



For immediate release

## **CRA profits in 2017 with strong customer loyalty and marketing initiatives**

### ***Innovative O2O (online-to-offline) business strategy positions Group's long-term growth in the digital age***

- Convenience store and bakery businesses achieved satisfactory comparable store sales growth in Hong Kong, despite challenging business environment
- Core operating profit and net profit increased by 7.4% and 7.7% respectively, which was mainly attributable to an effective CRM programme and strong marketing campaigns by Circle K together with improved performance from Saint Honore
- Growth driven by the Group's digital initiatives, led by highly successful O2O CRM programmes with membership for "OK Stamp It" and "Cake Easy" exceeding 1,000,000 and 300,000 respectively
- The Group obtained the franchise for Japan's leading fast-fashion eyewear chain Zoff, which holds strong appeal for the internet+ generation, and opened the brand's first store in Hong Kong
- With signs of recovery in the retail market, the Group will continue its marketing and store network expansion programmes while exercising caution towards macroeconomic uncertainties and emphasising operating cost control
- The Board of Directors has resolved to declare a final dividend of 14 HK cents per share
- The Group maintains a strong financial position with net cash of HK\$452 million and no bank borrowings

*Hong Kong, 7 March 2018* – 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 annual results for the year ended 31 December 2017. CRA reported Group turnover of HK\$5,094 million, an increase of 4.6% over 2016, which it said was the result of its successful new O2O (online-to-offline) business strategy as well as effective marketing and category management campaigns.

Turnover for the Circle K convenience store business in Hong Kong was HK\$4,059 million, representing a year-on-year increase of 5.4%. Turnover for the Saint Honore Cake Shop business across Hong Kong, Macau and southern China was HK\$1,092 million, an increase of 1.9% over 2016.

Core operating profit increased 7.4% to HK\$183 million while net profit increased 7.7% to HK\$150 million. Satisfactory comparable store sales growth in the Group’s core market of Hong Kong and improvements to the Saint Honore factory operations led to a rise in gross margin and other income as a percentage of turnover from 36.6% to 36.9%, despite intense retail market competition and high manufacturing costs. Operating expenses as a percentage of turnover rose from 33.1% to 33.3% year on year due to high rental and labour costs as well as marketing investments to support the scaling up of the Group’s O2O customer relationship management (CRM) programmes.

Basic earnings per share increased from 18.50 HK cents to 19.75 HK cents, representing year-on-year growth of 6.8%. As at 31 December 2017, the Group had a net cash balance of HK\$452 million with no bank borrowings. The Board of Directors has resolved to declare a final dividend of 14 HK cents per share.

Mr Richard Yeung, Chief Executive Officer of CRA, said, “We are finally seeing a rebound for the Hong Kong retail sector, but even more significant is the way internet- and mobile-driven commerce and payment has disrupted the industry. Retailers must innovate to adapt to this new paradigm; otherwise, they risk losing business to nimbler operators who have already embraced technology to irrevocably change how people shop and buy.”

“CRA has reinvented itself by shifting its convenience store and bakery businesses toward an O2O-centric business strategy that combines instant digital promotion with a quality in-store transactional experience. Our focus to make convenience even more efficient and relevant to our customers in today’s digital age has led us to create a unique and highly sustainable business model. The strategy has been a resounding success in terms of driving customer engagement, foot traffic and sales, which is evident in the Group’s very satisfactory sales and profit results for 2017.”

## **Business Review**

Hong Kong retail has shown signs of improvement following years of falling sales and low consumer confidence. Operating in a healthier retail environment, CRA was able to leverage its business model transformation of recent years to achieve satisfactory results in 2017.

In the third quarter of 2016, the Group launched “OK Stamp It”, an O2O CRM programme that drives in-store traffic and transactions with a mobile app that gives customers attractive shopping and redemption offers. The Group officially launched its digital CRM programme for Saint Honore, “Cake Easy”, in 2017. As at March 2018, these programmes had acquired over 1 million and 300,000 members respectively. “OK Stamp It” is established as the Group’s business cornerstone and has already won numerous industry awards, including two 2017 Golden Globe Tiger Awards and five prizes at the Marketing Magazine eCommAs Awards, including “Best of Show” for the Brand Category.

Appealing marketing and category management initiatives continued to play pivotal roles in Circle K’s performance. Notable among these were the “Gudetama” premium e-stamp promotion, based on the popular animated Japanese character, and the “Shake Shake Lucky Star” game that gave customers the chance to win attractive prizes by entering a lucky draw code into the “OK Stamp It” app. Product promotions included the super-sized Sumo Sandwich, chilled Korean coffee, and limited edition cup noodles and candies from Japan.

