



For immediate release

Convenience Retail Asia announces 1H 2020 results

Effective digital marketing, strong category management, robust health and safety practices help Group achieve satisfactory results during pandemic

- Group net profit decreased slightly by 0.5% year on year despite COVID-19 outbreak and lower transaction counts across all business units, demonstrating the resilience of the Group's business model and effectiveness of its online-to-offline (O2O) customer relationship management (CRM) platforms
- Membership for Circle K's O2O CRM programme "OK Stamp It" reached 1.55 million while Saint Honore's "Cake Easy" O2O CRM programme reached 700,000 members
- Japanese fast-fashion eyewear brand Zoff continued to gain market share via strategic store openings in high-traffic retail areas
- The Group's immediate and comprehensive response to the pandemic helped maintain business continuity while ensuring the health and safety of employees and customers
- The Group expects 2H to remain challenging due to COVID-19 response measures and changing consumer behaviour
- The Board of Directors has resolved to declare an interim dividend of 6 HK cents per share, the same as in 2019
- The Group maintains a healthy financial position with net cash of HK\$413 million and no bank borrowings

Hong Kong, 13 August 2020 – 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 2020.

The Group's turnover increased 5.7% to HK\$2,859 million year on year, which was largely due to a rise in comparable store sales at its Circle K convenience stores and the expansion of its fast-fashion eyewear business Zoff. The Group was able to generate higher turnover despite reduced foot traffic in commercial and tourist districts following the COVID-19 outbreak. Turnover for the Saint Honore bakery business decreased 5.5% as comparable store sales in Hong Kong saw a slight drop.

Net profit decreased 0.5% to HK\$82 million, which was attributed to a fall in transaction numbers due to lower foot traffic as well as an increase in sales of lower-margin products. These unfavourable impacts were offset to a degree by Government subsidies and rental concessions from landlords. Basic earnings per share remained the same at 10.8 HK cents. As at 30 June 2020, the Group had a net cash balance of HK\$413 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, “In response of the severe impact of COVID-19 to Hong Kong’s retail industry, we have intensified our focus on the community and worked diligently and urgently to provide customers with easy access to the products and services they need. We have done this by leveraging our popular online-to-offline (O2O) customer relationship management (CRM) programmes and establishing convenient online delivery partnerships to cater for new shopping patterns at a time when people are socially distancing and staying home. Importantly, we have also spared no effort to protect customers and staff and ensure that our stores and facilities are safe places where people can shop and work with peace of mind.”

Business Review

Despite less store traffic, fewer transactions and reduced operating hours due to the COVID-19 pandemic, the Group was still able to drive sales at Circle K with attractive offers promoted through its “OK Stamp It” O2O CRM programme, which had 1.55 million members as at 30 June 2020. The latest edition of the “Shake Shake Lucky Star” mobile phone game gave “OK Stamp It” members the chance to win one of 1,000 free one-year subscriptions to Netflix with every HK\$20 purchase, a promotion designed to appeal to the growing popularity of streaming services as more and more people stayed home. The Group also launched effective marketing and category management initiatives focused on health, hygiene and daily necessities. These included the “Shield Plus” range of personal protection accessories that kill up to 99.9% of bacteria; vitamins and Japanese health supplements; “Simply Good” healthy snacks and beverages; grab-and-go packaged meals; and exercise books for stay-at-home primary school students.

Footfall and transactions at Saint Honore bakeries decreased in the first half of 2020 as fewer people commuted to workplaces and schools. However, the Group recorded only small declines in same-store sales and total turnover compared to the first six months of 2019 due to higher average customer basket size. While social distancing guidelines resulted in a decline in sales of birthday cakes, sales of packaged products grew by double digits due to their hygiene and convenience. Seasonal product sales also saw double-digit year-on-year growth as families stayed home to celebrate holidays and festive occasions together. As at 30 June 2020, Saint Honore's "Cake Easy" O2O CRM programme had grown to 700,000 members, who drove significant online business during first six months of the year due to stay-at-home and social distancing trends. Lower sales costs due to a weaker renminbi helped further mitigate the effects of slower store traffic on business.

