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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 2015

	Change	2015 HK\$'000	2014 HK\$'000
• Revenue	+5.8%	2,368,293	2,238,620
• Core operating profit	-34.6%	41,979	64,167
• Profit attributable to shareholders of the Company	-36.8%	30,766	48,697
• Basic earnings per share (HK cents)	-37.4%	4.09	6.53
• Interim dividend per share (HK cents)	Nil	3.10	3.10

#### Operation Highlights

- Despite subdued consumer confidence, convenience store and bakery businesses achieved satisfactory comparable store sales growth in Hong Kong
- Core operating profit before expenditure in e-commerce platform FingerShopping.com and investment in a pilot programme with Sinopec Marketing, collectively identified as "Projects", decreased by 18.5%, which was mainly attributable to high rentals and staff costs
- Net profit declined by 36.8% due to rising operating costs and higher expenditure and investments in Projects
- With consumer market sentiment remaining weak and operating costs continuing to rise, the Group expects a difficult business environment in the second half of 2015
- To enhance profitability, the Group announced the sale of Circle K's loss making Guangzhou operations to Fung Holdings (1937) Limited, a controlling shareholder of the Group, which will result in a one-off gain of approximately HK\$50 million
- The Group maintains a strong financial position with net cash of HK\$460 million without any bank borrowings

## Number of Stores as of 30 June 2015

### Circle K Stores

Hong Kong	328
Guangzhou	<u>73</u>

**Subtotal** **401**

### Franchised Circle K Stores

Guangzhou	9
Macau	26
Zhuhai	<u>14</u>

**Subtotal** **49**

**Total number of Circle K Stores** **450**

### Saint Honore Cake Shops

Hong Kong	89
Macau	9
Guangzhou	41
Shenzhen	<u>2</u>

**Total number of Saint Honore Cake Shops** **141**

**Total number of Stores under Convenience Retail Asia** **591**

## Management Discussion and Analysis

### Financial Review

During the first six months of 2015, the Group's turnover increased 5.8% to HK\$2,368 million. Turnover for the convenience store business increased 5.7% to HK\$1,902 million, with comparable store sales in Hong Kong and southern China growing 8.8% and 2.6% respectively compared to the same period last year. Turnover for the bakery business increased 5.5% to HK\$498 million, with 4.1% growth in comparable store sales in Hong Kong.

Gross margin and other income as a percentage of turnover slightly decreased 0.8% to 36% as the Group experienced pressure from rising raw material prices and factory labour costs. Meanwhile, operating expenses increased from 33.9% of turnover to 34.2% against the same period in 2014. This was due primarily to rising rental and labour costs, as well as expenditure in an intensive marketing campaign for e-commerce platform FingerShopping.com, which started in the first half of 2015, and investment in a pilot programme with Sinopec Marketing to manage 10 petrol stations and Easy Joy convenience stores in Guangzhou, which was launched in late 2014 (together known as "the Projects"). As a result, the Group's core operating profit decreased by 34.6% to HK\$42 million. Excluding the Projects, core operating profit decreased by 18.5% to HK\$57 million.

These same issues impacted the Group's net profit, which declined 36.8% to HK\$31 million for the six months ended 30 June 2015. Excluding the Projects, net profit declined 16.1% to HK\$45 million. Basic earnings per share decreased 37.4% to 4.09 HK cents.

As at 30 June 2015, the Group had a net cash balance of HK\$460 million with no bank borrowings. Most of the Group's cash and bank deposits were in Hong Kong dollars as well as renminbi, and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland, except for certain renminbi bank deposits held in Hong Kong, which are subject to foreign exchange risk. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in Hong Kong dollars or renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

The Board of Directors has resolved to declare an interim dividend of 3.1 HK cents per share.

## **Operations Review – Hong Kong**

As at 30 June 2015, the total number of Circle K stores was 328 compared to 329 as at the end of 2014, and the total number of Saint Honore stores was 89 compared to 93. In the first half of 2015, the Group opened five new Circle K stores in Hong Kong and closed six for a net decrease of one, and it opened two new Saint Honore stores in Hong Kong and closed six for a net decrease of four. Given the current market environment of persistently high rents and low consumer sentiment, the Group will continue to take a prudent approach toward store expansion.