Saint Honore continued to show improved results in 2017, posting a solid increase in comparable store sales due to successful product launches in the birthday cake, bread, mooncake and seasonal categories. The “Cake Easy” digital CRM programme has enabled Saint Honore to capitalise quickly on consumer trends and the growth of online shopping, while the new “smART Card” in Guangzhou features digital functions that also allow customers to take advantage of O2O promotions. In 2017, the Group also continued to revamp stores in Hong Kong and Guangzhou for an enhanced in-store experience, and improved gross profit margin through product category rationalisation, process streamlining, equipment upgrades and effective procurement.

The Group’s O2O digital retailing site FingerShopping.com recorded moderate year-on-year growth in gross merchandising volume (GMV), satisfactory membership growth, and strong pick-up and payment rates at Circle K stores in Hong Kong and Macau. The Beauty and Personal category accounted for approximately 70% of total GMV and total quantity sold.

In 2017, the Group obtained the franchise of Japan’s leading fast-fashion eyewear chain Zoff for Hong Kong, Macau and southern China, and opened first Zoff store in Hong Kong at Cityplaza in Taikoo Shing on 25 November. Zoff stores each carry more than 1,000 trendy, competitively priced frames and replenish stock with new designs every two weeks. The brand has more than 200 locations across Japan, Singapore and the Chinese Mainland. Zoff appeals to the internet+ generation, offering strong growth prospects and synergistic potential with other Group businesses.

## **Outlook**

In 2017, the Group continued to face margin pressures from costs associated with materials, labour and rentals. However, CRA expects that the retail rebound in Hong Kong as well as the growing number of internet-savvy consumers who use online platforms to make purchases will have positive impacts on the industry and the Group.

Mr Yeung said, “In the modern age of retailing, operators must have a strong digital component to compete and succeed. CRA is leading the industry by transforming its traditional bricks-and-mortar model into bricks-and-mortar+, giving its customers the ability to make purchase decisions anytime, anywhere, and fulfil their purchases at a convenient store location of their choice. To this end, ‘OK Stamp It’ and ‘Cake Easy’ are the keys to the Group’s sustainable growth.”

“We intend to continue developing these programmes, capturing even more consumers who do their shopping online and on the go, increasing our base of loyal customers, and building brand preference. These efforts will also support our constant endeavours to devise compelling marketing and category management campaigns, maintain our strong reputation for customer service excellence and workplace satisfaction, grow our store network, and optimise our operations to boost profit and benefit our shareholders.”

– 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 31 December 2017, there were a total of 109 Circle K stores outside Hong Kong. In addition to the 332 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 143 stores in Hong Kong, Macau, Guangzhou and Shenzhen and one eyewear store, Zoff in Hong Kong, the Group operates a total store network of 585 outlets as at the end of 2017.*

**CRA website: [www.cr-asia.com](http://www.cr-asia.com)**

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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 2017**

	Change	2017 HK\$'000	2016 HK\$'000
• Revenue	+4.6%	<b>5,094,032</b>	4,871,437
• Core operating profit	+7.4%	<b>182,594</b>	169,953
• Profit attributable to shareholders of the Company	+7.7%	<b>150,311</b>	139,627
• Basic earnings per share (HK cents)	+6.8%	<b>19.75</b>	18.50
• Dividend per share (HK cents)			
Final	+7.7%	<b>14.00</b>	13.00
Full year			
Basic	+9.1%	<b>18.00</b>	16.50
Special	N/A	<b>Nil</b>	27.00

**Number of Stores as of 31 December 2017****Circle K Stores**

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Hong Kong	<b>332</b>
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**Franchised Circle K Stores**

Guangzhou	64
Macau	29
Zhuhai	16

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<b>Subtotal</b>	<b>109</b>
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<b>Total number of Circle K Stores</b>	<b>441</b>
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**Saint Honore Cake Shops**

Hong Kong	93
Macau	9
Guangzhou	39
Shenzhen	2

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<b>Total number of Saint Honore Cake Shops</b>	<b>143</b>
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**Zoff Eyewear Store**

Hong Kong	<b>1</b>
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<b>Total number of Stores under Convenience Retail Asia</b>	<b>585</b>
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## Consolidated Profit and Loss Account

	Year ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Revenue	5,094,032	4,871,437
Cost of sales	<b>(3,320,189)</b>	(3,196,622)
Gross profit	<b>1,773,843</b>	1,674,815
Other income	<b>107,912</b>	107,605
Store expenses	<b>(1,342,132)</b>	(1,276,294)
Distribution costs	<b>(152,250)</b>	(144,099)
Administrative expenses	<b>(204,779)</b>	(192,074)
Core operating profit	<b>182,594</b>	169,953
Non-core operating gain	-	93
Operating profit	<b>182,594</b>	170,046
Interest income	<b>1,542</b>	2,154
Profit before income tax	<b>184,136</b>	172,200
Income tax expenses	<b>(33,825)</b>	(32,573)
Profit attributable to shareholders of the Company	<b>150,311</b>	139,627
Earnings per share (HK cents)		
Basic	<b>19.75</b>	18.50
Diluted	<b>19.75</b>	18.48