

For immediate release

Convenience Retail Asia announces 2022 annual results

Group achieves modest increase in full-year sales in extraordinarily challenging operating environment; anticipates improved operating conditions as Hong Kong, GBA retail markets recover

- Fifth wave of COVID-19, weak consumer sentiment in the Greater Bay Area (GBA) markets, labour shortages, supply chain disruptions and high operating costs impacted the Group's performance during the year
- Despite decreased comparable store sales, top-line performance still improved on back of higher corporate sales, network store expansion
- The Group is cautiously optimistic about its 2023 outlook due to relaxations of anti-pandemic measures, gradual improvements in the local retail market, and the reopening of cross-border travel between Hong Kong and Mainland China
- New Three-Year Plan targets steady double-digit growth in both top and bottom lines and further store network expansion across the Group's core market of Hong Kong and the wider GBA
- The Group maintained a healthy financial position with net cash of HK\$257 million and no bank borrowings
- The Board of Directors has resolved to declare a final dividend of 5 HK cents per share

Hong Kong, 23 March 2023 – Convenience Retail Asia Limited ("CRA" or "the Group"; SEHK: 00831), operator of Saint Honore Cake Shops in Hong Kong, Macau and Guangzhou, Mon cher premium pâtisserie shops in Hong Kong and Zoff eyewear stores in Hong Kong, today announced its financial results for the year ended 31 December 2022. Group turnover increased by 7.4% to HK\$1,463 million as a result of higher corporate sales and new store openings at Saint Honore, which offset a single-digit percentage drop in comparable store sales in Hong Kong and Macau. Turnover was also bolstered by higher sales at Zoff due to store network expansion. Core operating profit before interest expenses on lease liabilities decreased by 4.5% to HK\$84 million; including interest expenses on lease liabilities, core operating profit decreased by 5.9% to HK\$77 million. Net profit excluding Discontinued Operations decreased by 8.9% from HK\$74 million to HK\$68 million.

In 2021, the Group recorded a profit from Discontinued Operations of HK\$6 million following the final settlement of transaction and reversal of related provisions regarding the Group's sale of its Circle K convenience store business in Hong Kong. Net profit for 2022 including Discontinued Operations decreased by 15.7% to HK\$68 million from 2021's HK\$80 million.

Gross margin as a percentage of turnover rose by 0.5 percentage point to 50.6% due to pricing adjustments as well as the depreciations of the renminbi and Japanese yen, which helped offset product cost inflation. Operating expenses as a percentage of turnover decreased to 45.5% from 46.3% on account of subsidies from the Employment Support Scheme and corporate cost saving amidst higher distribution expenses, which increased as cross-border quarantine requirements were tightened following the fifth wave of COVID-19 in Hong Kong. Including interest expenses on lease liabilities, operating expenses decreased to 46.0% of turnover from 46.7%.

Basic earnings per share for Continuing Operations decreased by 9.4% to 8.7 HK cents from 9.6 HK cents, while basic earnings per share including Discontinued Operations decreased by 16.3% to 8.7 HK cents from 10.4 HK cents. As at 31 December 2022, the Group had a net cash balance of HK\$257 million with no bank borrowings. The Board of Directors has resolved to declare a final dividend of 5 HK cents per share.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “Although the fifth wave of COVID-19 presented a number of disruptions, we remained focused on building our brands and store networks in Hong Kong and the GBA to drive revenue while protecting our bottom line with prudent fiscal management. We also continued to develop Saint Honore’s online-to-offline (O2O) customer relationship management (CRM) platform, ‘Cake Easy’, which has been invaluable not just to our marketing and promotional efforts, but also in creating engagement and increased purchases with all the customers who have signed up to become members of the programme.”

Business Review

The emergence of the fifth wave of COVID-19 and the subsequent imposition of stringent anti-pandemic and social distancing measures resulted in weaker consumer sentiment, reduced foot traffic in stores and lower sales throughout much of 2022. These factors, combined with rising inflation, the frontline labour shortage and pandemic-related logistical challenges, had material impacts on the performance of the Group and the wider Hong Kong retail sector. However, store network expansion across the Group’s three brands, prudent financial management, and effective talent recruitment and retention programmes as well as continued emphasis on product quality, customer service and timely category management all served to help the Group deliver satisfactory results in the most challenging circumstances.

In 2022, Saint Honore recorded sales growth in the high single digits due largely to store network expansion, which helped offset the pandemic-related challenges and a modest decline in comparable store sales. The brand's growing B2B business also continued to make satisfactory progress. Elsewhere, the Group continued to develop Cake Easy, Saint Honore's popular O2O CRM programme, launching the platform in Macau and adding a gold-tier membership scheme in Hong Kong. Cake Easy now has nearly 1.2 million members across both markets. Local consumption and robust marketing and promotional campaigns drove satisfactory sales of festive products, while the Group continued to enjoy successful launches of new bakery products throughout the year. Packaged bread products remained popular, leading the Group to boost production capacity in order to meet demand from customers and B2B clients. Sales in Macau and Guangzhou were sluggish as COVID-19 continued to dampen consumer sentiment.

During the year, the Group continued to experience pandemic-related transport disruptions between Hong Kong and Mainland China, leading to increased supply chain costs. Cost pressures resulting from the pandemic and inflation were alleviated to a degree by the Hong Kong Government's Employment Support Scheme subsidies and the depreciation of the renminbi.

