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 2022

Financial Highlights

	Change	**2022** **HK$'000**	2021 HK$'000
• Revenue	+11.1%	**674,211**	606,945
• Core operating profit	+10.7%	**22,417**	20,251
• Core operating profit (included interest expenses on lease liabilities)	+9.5%	**18,977**	17,330
• Profit attributable to shareholders of the Company			
Continuing Operations	-1.5%	**16,690**	16,941
Included Discontinued Operations	-27.2%	**16,690**	22,912
• Basic earnings per share (HK cents)			
Continuing Operations	Nil	**2.2**	2.2
Included Discontinued Operations	-26.7%	**2.2**	3.0
• Interim dividend per share (HK cents)	Nil	**2.0**	2.0

Operation Highlights

- Group revenue grew by double-digits in 1H 2022 on back of store network expansion and successful sales promotions despite disruptions from fifth wave of COVID-19

- The Group is cautiously optimistic about 2H prospects due to gradual recovery of consumer sentiment and arrival of autumn/winter festive periods

- The pandemic, inflation, supply chains and logistics interruptions will remain major risk factors for coming months. Counteract measures on cost controls, operational streamlining and supply chain enhancement are in place to mitigate any potential impact

- Future development to focus on expanding Hong Kong and GBA store networks as well as B2B business

- The Group maintains a healthy financial position with net cash of HK$181 million and no bank borrowings

- The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share

Number of Stores

	30 June 2022	**31 December 2021**
Saint Honore Cake Shops		
Hong Kong	107	100
Macau	12	10
Guangzhou	26	26
Subtotal	**145**	**136**
Pâtisserie Mon cher		
Hong Kong	**6**	**4**
Total number of stores under Bakery Group	**151**	**140**
Zoff Eyewear Stores		
Hong Kong	**13**	**13**
Total number of Stores under Convenience Retail Asia	**164**	**153**

CEO’s Statement

The first half of 2022 was a rocky time for Hong Kong retailers, who enjoyed a strong January followed by three months of severe disruption as cases from the Omicron variant of COVID-19 spiked. Although approximately 95% of our staff were vaccinated as at February 2022, numerous employees and/or their families were still infected, leading to reduced store operating hours and periodic closures for cleaning and sanitisation. These necessary measures had an inevitable impact on the Group’s results, as did sluggish consumer spending and rising operational costs.

Despite these challenges, the Group maintained its professionalism by continuing to deliver the same “Product TFP” (Tastiness, Freshness and Presentation), “Operation EFSS” (Easy, Fast, Simple and Safe) and “Focus CX” (Customer Experience) that it has come to be known for in the market. Business then started to improve during the Easter holidays as cases began subsiding and the Hong Kong Government launched the next round of its Consumption Voucher Scheme (CVS). Innovative and timely marketing campaigns helped power sales for Saint Honore and Zoff in the latter half of the review period, while store expansion also helped contribute to the Group’s top line.

Operations Review – Saint Honore Cake Shop

As at 30 June 2022, the Group was operating 119 Saint Honore stores in Hong Kong and Macau compared to 95 at the end of the first half of 2021. The total network in Guangzhou amounted to 26 locations. The Group opened 10 stores and closed 1 during the first six months of 2022.

In the period under review, Saint Honore rode the expansion of its store network in Hong Kong and Macau to double-digit growth in total revenue. However, the fifth wave of the pandemic severely impacted consumer sentiment and footfall due to the reinstitution of work-from-home arrangements, school suspensions, and quarantine requirements for infected cases and their close contacts. This decline in store traffic was offset to a degree by larger basket sizes, as customers shopped less frequently but bought more during their visits.

Higher operating costs contributed to a decrease in margins, especially as unprecedented cross-boundary transport disruptions between Hong Kong and Mainland China brought product supply from the Group’s factory in Shenzhen to a near-standstill. While we were able to act quickly to get deliveries back on schedule, supply chain costs nevertheless remained high. Elsewhere, global inflation impacted costs for food and packaging items, although the depreciation of the RMB mitigated some of this pressure. The Group has been seeking to address costs further with regular pricing reviews, negotiations with vendors, and enhanced productivity and category management.

