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 2019

Financial Highlights

	Change	**2019 HK$'000**	2018 HK$'000
• Revenue	+5.0%	**2,703,757**	2,573,932
• Core operating profit	+28.9%	**104,825**	81,293
• Core operating profit (included interest expenses on lease liabilities)	+18.3%	**96,200**	81,293
• Profit attributable to shareholders of the Company	+22.4%	**82,426**	67,352
• Basic earnings per share (HK cents)	+22.3%	**10.80**	8.83
• Interim dividend per share (HK cents)	+20.0%	**6.00**	5.00

Operation Highlights

- The Group achieved satisfactory turnover growth, driven by good comparable store sales growth at Circle K and revenue contribution from Zoff
- Net profit increased by 22.4%, mainly due to effectiveness of Circle K's online-to-offline (O2O) business model and lower production costs at Saint Honore resulting from renminbi depreciation
- The Group's O2O CRM programmes continued to lead business strategy; Circle K's "OK Stamp It" and Saint Honore's "Cake Easy" had memberships of 1.4 million and 0.6 million, respectively
- The Group will continue its O2O strategy for Circle K and Saint Honore and store network expansion programme for the fast-growing Zoff business while exercising caution due to higher operating costs and potential uncertainties in macroeconomic environment
- The Board of Directors has resolved to declare an interim dividend of 6 HK cents per share, an increase of 20% compared with 2018
- The Group maintains a healthy financial position with net cash of HK$522 million and no bank borrowings

Number of Stores as of 30 June 2019

Circle K Stores	
Hong Kong	**339**
Franchised Circle K Stores	
Guangzhou	63
Macau	32
Zhuhai	14
Subtotal	**109**
Total number of Circle K Stores	**448**
Saint Honore Cake Shops	
Hong Kong	90
Macau	9
Guangzhou	28
Total number of Saint Honore Cake Shops	**127**
Zoff Eyewear Stores	
Hong Kong	7
Total number of Stores under Convenience Retail Asia	**582**

CEO's Statement

Over the first six months of 2019, the Group posted encouraging sales and outperformed a sluggish retail market. It did so by emphasising its industry-leading O2O CRM platforms, "OK Stamp It" and "Cake Easy", sharpening focus on core competencies, investing in growth for promising new businesses and activities, and saving costs and increasing efficiency. Elsewhere, the launch of a new thematic positioning for Circle K formally announced the Group's "Easy, Fast and Simple" ("EFS") brand promise to millions – especially the younger consumers who form such an important part of the Group's future.

Operations Review – Circle K

As at 30 June 2019, the total number of Circle K stores in Hong Kong was 339 compared to 332 at the end of the first six months of 2018. The Group opened eight new Circle K stores and closed six during the first half of 2019.

During the period under review, Circle K's comparable store sales increased 4.4%, contributing to total sales of HK$2,185 million against the HK$2,061 million recorded in the first six months of 2018. The Group's proprietary O2O CRM programme "OK Stamp It" drove sales performance by serving as the core platform for virtually all of Circle K's sales and marketing efforts. With "OK Stamp It", members can download a special app to receive exclusive promotional deals and loyalty offers that can be fulfilled at a store location of their choice. Backed by the award-winning "OK Stamp It" and its 1.4 million members, Circle K continued to enjoy an enviable promotional channel for its innovative marketing activities in the first half of 2019.

One of the Group's most enduring operational commitments is making customers' lives "EFS". This is particularly important in an age when consumers face more demands on their time and attention than ever. The Group recently took this mantra to the next level by introducing an official new thematic positioning: "We make it easy, so you can take it easy". With this pledge, the Group aims to make life even more "EFS" by digitising store operations, strengthening convenience services and reinforcing service culture at the staff level.

The Group is also taking the "EFS" approach to checkout services. Working in partnership with JD.com, the largest retailer on the Chinese Mainland, the Group launched a pilot test scheme for a convenient new self-checkout service powered by artificial intelligence (AI) at two Circle K locations. The experimental service uses an advanced AI algorithm that can recognise up to five products in just one second at a high degree of accuracy. Designed with the new generation of consumers in mind, it marks the first checkout solution in Hong Kong to feature image recognition, and it promises to reduce checkout times significantly. During the period, Circle K also introduced a "Scan & Pay" self-checkout counter trial at a pilot store in Kwun Tong that allows customers to scan and pay for their own items. Both initiatives are further examples of how the Group continues to lead the retail market in modern retail operations.

