

For immediate release

Convenience Retail Asia announces half-year results for 2023

Revenue moderately up despite slower than expected economic recovery due to strong performances in B2B, eyewear businesses

- In a challenging business environment, the Group achieved modest year-on-year sales growth and improved gross margin
- Fast-developing bakery B2B segment saw sales increase by more than 16% over 1H 2022
- The Group is cautious about prospects for remainder of 2023 as daily consumption is expected to remain soft
- The Group maintained a healthy financial position with net cash of HK\$178 million and no bank borrowings
- The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share

Hong Kong, 10 August 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 six months ended 30 June 2023. Turnover increased by 4.1% to HK\$702 million, which was primarily due to strong corporate sales growth in the Group’s bakery business. Core operating profit before interest expenses on lease liabilities decreased by 3.5% to HK\$22 million. Including interest expenses on lease liabilities, core operating profit decreased by 4.8% to HK\$18 million. Net profit was HK\$15 million.

Gross margin as a percentage of turnover increased by 3.5% to 52.1% due to productivity improvements, effective category pricing and strength of the Hong Kong dollar, the latter of which led to favourable procurement costs. Excluding the one-off subsidy of HK\$17 million received from the Hong Kong Government’s Employment Support Scheme last year, operating expenses as a percentage of turnover increased to 49.7% from the 48.5% recorded in the first half of 2022, primarily due to higher labour costs in a low unemployment environment.

Basic and diluted earnings per share were both 2.0 HK cents compared to 2.2 cents and 2.1 cents, respectively, for the same period last year. As at 30 June 2023, the Group had a net cash balance of HK\$178 million and no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share.

Mr Michael Tang Tsz Kin, Chief Executive Officer of CRA, said, “Against a background of lower consumer sentiment and spending, our overall performance was buoyed by our fast developing B2B business, and also by our eyewear network. We are cautious about prospects for remainder of 2023 as daily consumption is expected to remain soft. In anticipation of a softer market, we are adjusting our operations and managing our finances wisely to improve performance.”

Business Review

The lifting of pandemic-related travel restrictions encouraged Hong Kong consumers to travel and spend overseas, causing a slower than expected recovery in domestic retail consumption during the first half of the year. Saint Honore also experienced a decrease in comparable store sales due to COVID infections among staff and the labour shortage in Hong Kong, both of which resulted in reduced store opening hours at certain locations. These factors were offset to a degree by high growth in the bakery business’ B2B segment, which secured new customers in the airline catering as well as food and beverage operators. The Group also continued to drive sales via Saint Honore’s online-to-offline customer relationship management programme, Cake Easy, which enables customers to shop online and fulfil orders in-store while providing an effective platform for targeted marketing and promotional offers. Among these was an e-gift voucher designed to leverage the launch of the Hong Kong Government’s Consumption Voucher Scheme (CVS) in April. As at 30 June 2023, Cake Easy has over 1.2 million members across Hong Kong and Macau.

In the first half of the year, the Group’s premium Japanese pâtisserie brand, Mon cher, introduced several new versions of its signature “Dojima” cream rolls as well as other cakes and pastries that were well received by customers and contributed to sales during the review period. The Group now operates seven locations across Hong Kong, all in popular, high-traffic shopping areas.

The Group's franchise of Zoff, the trendy fast-fashion eyewear chain from Japan, achieved double-digit sales growth over the first half of 2023 due to strong product offerings, effective marketing and a general recovery in mall foot traffic. The Group has opened 14 Zoff outlets across Hong Kong since launching the brand in 2017 and achieved clear market leadership by offering approximately 1,400 SKUs that are refreshed on a regular basis to attract style-conscious young shoppers. During the period, Zoff partnered with social media influencers and leveraged the Hong Kong Government's CVS to drive sales among both domestic customers and inbound tourists. The Group is currently in discussion with the brand owner regarding opportunities to expand the franchise to other cities in Asia.

Outlook

The Group expects the continued recovery of the Hong Kong economy and retail sector to lead to a relatively stronger second half of the year. Other contributing factors include the year's second round of Government consumption vouchers and a gradual recovery in inbound tourist during Mid-Autumn, China's National day and Christmas season. However, the on-going labour shortage and rising rents may continue to impact staffing as well as the Group's network expansion plans.

Mr Tang said, "Over the years, the Group has carefully cultivated a reputation for being an employer of choice. Given the current situation in the Hong Kong labour market, we will emphasise this aspect of our operations more than ever to bolster our staff recruitment and retention efforts in support of our objectives to expand our networks and drive customer experience initiatives. The Group also continues to seek expansion through M&A, joint venture, licensing and franchising opportunities, seeking out brands and businesses that align with our mission to be a leader in specialty retail for the Greater Bay Area. Our bakery business will pilot a franchise arrangement on the Chinese Mainland in the second half of the year. And we are also seeking to drive further growth for our B2B segment. Overall, we are cautiously optimistic about our outlook for the second half of the year as well as our medium- to long-term growth prospects."

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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, Mon cher premium pâtisserie chain and Zoff eyewear stores in Southern China, including Hong Kong and Macau.

As at 30 June 2023, there were a total of 152 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 173 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 2023

	Change	2023 HK\$'000	2022 HK\$'000
• Revenue	+4.1%	701,832	674,211
• Core operating profit	-3.5%	21,632	22,417
• Core operating profit (included interest expenses on lease liabilities)	-4.8%	18,072	18,977
• Profit attributable to shareholders of the Company	-8.9%	15,199	16,690
• Basic earnings per share (HK cents)	-9.1%	2.0	2.2
• Interim dividend per share (HK cents)	Nil	2.0	2.0

Number of Stores

	30 June 2023	31 December 2022
Saint Honore Cake Shops		
Hong Kong	116	115
Macau	12	12
Guangzhou	24	26
Subtotal	152	153
Pâtisserie Mon cher		
Hong Kong	7	7
Total number of stores under Bakery Group	159	160
Zoff Eyewear Stores		
Hong Kong	14	14
Total number of Stores under Convenience Retail Asia	173	174

Unaudited Consolidated Profit and Loss Account

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Revenue	701,832	674,211
Cost of sales	(335,965)	(346,869)
Gross profit	<u>365,867</u>	<u>327,342</u>
Other income	4,348	4,820
Store expenses	(251,162)	(212,065)
Distribution costs	(41,404)	(44,133)
Administrative expenses	(56,017)	(53,547)
Core operating profit	<u>21,632</u>	<u>22,417</u>
Interest expenses, net	(1,352)	(2,628)
Profit before income tax	<u>20,280</u>	<u>19,789</u>
Income tax expenses	(5,081)	(3,099)
Profit attributable to shareholders of the Company	<u>15,199</u>	<u>16,690</u>
Earnings per share (HK cents)		
Basic	<u>2.0</u>	<u>2.2</u>
Diluted	<u>2.0</u>	<u>2.1</u>