Comparative store performance gradually improved following the easing of anti-pandemic restrictions and the launch of the latest round of the CVS. The Group also benefitted from the Government's Employment Support Scheme, which helped alleviate some of the cost pressures brought by the fifth wave of COVID-19. In product sales, pre-packaged bread saw the fastest rebound once anti-pandemic measures were relaxed due to its hygienic appeal and wide variety. Festive sales of Chinese New Year and Dragon Boat Festival products recorded a low single-digit decline. Sales of birthday and other celebratory cakes remained lower due to social distancing measures and limitations on group gathering sizes.

This year marks the 50th anniversary of Saint Honore. Just before the start of 2022, the Group celebrated the opening of the 100th store in Hong Kong, a great achievement for one of the city's most popular and successful bakery brands. In addition to expanding Saint Honore's store network to bring quality products to more locations and neighbourhoods, we continued to enhance the customer experience by further developing our Cake Easy O2O programme, which now boasts well over 1 million members. Cake Easy allows customers to shop for their favourite products online and fulfil orders in-store, driving traffic to physical store locations while enabling the Group to greatly expand the reach of its marketing promotions and offers. To deliver an even better customer loyalty experience and refine our targeting efforts, we launched tier membership to the programme in the second quarter of the year.

In 2022, Saint Honore was once again named a "Trusted E-shop" and "Top 10 Quality E-shop" by the Hong Kong Retail Management Association. Cake Easy was also recognised with the Silver award in the "Best Loyalty Programme – Food & Beverage" category of Marketing-Interactive's Loyalty & Engagement Awards.

Saint Honore greatly values its role as a member of the Hong Kong community. Over the first six months of the year, Saint Honore once again partnered with charitable organisations such as Foodlink, Bread Line and the Women's Service Association to collect unsold bread from participating outlets and redistribute it to people in need. In addition, all stores participated in the Earth Hour Event held by WWF on 26 March 2022.

In Macau, consumer sentiment in the first half of 2022 remained sluggish with lower footfall and smaller basket sizes. This was primarily due to the sudden closure of the border and a new universal PCR test mandate for all citizens toward the end of the review period. In the meantime, the Group continued the strategic long-term build-out of its store network. Following the launch of the Cake Easy customer loyalty programme in the market in September 2021, more than 60,000 members have been successfully recruited, providing a solid base for future marketing and sales efforts.

In Guangzhou, Saint Honore moved to leverage the growing popularity of food delivery by partnering with Meituan and Ele.me, the two biggest online food ordering platforms in China. All 26 stores in the network are now accessible via these channels, and brand exposure is nearly 10,000 people per week. To ensure that local customers can access many of the same high-quality products that are available in Hong Kong, nearly 80 items – including cakes, pound cakes and packaged bread – have been launched in Guangzhou under the "ONE Product" programme. Promotional strategies that have seen success in Hong Kong have also been launched in Guangzhou, such as lucky draws as well as other marketing campaigns and offers.

Operations Review – Mon cher

Mon cher, a premium pâtisserie chain from Osaka, Japan, is an important part of the Group's portfolio of specialty brands. A popular name with young consumers across Hong Kong and the GBA, it is known for its famous "Dojima" cream rolls, which come in a variety of innovative flavours. In addition to its brand appeal, the franchise holds great market potential because of its ability to be adapted to different brick-and-mortar formats as well as e-commerce.

During the period under review, the Group added two stores in high-profile, high-traffic locations: one at city'super Times Square in Causeway Bay, and the other at Tuen Mun Town Plaza. There are now six Mon cher stores in Hong Kong, and they continue to contribute positively to the Group's financial performance despite the on-going challenges of the pandemic.

Operations Review – Zoff

Over the first quarter of the year, business at Zoff, the Group's franchise of the popular Japanese fast-fashion eyewear chain, was disrupted by the arrival of the Omicron variant of COVID-19. Although the Group was able to maintain its customary professional services during this difficult time, the increase in infections still had a significant impact on mall foot traffic. Business began to recover midway through the second quarter as cases subsided and the Government launched the next round of its CVS. Despite the challenges of the fifth wave of the pandemic, Zoff remains the leader among brands of its kind in Hong Kong according to Government retail sales statistics and in terms of store network coverage.

One of the Group's biggest successes was leveraging the latest round of the CVS by partnering with key payment gateways such as Octopus, Alipay and Wechat Pay on a special promotion that attracted many new customers and eventually accounted for roughly 70% of Zoff's total sales during the campaign period. Positive media coverage and effective influencer marketing greatly boosted Zoff's brand exposure over the course of the promotion. The Group also drove new customer trials by offering HK$100 cash coupons to those redeeming their CVS vouchers at Circle K stores. Other marketing initiatives during the period included engaging customers via SMS and promoting VIP memberships.