The period under review once again featured a number of successful marketing activities. Leveraging the popularity of “Kakao Friends” from South Korea, the Group launched a programme whereby customers making purchases of HK$20 or more could collect stamps and redeem them for attractive premiums such as figurines, a USB-chargeable light and a bowl and mug set. In early 2019, the Group presented AEON credit card holders with an exceptionally attractive offer: Make purchases at Circle K with an AEON credit card and receive a huge 40% rebate. The offer proved so successful that Circle K and AEON plan to hold similar credit spending promotions in the future. The Group has also made it rewarding for people to collect the Government’s transport subsidy at Circle K stores by presenting commuters with HK$10 cash coupons for future purchases.

The Group continues to roll out appealing products that meet the needs of modern consumers. Delivering on its “We make it easy, so you can take it easy” brand promise, Circle K introduced value-for-money meal boxes priced at HK$27 or less with a HK$10 add-on option for fresh fruit, providing busy workers with convenient, tasty, wholesome and affordable meals on the go. Category management also remains an important part of the Group’s sales strategy. In June, the Group unveiled a new promotion that leveraged the health and wellness trend as well as the popularity of Japanese pharmacies by offering Japanese health supplements in Circle K stores. The range is now available at 50 pilot stores, and results have been positive despite relatively little formal marketing.

Capping off a successful first six months of the year, the Group was delighted to celebrate two wins for “OK Stamp It” at Marketing Magazine’s prestigious Mob-Ex Awards 2019, including Silver for “Best App – Retail” and Bronze for “Best Use of Interactive Media”. The Mob-Ex Awards are considered Hong Kong’s premier event celebrating mobile marketing excellence.

To deliver an enhanced customer experience, the Group deepened its “Service from the Heart” service value to include learning and development (Learn with Heart), operational excellence (Work with Heart) and customer service (Win One’s Heart). The new guidelines have already shown positive results as the Group strives to maintain its industry-leading service standards.

In supply chain management, the Group successfully restructured its individual cold chain distribution model into a daily dual-temperature distribution solution, which will ease cost pressures and quicken the product development process. It also devised an auto-replenishment system to achieve faster response to orders, lower costs, more stable inventory supply and higher sales. In addition, the Group established a nutrition labelling centre to boost speed to market for new direct sourcing products.

Operations Review – Saint Honore Cake Shop

As at 30 June 2019, the Group was operating 99 Saint Honore stores in Hong Kong and Macau compared to 103 at the end of the first half of 2018. The total network in Guangzhou amounted to 28 locations. The Group opened one store and closed five stores during the first six months of 2019.

During the period under review, the local retail market was characterised by macroeconomic uncertainty and depressed consumer sentiment. However, despite people spending less on discretionary items, the Group's bakery operations in Hong Kong and Macau were still able to achieve a single-digit increase in comparable store turnover growth on the back of healthy year-on-year growth for many of its products. Packaged bread and GrabNGo products saw continued strong growth due to new product launches and product quality enhancement. The Group also successfully introduced creative new products such as Fruit Tarts, Nutty Belgium Cake, Mango Lava Cake and Mango Coconut Cake, all of which were well received by customers. Gross profit margin improved due to initiatives including sourcing enhancement, product category rationalisation, process streamlining, equipment upgrades and stronger procurement management. A weaker renminbi also contributed to lower costs and better gross margin performance in the first half of 2019.

As at 30 June 2019, Saint Honore's "Cake Easy" O2O CRM programme had 0.6 million members. In June, the Group launched Saint Honore's first-ever lucky draw using this digital platform, featuring grand prizes of 50 Samsung S10 mobile phones – just one example of how loyal members are enjoying a truly O2O customer experience replete with attractive offers and incentives.

Saint Honore continued to do its part as a good corporate citizen by working with a number of valuable community organisations, including Foodlink Foundation Limited, Feeding Hong Kong and the Women Service Association, to donate unsold bread. Other activities included festive pudding donations and visits to the elderly during the Chinese New Year and Dragon Boat festivals. Saint Honore was proud to receive recognition as a "Social Cooperative Partner" by the Evangelical Lutheran Church of Hong Kong Login Club for New Arrivals, given for the company's many contributions in social services for the elderly and low-income families.