The Group's franchise for the trendy Japanese fast-fashion eyewear brand Zoff continued to perform well in the first half of 2020, generating positive turnover growth and contributing to the Group's profit margin despite lower traffic and fewer transactions. This was primarily due to the brand's expansion into premium retail areas such as Lee Theatre Plaza and Mira Place, the launch of popular new fashion product lines, and the introduction of innovative designs such as the "Anti-Pollen" and "Zoff+Protect" series, with frames featuring side protection guards to reduce the transmission of COVID-19 via droplets.

Across all its business segments, the Group strived to ensure hygienic, stable working environments for its employees in response to the COVID-19 outbreak. This included conducting thorough sanitisation procedures, optimising process flows and store layouts, and establishing a fund both to subsidise personal protection accessories for employees and to support staff households affected by the pandemic. It also worked to improve efficiency and agility throughout its operations to protect its businesses and staff against the economic effects of the coronavirus.

Outlook

The Group expects the difficulties of the first half of the year to persist and said a return to pre-pandemic business operations is unlikely to happen for the foreseeable future. To drive sales and offset lower in-store traffic and transactions, the Group will continue to launch insightful marketing campaigns and nimble category management strategies as well as attractive digital promotions via its successful e-CRM platforms. Cost and operational streamlining will continue to play roles in reducing expenses. In the fourth quarter, the Group will be moving to a new distribution centre with more useable area and advanced automation solutions, which is expected to enhance operational efficiency.

“We want our valued customers to know they can always depend on us for the products and services they need in these difficult times,” Mr Yeung said. “In addition to making personal protection accessories and other health- and safety-related products readily available, we will continue to clean and sanitise our stores, offices and factories regularly and implement retail outlet safety measures for the safest shopping experience possible.”

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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 2020, there were a total of 33 Circle K stores outside Hong Kong. In addition to the 340 stores in Hong Kong, the Group operates a total of 373 Circle K stores in Southern China. Together with the Saint Honore chain, which currently has a total of 125 stores in Hong Kong, Macau and Guangzhou; and 11 Zoff eyewear stores in Hong Kong, the Group operates a total store network of 509 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 2020

	Change	2020 HK\$'000	2019 HK\$'000
• Revenue	+5.7%	2,858,813	2,703,757
• Core operating profit	-3.2%	101,432	104,825
• Core operating profit (included interest expenses on lease liabilities)	-3.6%	92,767	96,200
• Profit attributable to shareholders of the Company	-0.5%	82,051	82,426
• Basic earnings per share (HK cents)	Nil	10.8	10.8
• Interim dividend per share (HK cents)	Nil	6.0	6.0

Number of Stores as of 30 June 2020

Circle K Stores

Hong Kong 340

Franchised Circle K Stores

Macau 33

Total number of Circle K Stores 373

Saint Honore Cake Shops

Hong Kong 89

Macau 9

Guangzhou 27

Total number of Saint Honore Cake Shops 125

Zoff Eyewear Stores

Hong Kong 11

Total number of Stores under Convenience Retail Asia 509

Unaudited Consolidated Profit and Loss Account

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue	2,858,813	2,703,757
Cost of sales	(1,933,488)	(1,753,050)
Gross profit	925,325	950,707
Other income	76,742	60,159
Store expenses	(709,063)	(719,540)
Distribution costs	(81,090)	(82,594)
Administrative expenses	(110,482)	(103,907)
Core operating profit	101,432	104,825
Interest expenses, net	(6,624)	(6,645)
Profit before income tax	94,808	98,180
Income tax expenses	(12,757)	(15,754)
Profit attributable to shareholders of the Company	82,051	82,426
Basic earnings per share (HK cents)	10.8	10.8