A key selling point for Zoff is its constantly changing collection of more than 1,400 stylish frames, which offer unmatched variety for customers. In the first half of the year, the Group introduced more of the popular “Made in Japan” series frames as well as environmentally friendly frames to meet local demand and stay atop of global trends. The “See Blue Project”, for example, is an initiative to develop Zoff’s first sustainable eyewear by using recycled plastic from bottles that have drifted ashore or been collected as municipal waste.

In support of the local community, Zoff Hong Kong sponsored the Tung Wah Group of Hospitals’ charity raffle and Our Lady of Maryknoll Hospital’s fundraising efforts for its redevelopment project during the period under review.

Future Prospects

Barring another wave of COVID-19, we expect that pent-up consumer demand and the arrival of festive seasons such as Mid-Autumn Festival and the Christmas holidays will help drive sales and results in the second half of the year. However, pandemic guidelines for the cross-border transport of products between our manufacturing facility in Shenzhen and stores as well as food cost inflation could continue to impact our bottom line in the near term.

Our B2B business has seen satisfactory growth momentum to date. We will continue to explore further business opportunities with our existing corporate clients as well as potential opportunities in other geographies such as Macau and Mainland China.

Organic growth will play a key role in the Group’s future as we seek to continue expanding the Saint Honore, Zoff and Mon cher store networks throughout Hong Kong and Macau. We are exploring franchising opportunities for Saint Honore in the GBA, seeking highly experienced business partners with local expertise who can help us achieve steady progress for our flagship brand in this important market. We are also exploring a similar approach for the expansion of Zoff into other markets. As always, we will study licensing and M&A opportunities to add strong specialty brands – bakery and non-bakery alike – to our portfolio and create synergies with our existing businesses.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 11 August 2022

Discussion and Analysis

Financial Review

During the first six months of 2022, turnover increased 11.1% to HK$674 million. Turnover for the bakery business increased 11.0% to HK$608 million as a result of robust growth in sales to corporate customers and the expansion of store networks. Sales of festive products recorded a low single-digit drop due to the pandemic. Turnover for the Zoff eyewear business, where the effects of outlet expansion and the launch of the next round consumption vouchers by the Hong Kong Government were able to counteract the drop in footfall at shopping malls during the fifth wave of COVID-19, increased 11.8% to HK$66 million.

Gross margin as a percentage of turnover fell by 1.1 percentage points to 48.6%. This was mainly due to an increase in food and production costs for bakery products. Productivity improvement, category management and price adjustment measures have been implemented to mitigate the impact.

Operating expenses as a percentage of turnover decreased from 47.1% to 45.9%. Including interest expenses on lease liabilities, operating expenses percentage decreased from 47.6% to 46.5% against the same period in 2021. This was the result of sales growth as well as the launch of the Employment Support Scheme which offset additional costs during the period under review.

Core operating profit before interest expenses on lease liabilities increased 10.7% to HK$22 million. Including interest expenses on lease liabilities, core operating profit increased 9.5% to HK$19 million. Net profit for Continuing Operations remained at HK$17 million for the six months ended 30 June 2022 after taking into account the one-off net gain of HK$3 million related to property disposal and impairment in 2021. When including the profit contributed by the Discontinued Operations during the same period last year, net profit decreased by 27.2%. Basic and diluted earnings per share including the Discontinued Operations were 2.2 HK cents and 2.1 HK cents, respectively compared to the 3.0 HK cents for both recorded during the same period last year.

As at 30 June 2022, the Group had a net cash balance of HK$181 million, generated mainly 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, revenue and payments were held either in Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi resulting from 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 and with appropriate maturity periods to meet its funding requirements.

The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share (2021: 2 HK cents).

Employees

As at 30 June 2022, the Group had a total of 3,110 employees, with 1,516, or 49%, based in Hong Kong and 1,594, or 51%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 23% of total headcount. Total staff cost for the six months ended 30 June 2022 was HK$205 million compared to HK$234 million for the same period last year.

The Group offers competitive remuneration schemes for eligible employees, including salary packages supplemented by discretionary bonuses and share options based on individual and company performance. It also provides career advancement opportunities, comprehensive job-related skill enhancement and training for frontline staff in the delivery of quality customer service. To provide healthy, safe, stable and secure work environments, the Group places the highest priority on hygiene, sanitisation and workplace safety while ensuring efficient, resilient operations that can adapt to down cycles.