Saint Honore continued to consolidate its Guangzhou store network in order to achieve a strong foundation of revamped, modern outlets that appeal to the new generation of consumers. The Group is also enhancing its factory operations in Shenzhen and implementing "lean manufacturing" to reduce its utilisation area, simplify workflow and improve operational efficiency for faster responsiveness between markets. Improvements in baking technology and skills development are expected to result in increased "premiumisation" and value for money in bakery products.

Operations Review – Developing Businesses

Zoff

The Group's franchise of the Japanese fast-fashion eyewear brand Zoff – the sole franchisee of the brand – continued to achieve remarkable results during the period under review. Just a year and a half since its launch in Hong Kong, Zoff once again made positive contributions to the Group's results. Its store network also continued to grow: There are now seven Zoff stores in Hong Kong, all strategically located in high-traffic areas that are popular with younger consumers. In April 2019, the Group opened the largest Zoff store in Hong Kong at Taipo Mega Mall, a location that carries more than 1,800 stock-keeping units.

Appealing new products and fast, friendly service continued to drive traffic and sales. The Group rolled out successful digital media campaigns for Zoff SMART, a collection of lightweight and flexible yet tough frames, and the Night & Day series, which features detachable sunglass lenses. Other popular product lines included the Disney Series, Universal Studio Series – Minions, and the Zoff x Gaspard et Lisa Series – Macaron and Esprit Lines. "Creator Collections" such as collaborations with German designer Viktor Kammerer, Italian eyewear brand Augusto Valentini and Japanese stylist Takashi Kumagai were also well received by consumers.

To provide an even higher level of professional service for customers, the Group introduced the first "Eye Q Zone" and comprehensive eye examination service at the Taipo Mega Mall store. It also held the "Eye Q Challenge" at all Zoff stores, inviting customers to test their eyesight with a series of fun activities. Such efforts in product launches, service enhancements and marketing campaigns have helped generate significant brand awareness across Hong Kong. In a survey carried out in the first quarter of 2019, an impressive 40% of respondents said they knew the Zoff brand.

FingerShopping.com

In order to focus on the success of its core businesses, the Group sold all rights, titles and interests attached to FingerShopping.com to an independent third party on 1 March 2019.

Future Prospects

The Group will approach the latter half of the year with caution and closely monitor the latest developments in order to be able to respond quickly and minimise any unfavourable impacts on our businesses. The Group will also carefully control its expenses and seek further ways to streamline operations. At the same time, we will continue to upgrade equipment, improve processes and enhance skill sets for product innovation and quality.

The "OK Stamp It" and "Cake Easy" O2O CRM platforms will continue to drive most of the Group's sales and marketing efforts. Consumers – particularly members of these customer loyalty programmes – may expect to benefit from even more cross-promotions between businesses.

With a digital-savvy business model serving as its growth engine, the Group is well placed to continue enjoying success in the modern retail environment, and remains confident in the medium- and long-term prospects.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 15 August 2019

Discussion and Analysis

Financial Review

During the first six months of 2019, the Group's turnover increased 5% to HK$2,704 million. Turnover for the convenience store business increased 6% to HK$2,185 million, driven by strong growth in comparable store sales of 4.4% over the same period last year. Turnover for the bakery business slightly decreased 2.7% to HK$508 million, caused by a single-digit growth in comparable store sales in Hong Kong and Macau and decrease in total number of stores. Turnover for Developing Businesses increased 71% to HK$53 million with the expansion of the Zoff store network.

Gross margin and other income as a percentage of turnover increased 0.3% to 37.4% despite keen competition in the retail market and high rental and labour costs. Main contributors were the "OK Stamp It" O2O CRM programme's solid membership base of 1.4 million and strong sales performances for packaged drinks and food service. At Saint Honore, the depreciation of the renminbi resulted in lower manufacturing costs and improved gross margin compared to the same period last year. Fast-fashion eyewear business Zoff also began contributing to gross margin.

Operating expenses decreased from 33.9% of turnover to 33.5% against the same period in 2018. Including the interest expenses from lease liabilities arising from operating leases – required under new accounting standard HKFRS 16 "Leases", which was adopted by the Group effective 1 January 2019 – operating expenses marginally decreased from 33.9% of turnover to 33.8% against the same period in 2018. The divestment of FingerShopping.com contributed to the decrease, while high rental and labour costs continued to contribute to the increase.

