The “Cake Easy” O2O CRM programme – which had a membership base of 0.6 million – also generated results via attractive promotions that included Saint Honore’s first-ever e-lucky draw, which featured grand prizes of 50 Samsung S10 mobile phones. The business benefitted from the depreciation of the renminbi during the period under review, which contributed to lower production costs and improved gross profit margin.

The Group's franchise of the Japanese fast-fashion eyewear brand Zoff, the sole franchisee for the brand, once again made a strong contribution to sales. The first half of 2019 featured the opening of the largest Zoff store in Hong Kong, raising the number of stores in the Group's network to seven since launching the brand in late 2017. Customers responded positively to the Zoff SMART collection of lightweight and flexible yet tough frames, the Night & Day series featuring detachable sunglass lenses, and collections based on partnerships with leading fashion brands and designers from around the world. The Group also rolled out successful launches for a comprehensive eye examination service as well as the "Eye Q Challenge" where customers test their eyesight with a variety of activities.

Outlook

The second half of 2019 looks to be more challenging and difficult compared to the first six months of the year. Therefore, the Group will continue to monitor major issues to minimise any unfavourable impacts on its businesses. In addition to leveraging its O2O CRM programmes to drive sales and in-store traffic, the Group will seek to create further synergies between its businesses and boost operational efficiency to reduce costs and grow profit margins.

Mr Yeung said, "Together, 'OK Stamp It' and 'Cake Easy' are the keystone of CRA's sales and marketing strategies. In this digital age, they enable us to reach thousands upon thousands of mobile-savvy consumers who are making more on-the-go purchase decisions than ever. They also appeal to younger consumers, who are becoming an increasingly important part of our customer base. While we are taking a more guarded approach for the remainder of the year, we are encouraged about our medium- to long-term prospects and will continue to ride our successful e-CRM programmes, the rising popularity of Zoff, and our proven ability to deliver winning products and promotions to maintain our growth."

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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, Saint Honore Cake Shop and Zoff eyewear chains in Southern China, including Hong Kong, Macau and Guangzhou.

As at 30 June 2019, there were a total of 109 Circle K stores outside Hong Kong. In addition to the 339 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 127 stores in Hong Kong, Macau and Guangzhou, and seven Zoff eyewear stores in Hong Kong, the Group operates a total store network of 582 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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Change	2019 HK\$'000	2018 HK\$'000
• Revenue	+5.0%	2,703,757	2,573,932
• Core operating profit	+28.9%	104,825	81,293
• Core operating profit (included interest expenses on lease liabilities)	+18.3%	96,200	81,293
• Profit attributable to shareholders of the Company	+22.4%	82,426	67,352
• Basic earnings per share (HK cents)	+22.3%	10.80	8.83
• Interim dividend per share (HK cents)	+20.0%	6.00	5.00

Number of Stores as of 30 June 2019

Circle K Stores

Hong Kong	339
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Franchised Circle K Stores

Guangzhou	63
Macau	32
Zhuhai	14

Subtotal	109
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Total number of Circle K Stores	448
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Saint Honore Cake Shops

Hong Kong	90
Macau	9
Guangzhou	28

Total number of Saint Honore Cake Shops	127
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Zoff Eyewear Stores

Hong Kong	7
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Total number of Stores under Convenience Retail Asia	582
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Unaudited Consolidated Profit and Loss Account

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Revenue	2,703,757	2,573,932
Cost of sales	(1,753,050)	(1,674,991)
Gross profit	<u>950,707</u>	898,941
Other income	60,159	56,754
Store expenses	(719,540)	(687,267)
Distribution costs	(82,594)	(81,101)
Administrative expenses	(103,907)	(106,034)
Core operating profit	<u>104,825</u>	81,293
Interest (expenses)/income, net	(6,645)	765
Profit before income tax	<u>98,180</u>	82,058
Income tax expenses	(15,754)	(14,706)
Profit attributable to shareholders of the Company	<u><u>82,426</u></u>	<u>67,352</u>
Basic earnings per share (HK cents)	<u><u>10.80</u></u>	<u>8.83</u>