The Group reported positive financial results for its premium Japanese pâtisserie brand Mon cher in 2022. Three new stores opened in Hong Kong during the year, bringing the total to seven outlets. Mon cher is famous for its signature product, the "Dojima" cream roll, and is highly regarded among valuable younger demographics.

Zoff, the Group's Japanese fast-fashion eyewear brand, saw strong sales and profit due to the relaxation of anti-pandemic social distancing measures and the depreciation of the Japanese yen. The Group now operates 14 Zoff stores across Hong Kong, with each store carrying more than 1,400 styles of frames for customers to choose from. The brand remains the clear leader in its category in terms of both number of outlets and market share.

Outlook

The Group will continue to expand its store networks, pursue franchise and expansion opportunities in the GBA, and explore further acquisitions to bolster its brand portfolio as it seeks to achieve healthy growth targets over the coming three years. The resumption of cross-border travel between Hong Kong and Mainland China will likely provide major boosts in terms of both store traffic and sales.

Mr Yeung said, “We were delighted to celebrate Saint Honore’s 50th anniversary in 2022, and we are even more excited about our future as we continue to build Convenience Retail Asia into a leading retailer of premium specialty brands in the GBA. Our new Three-Year Plan outlines an ambitious but achievable strategy for double-digit top- and bottom-line growth each year for the next three years, which we plan on pursuing both organically and through acquisition. We will also continue our programmes to enhance the capacity and efficiency of our manufacturing operations, secure talent in a challenging manpower market, and practise prudent financial management in support of our strategic growth targets.”

The Group also announces today Mr Yeung’s plan to retire after leading the Group for over 24 years and having completed its 3-Year Plan of 2020-2022. A successor for Mr Yeung has been identified and a further announcement will be made when the engagement is finalised. Mr Yeung will remain as a Director of CRA and will retire from the position of CEO when a successor is appointed.

Dr William Fung, Chairman of CRA said, “I would like to extend our sincerest gratitude to Richard Yeung, our CEO, who will be retiring after 24 years at the helm of the Company. Due to Richard’s untiring efforts the Company has experienced strong growth and reported steady profitability year after year. He also has laid strong foundations for future growth and we are confident that the new CEO will continue to build on Richard’s achievements and execute on our long term strategic priorities. Richard will stay on as a Director of the Company to ensure a smooth transition of his responsibilities and we look forward to benefit from his wisdom and experience as a member of CRA’s Board of Directors.”

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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 Saint Honore Cake Shop bakery chain, the Mon cher premium pâtisserie chain and Zoff eyewear stores in Southern China, including Hong Kong and Macau.

As at 31 December 2022, there were a total of 153 Saint Honore stores in Hong Kong, Macau and Guangzhou. Together with 7 Mon cher stores in Hong Kong and 14 Zoff eyewear stores in Hong Kong, the Group operates a total store network of 174 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 2022

	Change	2022 HK\$'000	2021 HK\$'000
• Revenue	+7%	1,462,864	1,361,840
• Core operating profit	-4%	83,758	87,663
• Core operating profit (included interest expenses on lease liabilities)	-6%	76,843	81,627
• Profit attributable to shareholders of the Company			
Continuing Operations	-9%	67,785	74,399
Included Discontinued Operations	-16%	67,785	80,370
• Basic earnings per share (HK cents)			
Continuing Operations	-9%	8.7	9.6
Included Discontinued Operations	-16%	8.7	10.4
• Dividend per share (HK cents)			
Final	Nil	5	5
Full Year	Nil	7	7

Number of Stores

	31 December 2022	31 December 2021
Saint Honore Cake Shops		
Hong Kong	115	100
Macau	12	10
Guangzhou	26	26
Subtotal	153	136
Pâtisserie Mon cher		
Hong Kong	7	4
Total number of stores under Bakery Group	160	140
Zoff Eyewear Stores		
Hong Kong	14	13
Total number of stores under Convenience Retail Asia	174	153

Consolidated Profit and Loss Account
For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Continuing Operations		
Revenue	1,462,864	1,361,840
Cost of sales	(723,325)	(678,891)
Gross profit	<u>739,539</u>	<u>682,949</u>
Other income	9,877	34,618
Store expenses	(468,717)	(441,083)
Distribution costs	(87,819)	(66,292)
Administrative expenses	(109,122)	(122,529)
Core operating profit	<u>83,758</u>	<u>87,663</u>
Non-core operating gains	-	5,132
Operating profit	<u>83,758</u>	<u>92,795</u>
Interest expenses, net	(4,718)	(4,853)
Profit before income tax	<u>79,040</u>	<u>87,942</u>
Income tax expenses	(11,255)	(13,543)
Profit for the year from Continuing Operations	<u>67,785</u>	<u>74,399</u>
Discontinued Operations		
Profit for the year from Discontinued Operations	-	5,971
Profit attributable to shareholders of the Company	<u>67,785</u>	<u>80,370</u>
Earnings per share (HK cents)		
Basic/diluted earnings per share		
Continuing Operations	<u>8.7</u>	9.6
Included Discontinued Operations	<u>8.7</u>	<u>10.4</u>