



For immediate release

**Convenience Retail Asia Interim Profit
impacted by rising costs and investment expenses
despite growth in turnover**

- Turnover and comparable store sales up despite difficult retail environment
- Core operating profit before expenditure in e-commerce platform FingerShopping.com and investment in a pilot programme with Sinopec Marketing, collectively identified as “Projects”, decreased by 18.5%, which was mainly attributable to high rentals and staff costs
- Loss-making Circle K Guangzhou business to be sold to controlling shareholder
- Gain from sale to improve overall financial performance of Group for the full year result

Hong Kong, 25 August 2015 – 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 financial results for the first half of 2015. CRA generated turnover of HK\$2,368 million, representing an increase of 5.8% over the same period in 2014. The growth was attributed primarily to higher comparable store sales for the convenience store and bakery businesses, which were achieved despite a difficult retail environment.

Turnover for the Circle K business increased 5.7% to HK\$1,902 million, with comparable store sales rising 8.8% in Hong Kong and 2.6% in southern China. Turnover for Saint Honore Cake Shops rose 5.5% to HK\$498 million, with 4.1% growth in comparable stores sales in Hong Kong. Core operating profit of the Group decreased by 34.6% to HK\$42 million while net profit declined by 36.8% year on year to HK\$31 million.

During the first half of 2015, the Group incurred higher expenditure to support intensive marketing campaigns for its e-commerce platform FingerShopping.com, and because of investment in a pilot programme launched in late 2014 with Sinopec Marketing Co., Ltd. (“Sinopec Marketing”). The pilot programme manages 10 petrol stations in addition to Easy Joy convenience stores on behalf of Sinopec Marketing in Guangzhou. Excluding the Projects expenses, core and net operating profit would have decreased, respectively, by 18.5% to HK\$57 million and by 16.1% to HK\$45 million.

Gross margin and other income as a percentage of turnover decreased slightly by 0.8% to 36% compared to the same period in 2014, due to rising raw material prices and factory labour costs. Operating expenses as a percentage of turnover increased from 33.9% to 34.2% because of the higher operating costs as well as increased marketing and investment expenditure in Projects.

Basic earnings per share decreased 37.4% to 4.09 HK cents. As at 30 June 2015, CRA had a net cash balance of HK\$460 million with no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 3.1 HK cents per share.

To alleviate the financial drain of Circle K's loss-making southern China operation, and to enable management to focus on businesses with more attractive growth prospects, the Group has arranged to sell the Circle K Guangzhou business to its controlling shareholder, Fung Holdings (1937) Limited for a consideration of HK\$104.5 million (subject to adjustment). The arm's-length transaction will be concluded by 25 August 2015 and will result in a one time gain for the Group of approximately HK\$50 million.

"The sale of the Circle K Guangzhou will help to create positive momentum for the Group's financial performance in a difficult retail and economic environment that continues to place pressure on the results of the Group," said Mr Richard Yeung, Chief Executive Officer of CRA. "This sale, which will also result in a one time gain, underlines our focused commitment to delivering long-term growth, profitability and shareholder value."

"Our ability to drive higher comparable store sales despite adverse external conditions is also a reflection of our unwavering commitment to excellent customer service, in-demand products and services, and timely, effective marketing," he added. "We believe these indications of strong brand equity and customer loyalty will be invaluable once the retail sector begins to improve. However, we anticipate that higher costs and declining spending will continue to affect our operations for the remainder of 2015."

Business Review

Hong Kong retail environment continued to be impacted by a fiercely competitive labour market, high rentals and fewer tourist arrivals from the Chinese Mainland. CRA countered with vigorous efforts in marketing promotions and category management, which contributed to higher comparable store sales.

Over the first six months of 2015, the Group extended its track record of innovative product launches, introducing premiums and merchandise based on the popular characters Kumamon and Monchhichi. Circle K featured well-received offers such as Korean and Japanese noodle and rice roll items; and gift cards for iTunes and Google Play. Partnerships also played an important role in the Group's sales, with Circle K and Saint Honore participating in promotions with popular mobile communication tool and payment platforms on the Chinese Mainland.

During the review period slowing economic growth and subdued consumer sentiment continued to impact retail environment on the Chinese Mainland, a situation CRA anticipates will persist for the foreseeable future.