## **Employees**

As at 30 June 2015, the Group had a total of 7,725 employees. 4,957 were based in Hong Kong, and 2,768 were based in Guangzhou, Shenzhen and Macau. Part-time employees accounted for 41% of the Group's total headcount. Total staff cost for the six months ended 30 June 2015 was HK\$410 million compared to HK\$390 million for the same period last year.

The Group offers remuneration schemes that are competitive in the market. For eligible employees, salary packages were supplemented by discretionary bonuses and share options based on individual and company performance. Additional incentives were provided in the form of career advancement opportunities, comprehensive job-related skill training and quality customer service training for the frontline operations team.

In a challenging labour market, one of the Group's core focuses is to ensure company harmony and growth through workplace satisfaction. During the period under review, the Group's Activity Organising Board continued to develop fun activities under the HEARTS (Happy, Energised, Achievement, Respect, Training, Success) employee engagement programme to promote work-life balance and foster a happy, caring work environment for staff and their families. These included "The Little Saint Honore", which gave children of employees the chance to experience being a frontline member; a staff Fun Day; and participation in the Standard Chartered Hong Kong Marathon 2015.

## **Marketing and Promotion**

The Group continued to launch successful marketing initiatives and promotions that helped Circle K achieve comparable store sales growth in a challenging retail market. One innovative example was Circle K's first-ever collaboration with the Kumamoto Prefecture Government to introduce Kumamoto merchandise and premiums, including charms based on the popular character Kumamon. Another was the Chinese New Year Instant Win Electronic Lucky Draw Promotion featuring Monchhichi, which helped drive customer interaction and enriched store ambience during the festive period.

## **Category Management**

Circle K offers a wide range of quality products and convenient services that meet the increasingly high expectations of its customers. In the first half of 2015, the Group launched Ho-Yo Dual-Flavour Cup Ice Cream, which gives customers two refreshing flavours in a single cup; promoted affordable, quality Korean and Japanese noodle and rice roll items to leverage the popularity of these cuisines in the local market; introduced the iTunes Variable card and exclusive Google Play card to drive business in the gift card category and boost customer loyalty; and enhanced fulfilment services by launching a service where customers can drop their parcels at Family Mart in Taiwan and pick them up at Circle K stores in Hong Kong.

## **Customer Service Excellence**

In an increasingly competitive, sophisticated and challenging retail market, the Group is intent on continuing to win the hearts and minds of consumers. We are accomplishing this by staying relevant and up to date, offering “Always Something New” products and services, maximising differentiation and increasing the Group’s online visibility.

Therefore, the Group was very proud to win the Hong Kong Retail Management Association’s award for “Service Retailer of the Year – Convenience Stores Category” for the sixth consecutive year. The Group also won a Certificate of Merit in the Customer Service category of the 2014 Hong Kong Awards for Industries. Circle K was named a “Smiling Enterprise” by the Mystery Shopper Service Association for the second straight year, and a frontline member won an award for “Smiling Staff 2015”.

Another major success initiative for the Group is improving the workplace experience. The HEARTS employee engagement campaign is central to this. Circle K has also developed a new training programme series, “Service from HEARTS”, to enhance its service levels.

## **Supply Chain Management and Logistics**

One of the most important improvements made during the period under review was Saint Honore’s introduction of extensive GPS coverage for better fleet and cold chain management. With the right GPS navigation system, staff can more effectively track in-transit temperature and manage the cold chain at all times. This also has the potential to reduce delivery mileage.

## **Operations Review – Guangzhou**

Circle K and Saint Honore participated in an innovative promotion organised by WeChat during the Chinese New Year by sending red packets with cash coupons and product coupons to WeChat members. The promotion generated good response and use ratio. In April and May the two brands collaborated on successful promotions with Tenpay and Alipay. They also acted as the exclusive convenience store and bakery chains for a four-day promotion with Unionpay in late May and early June, which gave customers the chance to receive 38% off purchases of RMB50 or more. The partnership's success has led to additional promotion days with Unionpay every month through November 2015.