Core operating profit before interest expenses from lease liabilities increased 28.9% to HK$105 million. Including interest expenses from lease liabilities, core operating profit increased 18.3% to HK$96 million. Overall, the Group's net profit increased 22.4% to HK$82 million for the six months ended 30 June 2019. Basic earnings per share increased 22.3% to 10.8 HK cents.

HKFRS 16 "Leases" changes the accounting method for the Group's operating leases including all leased stores, factories, warehouses and offices with lease period over a year. Before the adoption of this new accounting standard, all lease-related costs were charged to operating expenses. With the adoption of HKFRS 16, long term leases are recognised as right-of-use assets amounting to HK$736 million and lease liabilities amount to HK$737 million in the consolidated balance sheet as at 30 June 2019. Depreciation of right-of-use assets and interest expenses from lease liabilities are being charged to operating expenses and interest expenses. Comparing to the lease expenses under the old standard, the new treatment resulted in a higher net of tax charge of HK$4 million for the period under review. The Group has applied a modified retrospective approach and does not restate the comparative figures for the year prior to the first adoption.

As at 30 June 2019, the Group had a net cash balance of HK$522 million, which was mainly generated from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies 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 either in Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland. The Group is also subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, 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 6 HK cents per share.

Employees

As at 30 June 2019, the Group had a total of 6,700 employees, with 5,300, or 79%, based in Hong Kong and 1,400, or 21%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 41% of total headcount. Total staff cost for the six months ended 30 June 2019 was HK$455 million compared to HK$436 million for the same period last year.

The Group offers competitive remuneration schemes for eligible employees, including salary packages supplemented by discretionary bonuses as well as share options based on individual and company performance. It also provides attractive incentives in the form of career advancement opportunities, comprehensive job-related skill enhancement and quality customer service training for frontline staff.

In order to retain talented, passionate people and continue delivering first-rate customer service, the Group places strong emphasis on workplace satisfaction. The HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme, directed by the Activity Organising Board (AOB), helps ensure that staff members and their families are well looked after through initiatives that focus on career development, achieving work-life balance, giving back to society and more. During the period under review, the AOB once again hosted several such activities.

Circle K Convenience Stores (HK) Limited and Saint Honore Cake Shop Limited were once again proud to receive the "15 Years Plus Caring Company Logo" and "10 Years Plus Caring Company Logo", respectively, from the Hong Kong Council of Social Service. These recognitions were awarded for commitment to community, staff and the environment, as well as active involvement in charity programmes and volunteer initiatives.

Sustainability and Corporate Social Responsibility

As a member of the Fung Group, the Group follows the principles of human rights, labour, anti-corruption efforts, environmental protection and sustainability as set forth in the United Nations Global Compact.

The Group is strongly committed to conserving the environment. During the period under review, it worked to reduce its use of single-use plastics in its manufacturing and operational processes, focusing on the principles of reducing, re-using and recycling to create environmental benefits as well as cost savings and better efficiency. The Group is also reducing its carbon emissions by exploring ways to use energy more efficiently, which include replacing inefficient equipment and switching to low-carbon fuels.

In April, Convenience Retail Asia Limited published its third Environmental, Social and Governance ("ESG") Report. This publication details the Group's ESG policies, measures and performance, giving stakeholders a view into the Group's progress in regard to sustainability, stakeholder engagement, employee relations, operations, environmental conservation – including carbon footprint reduction – community relations and more.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2019

		(Unaudited) Six months ended 30 June	
	Note	**2019 HK$'000**	2018 HK$'000
Revenue	*2*	**2,703,757**	2,573,932
Cost of sales	*3*	**(1,753,050)**	(1,674,991)
Gross profit		**950,707**	898,941
Other income	*2*	**60,159**	56,754
Store expenses	*3*	**(719,540)**	(687,267)
Distribution costs	*3*	**(82,594)**	(81,101)
Administrative expenses	*3*	**(103,907)**	(106,034)
Core operating profit		**104,825**	81,293
Interest (expenses)/income, net	*4*	**(6,645)**	765
Profit before income tax		**98,180**	82,058
Income tax expenses	*5*	**(15,754)**	(14,706)
Profit attributable to shareholders of the Company		**82,426**	67,352
Basic earnings per share (HK cents)	*6*	**10.80**	8.83