The Group's online consumer platform, FingerShopping.com, continued to make encouraging progress in the first half of the year. Health and beauty is the platform's most successful anchor category. FingerShopping.com is enjoying increasing customer loyalty and continues to expand its product roster, which includes a number of popular brand names. The Group is now testing FingerShopping.com's delivery services in Guangzhou and has also secured partnerships with leading Hong Kong banks as well as promotional campaigns with major retailers in Hong Kong.

Outlook

The retail market is expected to remain weak and operating costs are likely to remain high in the foreseeable future.

"We are trying our best to mitigate the adverse market conditions through our exit from the convenience store business in Guangzhou while continuing to invest in FingerShopping.com, strengthening our operations to retain talent, delivering first-rate customer service and driving cost efficiency," Mr Yeung concluded.

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About CRA

Convenience Retail Asia Limited (CRA, SEHK stock code: 00831), a member of Fung Retailing, 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 30 June 2015, there were a total of 122 Circle K stores outside Hong Kong. In addition to the 328 stores in Hong Kong, the Group operates a total of 450 Circle K stores in southern China. Together with the Saint Honore chain, which currently has a total of 141 stores in Hong Kong, Macau, Guangzhou and Shenzhen, the Group operates a total store network of 591 outlets as at the end of the first six months of 2015.

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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 2015

	Change	2015 HK\$'000	2014 HK\$'000
• Revenue	+5.8%	2,368,293	2,238,620
• Core operating profit	-34.6%	41,979	64,167
• Profit attributable to shareholders of the Company	-36.8%	30,766	48,697
• Basic earnings per share (HK cents)	-37.4%	4.09	6.53
• Interim dividend per share (HK cents)	Nil	3.10	3.10

Operation Highlights

- Despite subdued consumer confidence, convenience store and bakery businesses achieved satisfactory comparable store sales growth in Hong Kong
- Core operating profit before expenditure in e-commerce platform FingerShopping.com and investment in a pilot programme with Sinopec Marketing, collectively identified as "Projects", decreased by 18.5%, which was mainly attributable to high rentals and staff costs
- Net profit declined by 36.8% due to rising operating costs and higher expenditure and investments in Projects
- With consumer market sentiment remaining weak and operating costs continuing to rise, the Group expects a difficult business environment in the second half of 2015
- To enhance profitability, the Group has announced the sale of Circle K's loss making Guangzhou operations to Fung Holdings (1937) Limited, a controlling shareholder of the Group, which will result in a one-off gain of approximately HK\$50 million
- The Group maintains a strong financial position with net cash of HK\$460 million without any bank borrowings

Number of Stores as of 30 June 2015

Circle K Stores

Hong Kong	328
Guangzhou	73
Subtotal	401

Franchised Circle K Stores

Guangzhou	9
Macau	26
Zhuhai	14
Subtotal	49

Total number of Circle K Stores **450**

Saint Honore Cake Shops

Hong Kong	89
Macau	9
Guangzhou	41
Shenzhen	2

Total number of Saint Honore Cake Shops **141**

Total number of Stores under Convenience Retail Asia **591**

Unaudited Consolidated Profit and Loss Account

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Revenue	2,368,293	2,238,620
Cost of sales	(1,566,370)	(1,459,903)
Gross profit	<u>801,923</u>	<u>778,717</u>
Other income	50,044	44,473
Store expenses	(640,583)	(603,007)
Distribution costs	(64,020)	(55,627)
Administrative expenses	<u>(105,385)</u>	<u>(100,389)</u>
Core operating profit	41,979	64,167
Non-core operating loss	(615)	(2,666)
Operating profit	<u>41,364</u>	<u>61,501</u>
Interest income	2,205	2,284
Profit before income tax	<u>43,569</u>	<u>63,785</u>
Income tax expenses	<u>(12,803)</u>	<u>(15,088)</u>
Profit attributable to shareholders of the Company	<u>30,766</u>	<u>48,697</u>
Earnings per share (HK cents)		
Basic	<u>4.09</u>	<u>6.53</u>
Diluted	<u>4.07</u>	<u>6.47</u>
Dividend	<u>23,383</u>	<u>23,231</u>