Circle K Guangzhou was proud to see its Hot & In membership exceed 270,000 by the end of May. To celebrate the 5th anniversary of the Hot & In membership programme, the Group extended it to cover all in-store transactions from May 2015 onwards, with the exception of bill payments, top-ups and other services. It also gave an extra RMB5 to customers making top-ups of RMB100 on their VIP cards. In addition, Circle K Guangzhou and FingerShopping.com held a joint promotion in June to give away a HK\$100 cash coupon with every RMB100 spent on Hot & In items. These cash coupons can be used for purchases on FingerShopping.com.

Circle K Guangzhou has been operating at significant losses since its commencement of operations in 2002. The operating environment of the convenience store business on the Chinese Mainland will remain challenging and it is difficult to estimate when a satisfactory financial return from the operations could be achieved. As a result, pursuant to a sale and purchase agreement signed on 25 August 2015, the Group has agreed to sell its Circle K convenience store business in Guangzhou to the controlling shareholder Fung Holdings (1937) Limited ("FH 1937"), for a total cash consideration of HK\$104.5 million (subject to adjustment). Following completion of this agreement, the Group will realise a one-off gain of about HK\$50 million from the sale and considerably reduce its investment loss on the Chinese Mainland moving forward.

## **Operations Review – Saint Honore Cake Shop**

Saint Honore saw its total number of stores decrease from 148 to 141 during the period under review. This was primarily because of rental costs, which remain high despite recent signs of correction. Meanwhile, the declining number of Chinese Mainland tourists to Hong Kong – and the accompanying drop in spending – continues to impact the traditionally lucrative holiday periods of Chinese New Year and Dragon Boat Festival.

To counter these challenges, the Group has imposed more stringent cost controls, and it continues to focus on enhancing its product mix. For instance, the company received excellent sales results and media coverage for its direct sourcing of fresh strawberries and melons from Japan, which were key ingredients in the popular "Japan Strawberry Cake" and "Japan Melon Cake". The Group also implemented a new dough production technique to enhance quality and reduce costs.

Saint Honore is a responsible corporate citizen and continues to make positive contributions to society. The company partnered with Foodlink Foundation Limited and Feeding Hong Kong to donate unsold bread to those in need. It also collaborated with the Tung Wah Group of Hospitals to provide advice for setting up its iBakery Shop.

Saint Honore received a number of awards over the first six months of the year. These included the Smiling Enterprise Certificate 2014 - 2015; TVB Weekly's Outstanding Corporate Image Award 2014 and 2014 Brand Award; and Metro Daily's Metro Creative Awards 2015 for "Favourite Spokesperson", which recognised Saint Honore's marketing campaigns featuring TV artist Moses Chan, whom the Group has worked with closely over the past few years.

In Guangzhou, Saint Honore launched a cake ordering service that enables customers to use their mobile phones or in-store tablets to select, order and pay for cakes. The Group is also proud that the Saint Honore team won the bronze medal at the "Anchor Pastry Challenge 2015", organised by the China Association of Bakery and Confectionery Industry.

## **FingerShopping.com**

The Group's comprehensive O2O platform FingerShopping.com continued to make encouraging progress in the first half of the year. Health and beauty is the site's most successful anchor category.

FingerShopping.com offers products from a number of key partners including SensatioNail, Adidas, Playboy, Clear Nose, Burt's Bees, LSnP and Touch in SOL. The site also has exclusive deals with online shops including Kumamoto Prefecture of Japan, popular Taiwanese skincare brand "Bevy C" and Korean skincare hub "Nature Duty Free".

The Group has extended FingerShopping.com's delivery services to Guangzhou, testing the Chinese Mainland market on an experimental basis. These launches have involved the development of a site version with simplified Chinese characters, live chat customer service, payment gateways and social media channels (such as Alipay and WeChat service counters).

Developing strategic partnerships with online and offline companies is a key traffic-builder for FingerShopping.com. The Group has lined up major banks in Hong Kong to offer FingerShopping.com's year-round offers to their credit card customers. As an extension of the Group's O2O strategy, FingerShopping.com also ran joint promotional campaigns with Toys"R"Us and Café de Coral whereby customers could redeem FingerShopping.com coupons with purchases.