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**82,426**	67,352
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**59**	128
Total comprehensive income attributable to shareholders of the Company	**82,485**	67,480

Condensed Consolidated Balance Sheet
As at 30 June 2019

	Note	(Unaudited) 30 June 2019 HK$'000	(Audited) 31 December 2018 HK$'000
Assets			
Non-current assets			
Fixed assets		**345,679**	349,965
Right-of-use assets		**735,778**	-
Investment properties		**24,873**	25,363
Lease premium for land		**31,612**	32,216
Intangible assets		**357,465**	357,465
Financial asset at fair value through other comprehensive income		**1,895**	1,895
Rental and other long-term deposits		**84,616**	97,216
Deferred tax assets		**13,111**	14,114
		1,595,029	878,234
Current assets			
Inventories		**187,542**	198,866
Rental deposits		**69,988**	58,289
Trade receivables	*8*	**81,867**	73,939
Other receivables, deposits and prepayments		**94,429**	91,329
Taxation recoverable		**734**	-
Cash and cash equivalents		**522,276**	507,694
		956,836	930,117
Total assets		**2,551,865**	1,808,351
Equity			
Share capital		**76,256**	76,253
Reserves		**569,150**	614,557
Total equity		**645,406**	690,810
Liabilities			
Non-current liabilities			
Lease liabilities		**326,421**	-
Long service payment liabilities		**14,418**	14,949
Deferred tax liabilities		**10,148**	10,160
		350,987	25,109
Current liabilities			
Trade payables	*9*	**737,017**	662,784
Other payables and accruals		**215,487**	247,207
Lease liabilities		**411,065**	-
Taxation payable		**26,794**	13,268
Cake coupons		**165,109**	169,173
		1,555,472	1,092,432
Total equity and liabilities		**2,551,865**	1,808,351

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2019

	(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 2019	**76,253**	**200,650**	**177,087**	**20,002**	**18,103**	**(1,530)**	**200,245**	**690,810**
Profit attributable to shareholders of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**82,426**	**82,426**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**59**	**-**	**59**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**59**	**82,426**	**82,485**
Issue of new shares	**3**	**94**	**-**	**-**	**-**	**-**	**-**	**97**
Employee share option benefit	**-**	**12**	**-**	**-**	**916**	**-**	**722**	**1,650**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**(129,636)**	**(129,636)**
	3	**106**	**-**	**-**	**916**	**-**	**(128,914)**	**(127,889)**
At 30 June 2019	**76,256**	**200,756**	**177,087**	**20,002**	**19,019**	**(1,471)**	**153,757**	**645,406**
At 1 January 2018	76,246	200,445	177,087	20,002	15,445	36	161,414	650,675
Profit attributable to shareholders of the Company	-	-	-	-	-	-	67,352	67,352
Exchange differences	-	-	-	-	-	128	-	128
Total comprehensive income for the period	-	-	-	-	-	128	67,352	67,480
Issue of new shares	7	182	-	-	-	-	-	189
Employee share option benefit	-	23	-	-	1,128	-	334	1,485
Dividend paid	-	-	-	-	-	-	(106,754)	(106,754)
	7	205	-	-	1,128	-	(106,420)	(105,080)
At 30 June 2018	76,253	200,650	177,087	20,002	16,573	164	122,346	613,075

Notes to the Condensed Consolidated Interim Financial Information

1. Basis of preparation and accounting policies

(a) Basis of preparation

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 2018 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 2018 consolidated financial statements.

The Group has adopted new and amended standards and interpretation of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2019 and relevant to its operations. The adoption of such new and amended standards and interpretation 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, except the impact of the adoption of HKFRS 16 “Leases”.

(b) Change in accounting policy

The Group has adopted HKFRS 16 “Leases” which changed the accounting method for operating leases including all leased stores, factories, warehouses and offices with lease period over a year with effect from 1 January 2019. As permitted under the specific transitional provisions in the standard, the Group adopted the modified retrospective approach and has not restated the 2018 comparatives. The adjustments arising from the new standard are recognised in the consolidated balance sheet as at 1 January 2019.

Leases are initially recognised as right-of-use assets and lease liabilities at the date of which the leased assets are available for use.

