



For immediate release

## **Convenience Retail Asia reports turnover, profit growth for 1H 2017**

***Higher comparable store sales, improved operational efficiency contribute to encouraging results in soft market***

- Despite weak retail sentiment, Group's convenience store and bakery operations achieved solid comparable store sales growth in Hong Kong, driving core operating profit and net profit increases of 9.9% and 10.2%
- Circle K's online-to-offline customer relationship management programme "OK Stamp It", launched Q3 2016, exceeded 750,000 members as at end-June 2017
- Group will focus on operating the strong and proven O2O business model and store network expansion programmes while monitoring operating costs and macroeconomic uncertainties
- Group maintains a healthy financial position with net cash of HK\$335 million and no bank borrowings

*Hong Kong, 17 August 2017* – Convenience Retail Asia Limited ("CRA" or "the Group"; SEHK: 00831), operator of Circle K convenience stores in Hong Kong and Saint Honore Cake Shops in Hong Kong, Macau and Guangdong province, today announced its financial results for the first half of 2017. In a challenging retail environment, the Group's turnover saw a year-on-year increase of 3.8% to HK\$2,427 million due to a higher comparable store sales in the convenience store and bakery businesses. Turnover for the Circle K business in Hong Kong increased 4.9% to HK\$1,962 million, with comparable store sales 4.6% higher than the first six months of 2016. Turnover for Saint Honore Cake Shops slightly decreased 0.9% to HK\$491 million, with 5.9% growth in comparable store sales in Hong Kong.

The Group's core operating profit increased 9.9% year on year to HK\$70 million, while net profit rose 10.2% to HK\$57 million. Gross margin and other income as a percentage of turnover increased to 36.3% despite intense market competition and high manufacturing costs. Operating expenses increased to 33.4% of turnover against 33.2% during the same period in 2016, mainly because of high rental and labour costs as well as increased marketing and promotional costs supporting the Group's online-to-offline (O2O) customer relationship management (CRM) programme "OK Stamp It".

Basic earnings per share increased 9.5% to 7.52 HK cents. As at 30 June 2017, the Group had a net cash balance of HK\$335 million and no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 4 HK cents per share.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “We are very encouraged by the strong performance of our businesses in what remains a difficult retail environment. The Group’s most notable achievement during the period under review was our O2O strategy that combines Circle K’s offline and online channels into one seamless purchasing journey, in line with the demands of the mobile age and satisfies the consumer’s needs for a personalised, engaging and straightforward digital experience. “OK Stamp It” has been a big success in increasing traffic to stores and growing our database of loyal customers. Meanwhile, the Group’s enduring commitment to cutting-edge marketing and category management has kept our brands at the forefront of the industry, and our robust efforts to streamline operations have made us more cost-efficient and profitable.”

## **Business Review**

Although retail sentiment in Hong Kong remained weak over the first half of 2017, the market showed signs of stabilisation. The supermarket category (which includes convenience stores) posted increase of 0.4% in sales value year on year due to steady demand for daily consumable products.

During the period under review, CRA heavily promoted “OK Stamp It”, a strategic marketing initiative that serves as both an O2O sales platform and a customer loyalty programme. Launched in the third quarter of 2016 to attract a new generation of smartphone-savvy customers and drive in-store sales via mobile marketing, “OK Stamp It” had more than 750,000 members as at 30 June 2017 and is expected to reach 1 million by year-end. The initiative also received a number of high-profile industry awards for innovation and performance.

The Group further reinforced its commitment to innovation with its first flagship store, located in Causeway Bay. Designed in response to new trends among younger consumers, the store features novelty products from influential markets such as Japan and South Korea on the ground floor and a self-service café with seating, complimentary wi-fi and mobile phone charging devices on the first floor. The store was named one of the top concepts in the world for the first quarter of 2017 by Planet Retail. In the first half of the year the Group also continued to introduce trendy new products and services at Circle K stores across Hong Kong, including exclusive ice cream and popular beverages from Japan.

Saint Honore continued to strengthen its operations and performance over the first six months of the year. The business recorded a satisfactory growth in comparable store sales on the back of successful new product launches such as the Horlicks cake series and the Japanese Strawberry Cake series, while a number of initiatives to enhance productivity and efficiency boosted gross profit margin. Membership in Saint Honore's digital CRM programme grew to about 240,000 members, strengthening the business' e-commerce capabilities. The readers of U Magazine voted Saint Honore in Hong Kong "My Favourite Cake Shop" in the "U Favourite Food Awards 2017". In Guangzhou, the Group launched a digitalised "smART Card" featuring exclusive offers to drive its O2O business and deepen engagement with VIP members.

## **Outlook**

The Group expects labour and material costs to remain high, but it will take advantage of the recent correction in commercial rentals by opening new stores in prime commercial locations and residential areas and negotiating reductions in lease renewals for existing stores. The Group anticipates the expanded store network will help drive higher sales and brand presence for Circle K and Saint Honore. The Group will also continue to place strong emphasis on its O2O customer relationship management programmes.

"We have spent much of the past several years shoring up our businesses to weather stormy times and position CRA for long-term success," said Mr Yeung. "While there are still uncertainties in the macroeconomic environment, we believe that our efforts to stay ahead of trends, reduce costs and enhance the efficiency of our operations are already paying dividends."

"Our reinvention into a nimbler enterprise built for the e-commerce age has been particularly successful," Mr Yeung continued. "Retailers can no longer survive without strong digital and social elements, and 'OK Stamp It' gives the Group a powerful platform to drive in-store sales to a new generation of online consumers. We will continue to monitor the industry and the wider economy closely for challenges ahead, but we look to our future with optimism."

- 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 and Saint Honore Cake Shop bakery chains in southern China, including Hong Kong and Macau.*

*As at 30 June 2017, there were a total of 110 Circle K stores outside Hong Kong. In addition to the 331 stores in Hong Kong, the Group operates a total of 441 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 582 outlets as at the end of the first six months of 2017.*

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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 2017

	Change	2017 HK\$'000	2016 HK\$'000
• Revenue	+3.8%	2,426,822	2,339,035
• Core operating profit	+9.9%	70,096	63,766
• Profit attributable to shareholders of the Company	+10.2%	57,120	51,820
• Basic earnings per share (HK cents)	+9.5%	7.52	6.87
• Interim dividend per share (HK cents)	+14.3%	4.00	3.50

### Number of Stores as of 30 June 2017

#### **Circle K Stores**

Hong Kong **331**

#### **Franchised Circle K Stores**

Guangzhou 64

Macau 31

Zhuhai 15

**Subtotal 110**

**Total number of Circle K Stores 441**

#### **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 582**

## Unaudited Consolidated Profit and Loss Account

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Revenue	2,426,822	2,339,035
Cost of sales	(1,599,326)	(1,551,588)
Gross profit	827,496	787,447
Other income	53,193	52,109
Store expenses	(639,144)	(614,633)
Distribution costs	(71,514)	(69,033)
Administrative expenses	(99,935)	(92,124)
Core operating profit	70,096	63,766
Non-core operating gain	-	42
Operating profit	70,096	63,808
Interest income	1,045	1,124
Profit before income tax	71,141	64,932
Income tax expenses	(14,021)	(13,112)
Profit attributable to shareholders of the Company	57,120	51,820
Earnings per share (HK cents)		
Basic	7.52	6.87
Diluted	7.52	6.87