## **Corporate Social Responsibility**

The Group strives to be a contributing member of society, and during the first six months of 2015 it extended its outreach in the areas of the environment and helping those less fortunate. An example of the latter was Circle K's collaboration with Agent of Change – a social enterprise that provides high-quality but affordable daily necessities to the needy – which gave store customers the chance to purchase beneficiary gift packs containing cooking oil and toothpaste for just HK\$10. The Group also continued to support Habitat for Humanity in its homebuilding efforts for the underprivileged, and it participated in Fung (1906) Foundation's programme to support Youth Build 2015 in Guangdong Province.

Care for the environment has long been a cornerstone of the Group's operations, and Circle K and Saint Honore were both proud to participate in Earth Hour 2015. To help groom the next generation of business leaders, the Group participated in the Job Shadowing Day organised by Junior Achievement Hong Kong and supported by Fung (1906) Foundation, an initiative that gives secondary school students the opportunity to shadow mentors at leading companies.

Circle K and Saint Honore were delighted once again to receive recognition as a "10 Years Plus Caring Company" and "5 Years Plus Caring Company", respectively, for 2014/2015 from the Hong Kong Council of Social Service. These awards are given to companies that demonstrate "Caring for the Community", "Caring for Employees" and "Caring for the Environment", as well as long-term contributions to society.

## **Future Prospects**

The retail market and operating environment are expected to remain difficult over the remainder of 2015, and this will likely to continue affecting the operating results of the Group. However, the sale of the Circle K Guangzhou business to FH 1937 (which will help the Group reduce its investment loss on the Chinese Mainland), together with the one-off gain from the sale, will have a positive influence on the Group's overall profitability.

To strengthen its other businesses, the Group has implemented strategic changes to improve customer experience, workplace satisfaction and efficiency.

The Group is also working to ensure long-term growth by constantly exploring ways its businesses can grow and thrive. Strategic partnerships as well as acquisitions in profitable and emerging categories will be pursued as the Group looks to complement its current brands and offerings.

Circle K and Saint Honore are focused on reinvention and keeping customers engaged by introducing cutting-edge products, services and marketing. The Group also remains committed to keeping tight controls on costs and head count.



**Condensed Consolidated Profit and Loss Account**  
**For the six months ended 30 June 2015**

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2015</b>	2014
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Revenue	2	2,368,293	2,238,620
Cost of sales	3	(1,566,370)	(1,459,903)
Gross profit		<u>801,923</u>	<u>778,717</u>
Other income	2	50,044	44,473
Store expenses	3	(640,583)	(603,007)
Distribution costs	3	(64,020)	(55,627)
Administrative expenses	3	(105,385)	(100,389)
Core operating profit		<u>41,979</u>	<u>64,167</u>
Non-core operating loss	3	(615)	(2,666)
Operating profit		<u>41,364</u>	<u>61,501</u>
Interest income	4	2,205	2,284
Profit before income tax		<u>43,569</u>	<u>63,785</u>
Income tax expenses	5	(12,803)	(15,088)
Profit attributable to shareholders of the Company	6	<u><u>30,766</u></u>	<u><u>48,697</u></u>
Earnings per share (HK cents)			
Basic	7	<u>4.09</u>	<u>6.53</u>
Diluted	7	<u>4.07</u>	<u>6.47</u>
Dividend	8	<u><u>23,383</u></u>	<u><u>23,231</u></u>

**Condensed Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2015**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	30,766	48,697
Other comprehensive loss:		
Item that may be reclassified to profit or loss		
Exchange differences	(432)	(2,044)
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	30,334	46,653
	<hr/>	<hr/>