1. **Basis of preparation and accounting policies (continued)**

(b) Change in accounting policy (continued)

Right-of-use assets are measured at cost comprised of:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received; and
- restoration costs.

The right-of-use assets are depreciated over the lease terms on a straight-line basis.

Lease liabilities were measured at the present value of the remaining fixed lease payments. The discount rate used for the leases of Hong Kong and Macau was determined from retail property market yields provided by the Rating and Valuation Department of the Government of the Hong Kong Special Administrative Region. The discount rate used for the leases of Chinese Mainland was determined from the standard mortgage interest rate provided by The People's Bank of China.

Payments associated with short-term leases with lease terms less than a year are expensed on a straight-line basis in the consolidated profit and loss account.

The adjustments recognised in the opening balances of the affected items on the condensed consolidated balance sheet are as follows:

HK$'000	31 December 2018 (as previously reported)	Impact on adoption of HKFRS 16	**1 January 2019 (restated)**
Non-current assets			
Fixed assets	349,965	(2,519)	**347,446**
Right-of-use assets	-	649,349	**649,349**
Current assets			
Other receivables, deposits and prepayments	91,329	(2,417)	**88,912**
Non-current liabilities			
Lease liabilities	-	(377,122)	**(377,122)**
Current liabilities			
Lease liabilities	-	(270,844)	**(270,844)**
Other payables and accruals	(247,207)	3,553	**(243,654)**

With the adoption of HKFRS 16, earnings per share was decreased by 0.6 HK cent for the six months ended 30 June 2019.

2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores and bakeries, and developing businesses mainly included eyewear business. Revenues recognised during the period are as follows:

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue		
Merchandise sales revenue	**2,185,496**	2,061,358
Bakery sales revenue	**465,396**	481,735
Developing businesses revenue	**52,865**	30,839
	2,703,757	2,573,932
Other income		
Service items and miscellaneous income	**60,159**	56,754

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 principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of convenience store, bakery, and developing businesses. For convenience store segment, revenues are mainly derived from a broad range of merchandise sales. For bakery segment, revenues are mainly comprised of sales of bakery and festival products. For developing businesses segment, revenues are mainly derived from sale of eyewear products. Geographically, the management considers the performance of retailing business in Hong Kong and others, and on the Chinese Mainland.

2. Revenue, other income and segment information (continued)

The segment information provided to the management for the reportable segments for the six months ended 30 June 2019 and 2018 are as follows:

	(Unaudited) Six months ended 30 June 2019				
	Convenience Store	**Bakery**		**Developing Businesses**	
	HK	**HK & Others**	**Chinese Mainland**	**HK**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total segment revenue	**2,185,496**	**478,066**	**47,820**	**52,865**	**2,764,247**
Inter-segment revenue	**-**	**(60,490)**	**-**	**-**	**(60,490)**
Revenue from external customers	**2,185,496**	**417,576**	**47,820**	**52,865**	**2,703,757**
Total segment other income	**58,131**	**5,688**	**1,008**	**29**	**64,856**
Inter-segment other income	**(1,916)**	**(2,781)**	**-**	**-**	**(4,697)**
Other income	**56,215**	**2,907**	**1,008**	**29**	**60,159**
	2,241,711	**420,483**	**48,828**	**52,894**	**2,763,916**
Core operating profit/(loss)	**88,317**	**15,865**	**(2,076)**	**2,719**	**104,825**
Core operating profit/(loss) (included interest expenses on lease liabilities)	**82,484**	**14,368**	**(2,973)**	**2,321**	**96,200**
Depreciation and amortisation	**(156,482)**	**(53,718)**	**(10,780)**	**(9,284)**	**(230,264)**
Depreciation and amortisation (excluded depreciation on right-of-use assets)	**(14,556)**	**(18,453)**	**(2,803)**	**(1,851)**	**(37,663)**

	(Unaudited) Six months ended 30 June 2018				
	Convenience Store	Bakery		Developing Businesses	
	HK	HK & Others	Chinese Mainland	HK	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	2,061,358	488,606	57,818	30,839	2,638,621
Inter-segment revenue	-	(64,689)	-	-	(64,689)
Revenue from external customers	2,061,358	423,917	57,818	30,839	2,573,932
Total segment other income	54,661	4,325	1,033	76	60,095
Inter-segment other income	(2,228)	(1,103)	-	(10)	(3,341)
Other income	52,433	3,222	1,033	66	56,754
	2,113,791	427,139	58,851	30,905	2,630,686
Core operating profit/(loss)	75,026	11,842	(5,283)	(292)	81,293
Depreciation and amortisation	(14,166)	(19,128)	(3,848)	(632)	(37,774)

2. Revenue, other income and segment information (continued)

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.

