



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00831)

Convenience Retail Asia announces 2024 interim results

		Six months ended 30 June	
		2024	2023
	Change	HK\$'000	HK\$'000
• Revenue	+2.8%	721,654	701,832
• Core operating profit	-19.5%	17,419	21,632
• Core operating profit (included interest expenses on lease liabilities)	-24.8%	13,598	18,072
• Profit attributable to shareholders of the Company	-16.0%	12,767	15,199
• Basic earnings per share (HK cents)	-20.0%	1.6	2.0
• Interim dividend per share (HK cents)	Nil	2.0	2.0

Number of Stores

	30 June	31 December
	2024	2023
Saint Honore Cake Shops		
Hong Kong	116	120
Macau	14	14
Guangzhou	18	21
Subtotal	148	155
Pâtisserie Mon cher		
Hong Kong	6	6
Total number of Stores under Bakery Group	154	161
Zoff Eyewear Stores		
Hong Kong	16	15
Singapore	5	-
Subtotal	21	15
Total number of Stores under Convenience Retail Asia	175	176

In the first six months of 2024, the Group's turnover increased by 2.8% to HK\$722 million. Turnover for the bakery business increased by 3.1% to HK\$649 million. Turnover for the Zoff eyewear business maintained at HK\$73 million. Including interest expenses on lease liabilities, core operating profit decreased by 24.8% to HK\$14 million. Net profit decreased by 16.0% to HK\$13 million. Basic earnings per share decreased by 20.0% to 1.6 HK cents. The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share.

Operations Review – Bakery Business

As at 30 June 2024, the Group was operating 130 Saint Honore stores in Hong Kong and Macau. The Group opened one store and closed eight during the first six months of 2024. The total network in Guangzhou amounted to 18 locations.

In the first half of the year, the Group was able to maintain revenue on a par with the previous comparable period despite the fact that lower consumer spending and more frequent outbound travel caused same-store sales to decrease. The main reasons were strong double-digit growth in the Group's burgeoning B2B enterprise and satisfactory performance in bread sales, the latter of which was supported by a number of new, higher-margin products such as sourdough, donuts and grab-n-go sandwiches. Consumer sentiment during the period under review remained weak. This contributed to both lighter footfall and lower average basket size. Sales of celebratory cakes also decreased industry-wide due to the trend away from hosting events, particularly on weekends and public holidays.

In Hong Kong, the on-going labour shortage and associated rising costs continued to put pressure on store operating margins, which the Group sought to counter by streamlining work processes, adjusting store hours and adding more flexible shift workers. Rents continued to rise slightly. In response, the Group rationalised its store network by reviewing store performance, closing underperforming locations, and employing a more selective store expansion strategy with focus on locations at high-traffic community malls and transit points.

Our "Cake Easy" online-to-offline (O2O) customer relationship management (CRM) platform remained an important marketing tool. As at 30 June 2024, Cake Easy had more than 1.3 million members across Hong Kong and Macau and the Group's primary focus now is on ensuring quality engagement. During the review period, the Hong Kong Retail Management Association awarded Cake Easy with an "O2O Customer Experience Recognition" and named Saint Honore a "Top 10 Quality Eshop", both offering strong testimony to the quality of the Group's digital shopping experience.

To support our bakery operations and meet growing demand from B2B customers seeking bespoke bakery solutions, we continued to upgrade our production facilities through increased digitalisation and modernised equipment. We also sought to develop talent and skills in the areas of production process management, new product development, and baking science and technology to ensure premium products and customer satisfaction. The Group has also been building its capabilities in chilled products, expanding into a growing segment where sales are being driven by demand from younger consumers.

In Guangzhou, performance continued to be affected by the tough retail environment, although sales of festive products were once again strong. The Group is currently working to contain losses by rationalising costs and rightsizing its store network.

As at 30 June 2024, there were six Mon cher stores in the market with another scheduled to be opened in Central in early 2025. During the first half of the year, Mon cher launched its first-ever Chinese New Year gift sets, which received a lot of positive comments from consumers.

Operations Review – Eyewear Business

In Hong Kong, comparable store sales fell due to significantly lower pricing from competitors in the GBA as well as the strong Hong Kong dollar, which is encouraging locals to make big-ticket purchases abroad. However, as the market leader, we must continue to penetrate into new catchment areas to grow our market share. During the period under review, the Group opened two more locations, resulting in a total network size of 16 stores in Hong Kong.

Zoff carries an unparalleled selection of more than 1,400 stylish SKUs that are refreshed regularly to keep pace with the latest fashion trends and customer preferences. Zoff also frequently collaborates with popular IP franchises and characters and enjoys many influencer endorsements, providing the brand with additional advantages in an increasingly competitive market. The highly sought-after “Zoff x Chiikawa” collaborative collection was sold out within weeks of launching, once again cementing Zoff as a leader in fast-fashion eyewear.

This January, the Group made its first foray into Southeast Asia by fully acquiring Zoff Singapore, the exclusive operator of the Zoff eyewear brand in the city, from the brand owner. Over the first half of the year, sales experienced a decline due to a hike in GST as well as lighter foot traffic resulting from locals travelling abroad during weekends and public holidays. However, the Group was successful in narrowing losses by streamlining store operations, providing operational support from Hong Kong, introducing store performance incentive schemes and increasing exposure in social media channels. “Simple Pricing”, introduced in March, now makes the brand accessible to many more Singaporeans by offering a lower entry price. The Group is also planning for future network expansion in residential catchment areas.

Future Prospects

The local retail industry has undergone profound changes since the pandemic subsided, particularly in terms of consumer shopping patterns. The Group believes Saint Honore is performing reasonably well by maintaining revenue in such a difficult market. The arrival of the Mid-Autumn and Christmas holiday seasons in the second half may also provide a welcome boost. In the meantime, we will continue to expand our offerings with innovative, high-quality, on-trend products to entice customers and increase basket size. We are especially keen to leverage our competitive strength in chilled product categories.

Meanwhile, for the Group's B2B enterprise, we have seen promising results to date, and there are robust opportunities in future, too, as more industry players move to outsource their bakery offerings. Heading into the second half of the year, this business has a healthy developmental pipeline driven by organic growth and new client acquisitions. We look forward to nurturing it further as we seek to diversify and grow our revenue streams.

To support the overall growth of our bakery operations, including Saint Honore, Mon cher and B2B, we are investing in enhancing and upgrading our production facilities. Our extensive efforts in digitalisation, smart manufacturing and semi-automation will also help offset the challenges posed by a difficult labour market, where ultra-low unemployment levels are driving up staffing costs significantly.

Given the state of the current retail property market, the Group will continue to take a prudent approach towards store network expansion as it explores new locations and store formats. We are excited to further develop our eyewear business in Hong Kong and Singapore, the latter of which also offers a golden opportunity to demonstrate our exceptional brand-building capabilities to a whole new market. The Group has strong brands with loyal customer bases. It is also cashflow-positive with ample liquidity which gives us the ability to fund its operations, invest into new retail models and pursue acquisition, licensing, M&A and joint venture opportunities. We will take advantage of the present retail landscape to adjust and uplift our store network and concepts.

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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, and also in Singapore.

As at 30 June 2024, there were a total of 148 Saint Honore stores in Hong Kong, Macau and Guangzhou. Together with 6 Mon cher stores in Hong Kong and 21 Zoff eyewear stores in Hong Kong and Singapore, the Group operates a total store network of 175 outlets.

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