**Condensed Consolidated Balance Sheet**  
**As at 30 June 2015**

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Non-current assets			
Fixed assets		343,829	337,775
Investment property		22,220	22,567
Lease premium for land		59,063	60,199
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		87,312	76,446
Deferred tax assets		11,421	10,448
		<hr/> 883,205	<hr/> 866,795
		-----	-----
Current assets			
Inventories		190,661	194,579
Rental deposits		46,548	47,528
Trade receivables	9	58,964	52,970
Other receivables, deposits and prepayments		79,447	85,915
Taxation recoverable		-	166
Bank and restricted deposits		2,879	9,169
Cash and cash equivalents		456,732	528,177
		<hr/> 835,231	<hr/> 918,504
		-----	-----
Current liabilities			
Trade payables	10	594,952	589,688
Other payables and accruals		181,694	211,962
Taxation payable		24,824	11,952
Cake coupons		160,555	158,106
		<hr/> 962,025	<hr/> 971,708
		-----	-----
Net current liabilities		<hr/> <u>(126,794)</u>	<hr/> <u>(53,204)</u>
		-----	-----
Total assets less current liabilities		<hr/> <u>756,411</u>	<hr/> <u>813,591</u>
		-----	-----
Financed by:			
Share capital		75,429	75,115
Reserves		636,152	617,286
Proposed dividend		23,383	97,760
		<hr/> 734,964	<hr/> 790,161
Shareholders' funds		734,964	790,161
Non-current liabilities			
Long service payment liabilities		12,480	13,738
Deferred tax liabilities		8,967	9,692
		<hr/> 756,411	<hr/> 813,591
		-----	-----

## Condensed Consolidated Statement of Changes in Equity For the six months ended 30 June 2015

	(Unaudited)							
	Attributable to shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2015	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161
Profit attributable to shareholders of the Company	-	-	-	-	-	-	30,766	30,766
Exchange differences	-	-	-	-	-	(432)	-	(432)
Total comprehensive income for the period	-	-	-	-	-	(432)	30,766	30,334
Issue of new shares	314	9,793	-	-	-	-	-	10,107
Employee share option benefit	-	1,864	-	-	438	-	104	2,406
Dividend paid	-	-	-	-	-	-	(98,044)	(98,044)
	314	11,657	-	-	438	-	(97,940)	(85,531)
At 30 June 2015	75,429	375,946	177,087	18,474	11,500	6,956	69,572	734,964
At 1 January 2014	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318
Profit attributable to shareholders of the Company	-	-	-	-	-	-	48,697	48,697
Exchange differences	-	-	-	-	-	(2,044)	-	(2,044)
Total comprehensive income for the period	-	-	-	-	-	(2,044)	48,697	46,653
Issue of new shares	629	19,895	-	-	-	-	-	20,524
Employee share option benefit	-	4,169	-	-	(1,660)	-	110	2,619
Dividend paid	-	-	-	-	-	-	(97,369)	(97,369)
	629	24,064	-	-	(1,660)	-	(97,259)	(74,226)
At 30 June 2014	74,937	357,743	177,087	17,781	9,796	7,059	86,342	730,745

## Notes to the Condensed Consolidated Interim Financial Information

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information should be read in conjunction with the 2014 consolidated financial statements which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used and described in the 2014 consolidated financial statements.

As at 30 June 2015, the Group had net current liabilities of HK\$126,794,000 (as at 31 December 2014: HK\$53,204,000). In preparing this financial information, the Group’s management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 30 June 2015, the Group had unutilised banking facilities amounting to HK\$127,888,000 (as of 31 December 2014: HK\$125,736,000). Under these circumstances, the Group’s management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial information on a going concern basis.

The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for the accounting periods beginning on or after 1 January 2015 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies.

## 2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores, bakeries and e-commerce businesses. Revenues recognised during the period are as follows:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Revenue		
Merchandise sales revenue	1,902,413	1,799,736
Bakery sales revenue	457,911	437,257
e-commerce revenue	7,969	1,627
	<u>2,368,293</u>	<u>2,238,620</u>
Other income		
Service items and miscellaneous income	50,044	44,473
	<u>50,044</u>	<u>44,473</u>

### Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The management considers the business from both a product/service and geographic perspective. From a product perspective, management assesses the performance of convenience store, bakery and e-commerce businesses. For convenience store segment, revenues are mainly derived from a broad range of merchandise sales. For bakery segment, revenues are mainly comprised of bakery and festival products. For e-commerce segment, revenues are mainly derived from the provision of online trading platform. Geographically, the management considers the performance of retailing business in Hong Kong and others, and the Chinese Mainland.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2015 and 2014 are as follows:

	(Unaudited) Six months ended 30 June 2015					
	Convenience Store		Bakery		e-commerce	Group HK\$'000
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	
Total segment revenue	1,786,189	116,224	462,361	65,265	7,969	
Inter-segment revenue	-	-	(69,708)	(7)	-	(69,715)
Revenue from external customers	1,786,189	116,224	392,653	65,258	7,969	2,368,293
Total segment other income	46,829	1,032	3,664	225	10	51,760
Inter-segment other income	(328)	(99)	(1,109)	(180)	-	(1,716)
Other income	46,501	933	2,555	45	10	50,044
	1,832,690	117,157	395,208	65,303	7,979	2,418,337
Core operating profit/(loss)	65,104	(12,783)	7,866	(8,375)	(9,833)	41,979
Depreciation and amortisation	(13,035)	(3,614)	(14,578)	(3,814)	(588)	(35,629)

  

	(Unaudited) Six months ended 30 June 2014					
	Convenience Store		Bakery		e-commerce	Group HK\$'000
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	
Total segment revenue	1,694,837	104,899	441,840	54,115	1,627	
Inter-segment revenue	-	-	(58,686)	(12)	-	(58,698)
Revenue from external customers	1,694,837	104,899	383,154	54,103	1,627	2,238,620
Total segment other income	41,782	802	2,875	256	4	45,719
Inter-segment other income	-	(73)	(1,118)	(55)	-	(1,246)
Other income	41,782	729	1,757	201	4	44,473
	1,736,619	105,628	384,911	54,304	1,631	2,283,093
Core operating profit/(loss)	74,151	(11,382)	15,201	(8,359)	(5,444)	64,167
Depreciation and amortisation	(13,516)	(3,803)	(13,104)	(3,285)	(166)	(33,874)

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that of the condensed consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of core operating profit.

The reconciliation of the total reportable segments' core operating profit to the profit before income tax can be referred to the condensed consolidated profit and loss account, as the reconciliation items are not included in the measure of the segments' performance by the management.

### 3. Expenses by nature

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of lease premium for land	1,016	871
Cost of inventories sold	1,464,246	1,367,439
Depreciation of owned fixed assets	34,266	32,855
Depreciation of investment property	347	148
Employee benefit expense	409,618	390,126
Operating leases rental for land and buildings	249,275	231,012
Other expenses	218,205	199,141
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating loss	2,376,973	2,221,592
	<hr/>	<hr/>

### 4. Interest income

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income on bank deposits	2,205	2,284
	<hr/>	<hr/>

### 5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2015 and 2014. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2015 and 2014 at the rates prevailing in the countries in which the Group operates.

The amount of income tax expenses charged/(credited) to the condensed consolidated profit and loss account represents:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
Hong Kong profits tax	13,255	13,549
Overseas profits tax	1,246	2,004
Deferred tax credit	(1,698)	(465)
	<hr/>	<hr/>
	12,803	15,088
	<hr/>	<hr/>



## 6. Profit attributable to shareholders of the Company

For the six months ended 30 June 2015, the unaudited profit attributable to shareholders of the Company amounted to HK\$30,766,000 (2014: HK\$48,697,000).

## 7. Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the unaudited profit attributable to shareholders of the Company for the corresponding periods.

The basic earnings per share is based on the weighted average number of ordinary shares in issue during the corresponding periods.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	30,766	48,697
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares in issue	752,758,448	745,630,704
Adjustment for:		
Share options	3,249,382	6,629,799
Weighted average number of ordinary shares for diluted earnings per share	756,007,830	752,260,503

## 8. Dividend

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend, proposed of 3.1 HK cents (2014: 3.1 HK cents) per share	23,383	23,231

The proposed dividend has not been reflected as a dividend payable in the condensed consolidated balance sheet.