The inter-segment revenue includes inter-product segment revenue of HK$43,044,000 (2018: HK$40,857,000) and inter-geographic segment revenue of HK$17,446,000 (2018: HK$23,832,000).

3. Expenses by nature

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Amortisation of lease premium for land	**584**	632
Cost of inventories sold	**1,637,027**	1,556,446
Depreciation of owned fixed assets	**36,594**	36,649
Depreciation of right-of-use assets	**192,601**	-
Depreciation of investment properties	**485**	493
Employee benefit expense	**455,485**	436,197
Operating leases rental for land and buildings	**93,133**	268,436
Other expenses	**243,182**	250,540
Total cost of sales, store expenses, distribution costs and administrative expenses	**2,659,091**	2,549,393

4. Interest (expenses)/income, net

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest income on bank deposits	**1,980**	765
Interest expenses on lease liabilities	**(8,625)**	-
	(6,645)	765

5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2019 and 2018. Taxation on overseas profits has been calculated on the estimated assessable profits for the period 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:

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**13,016**	12,628
Overseas profits tax	**1,750**	2,568
Deferred income tax	**988**	(490)
	15,754	14,706

6. 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 period.

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

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.

6. Earnings per share (continued)

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**82,426**	67,352
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**762,550,510**	762,486,487
Adjustment for:		
Share options	**11,304**	32,641
Weighted average number of ordinary shares for diluted earnings per share	**762,561,814**	762,519,128

7. Dividend

	(Unaudited) Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interim dividend, proposed of 6 HK cents (2018: 5 HK cents) per share	**45,754**	38,127

At a meeting held on 15 August 2019, the Directors proposed an interim dividend and it is not reflected as dividend payable in this condensed consolidated interim financial information.

8. 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 2019, the aging analysis by invoice date of trade receivables is as follows:

	(Unaudited) 30 June 2019 HK$'000	(Audited) 31 December 2018 HK$'000
0-30 days	**68,871**	49,813
31-60 days	**9,321**	16,510
61-90 days	**1,282**	2,938
Over 90 days	**2,393**	4,678
	81,867	73,939

9. Trade payables

At 30 June 2019, the aging analysis by invoice date of the trade payables is as follows:

	(Unaudited) 30 June 2019 HK$'000	(Audited) 31 December 2018 HK$'000
0-30 days	**481,753**	424,278
31-60 days	**160,226**	146,618
61-90 days	**64,605**	60,915
Over 90 days	**30,433**	30,973
	737,017	662,784

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 role of the Chairman is separate from that of the Chief Executive Officer. 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 in line with the Corporate Governance Code (the "CG Code") and Corporate Governance Report 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 2019 are in line with those practices set out in the Company's 2018 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 2019 (with an average attendance rate of about 93%) to consider and review with senior management, the Company's internal auditor under the 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, risk management and internal control systems, policies and practices on corporate governance, treasury and financial reporting matters;
- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions; and
- Audit plans, findings and reports of external auditor and CGD, as well as their effectiveness.

The Audit Committee has reviewed with senior management the unaudited interim financial information for the six months ended 30 June 2019 before recommending it to the Board for approval.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted a Code for Securities Transactions (the "Securities Code") 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. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the Securities Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2019. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2019.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness and adequacy with the assistance of the Audit Committee.

The Board has delegated to management the design, implementation and ongoing monitoring of the risk management and internal control systems.

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2019:

- The risk management and internal control systems, as well as accounting systems of the Group remained in place and were functioning effectively and adequately, 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 the Group's policies and management's authorisation, and the financial statements were reliable for publication.

- There was an ongoing process 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 2019.

Purchase, Sale or 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 2019 of 6 HK cents (2018: 5 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 2 September 2019 to 3 September 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 30 August 2019. Dividend warrants will be despatched on 12 September 2019.

On behalf of the Board
Convenience Retail Asia Limited
Richard YEUNG Lap Bun
Executive Director
& Chief Executive Officer

Hong Kong, 15 August 2019

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 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.