## 9. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 30 June 2015, the aging analysis of trade receivables is as follows:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0-30 days	47,016	40,254
31-60 days	3,337	5,707
61-90 days	2,818	2,219
Over 90 days	5,793	4,790
	<hr/>	<hr/>
	58,964	52,970

## 10. Trade payables

At 30 June 2015, the aging analysis of the trade payables is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2015</b> <b>HK\$'000</b>	<b>(Audited)</b> <b>31 December</b> <b>2014</b> <b>HK\$'000</b>
0-30 days	369,487	336,958
31-60 days	126,337	154,076
61-90 days	55,608	61,284
Over 90 days	43,520	37,370
	<hr/>	<hr/>
	594,952	589,688
	<hr/>	<hr/>

## 11. Event after the balance sheet date

On 25 August 2015, the Group has announced the sale of Circle K Guangzhou operations to Fung Holdings (1937) Limited, the controlling shareholder of the Group, at a consideration of HK\$104.5 million (subject to adjustment). It is expected to result a one-off gain of approximately HK\$50 million and improve future profitability of the Group.

## Corporate Governance

The Board of Directors and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

In order to enhance independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer are held separately by Dr. Victor Fung Kwok King and Mr. Richard Yeung Lap Bun. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board has established the following committees with defined terms of reference (available on the Company's corporate website), which are of no less exacting terms than those set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

- Audit Committee
- Remuneration Committee
- Nomination Committee

All the committees comprise a majority of Independent Non-executive Directors. Each of the Audit Committee and Remuneration Committee is chaired by an Independent Non-executive Director, and the Nomination Committee is chaired by the Non-executive Chairman.

The Group Chief Compliance and Risk Management Officer is invited to attend all Board and committee meetings to advise on corporate governance matters covering risk management, internal controls and compliance issues relating to business operations, mergers and acquisitions, accounting and financial reporting.

Corporate governance practices adopted by the Company during the six months ended 30 June 2015 are in line with those practices set out in the Company's 2014 Annual Report, and are also consistent with the principles set out in the CG Code.

## **Audit Committee**

The Audit Committee met three times to date in 2015 (with an average attendance rate of about 93%) to consider and review with senior management, the Company's Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

- Independence of external auditor, their related terms of engagement and fees;
- The Group's accounting policies and practices, compliance with the Listing Rules and statutory requirements, connected transactions, internal controls, policies and practices on corporate governance, risk management, treasury and financial reporting matters;
- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function; and
- Audit plans, findings and reports of external auditor and CGD.

The Audit Committee has reviewed with the management the unaudited interim report for the six months ended 30 June 2015 before recommending it to the Board for approval.

## **Directors' and Relevant Employees' Securities Transactions**

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2015. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2015.

## **Risk Management and Internal Control**

The Board is responsible for ensuring that the Group maintains a sound and effective system of risk management and internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee.

The Board has delegated to executive management the design, implementation and ongoing monitoring of the system of risk management and internal controls (covering financial, operational and compliance controls).

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2015:

- The risk management and internal control systems, as well as accounting system of the Group were in place and functioning effectively, and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorisation and the financial statements were reliable for publication.
- There was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

### **Compliance with the Corporate Governance Code**

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2015.

### **Purchase, Sale of Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

### **Interim Dividend**

The Board of Directors has resolved to declare an interim dividend for the six months ended 30 June 2015 of 3.1 HK cents (2014: 3.1 HK cents) per share to the shareholders of the Company.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from 10 September 2015 to 11 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 September 2015. Dividend warrants will be despatched on 18 September 2015.

On behalf of the Board  
**Convenience Retail Asia Limited**  
**Richard YEUNG Lap Bun**  
*Executive Director*

Hong Kong, 25 August 2015

As at the date of this announcement, Executive Directors of the Company are Mr. Richard Yeung Lap Bun and Mr. Pak Chi Kin; Non-executive Directors are Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun, Mr. Jeremy Paul Egerton Hobbins, Mr. Godfrey Ernest Scotchbrook and Mr. Benedict Chang Yew Teck; Independent Non-executive Directors are Mr. Malcolm Au Man Chung, Mr. Anthony Lo Kai Yiu, Mr. Zhang Hongyi and Dr. Sarah Mary Liao Sau Tung.