The Group's people are its most important asset. Its HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme, directed by the Activity Organising Board (AOB), is designed to support colleagues and their families by fostering career development opportunities, work-life balance and a spirit of social responsibility. In the first half of 2022, Group staff once again participated in various activities to benefit local communities. During the pandemic's fifth wave, the Group also partnered with Tung Wah Group of Hospitals and the Evangelical Lutheran Church of Hong Kong to donate 25,000 rapid antigen tests to the elderly and those in need.

This year, Saint Honore received certificates for the Good Employer Charter 2022 and Family-friendly Good Employer scheme, both awarded by the Labour Department of Hong Kong, as well as the "Manpower Developer Award Scheme – Super MD" award from the Employees Retraining Board.

Sustainability and Corporate Social Responsibility

As a member of the Fung Group, the Group adheres to the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability.

Corporate social responsibility (CSR) and sustainability are guiding principles in the Group's strategic planning and day-to-day operations. During the period under review, the Group continued to practise the three "Rs" of reducing, reusing and recycling while also striving to reduce carbon emissions throughout the organisation by adopting energy-efficient operations.

This year, Saint Honore and Zoff were proud to receive the "10 Years Plus Caring Company Logo" and "Caring Company Logo 2019-22", respectively, from the Hong Kong Council of Social Service, achievements that underscore the Group's commitment to good CSR practices. Further information on the Group's environmental, social and governance policies and performance has been provided in a separate report on the Group's website.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2022

	Note	(Unaudited) Six months ended 30 June 2022 HK$'000	2021 HK$'000
Continuing Operations			
Revenue	3	**674,211**	606,945
Cost of sales	4	**(346,869)**	(305,329)
Gross profit		**327,342**	301,616
Other income	3	**4,820**	4,555
Store expenses	4	**(212,065)**	(205,191)
Distribution costs	4	**(44,133)**	(31,913)
Administrative expenses	4	**(53,547)**	(48,816)
Core operating profit		**22,417**	20,251
Non-core operating gain, net	5	**-**	2,517
Operating profit		**22,417**	22,768
Interest expenses, net	6	**(2,628)**	(2,592)
Profit before income tax		**19,789**	20,176
Income tax expenses	7	**(3,099)**	(3,235)
Profit for the period from Continuing Operations		**16,690**	16,941
Discontinued Operations			
Profit for the period from Discontinued Operations		**-**	5,971
Profit attributable to shareholders of the Company		**16,690**	22,912
Earnings per share (HK cents)	8		
Basic			
Continuing Operations		**2.2**	2.2
Included Discontinued Operations		**2.2**	3.0
Diluted			
Continuing Operations		**2.1**	2.2
Included Discontinued Operations		**2.1**	3.0

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

	(Unaudited) Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**16,690**	22,912
Other comprehensive (loss)/gain:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain on post-employment benefit obligation	**-**	434
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(322)**	7
Total comprehensive income attributable to shareholders of the Company	**16,368**	23,353
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	**16,368**	17,382
Discontinued Operations	**-**	5,971
	16,368	23,353

Condensed Consolidated Balance Sheet
As at 30 June 2022

	Note	(Unaudited) 30 June 2022 HK$'000	(Audited) 31 December 2021 HK$'000
Assets			
Non-current assets			
Fixed assets		**172,852**	173,577
Right-of-use assets		**231,206**	228,231
Investment properties		**5,844**	5,961
Lease premium for land		**71,295**	72,768
Intangible assets		**357,465**	357,465
Rental and other long-term deposits		**45,624**	40,646
Deferred tax assets		**9,065**	10,580
		893,351	889,228
Current assets			
Inventories		**50,182**	43,127
Rental deposits		**17,653**	19,913
Trade receivables	*10*	**45,990**	45,290
Other receivables, deposits and prepayments		**42,756**	32,157
Taxation recoverable		**201**	324
Restricted bank deposit		**811**	245
Cash and cash equivalents		**180,382**	290,285
		337,975	431,341
Total assets		**1,231,326**	1,320,569
Equity			
Share capital		**77,624**	77,624
Reserves		**544,716**	566,724
Total equity		**622,340**	644,348
Liabilities			
Non-current liabilities			
Lease liabilities		**113,426**	115,859
Long service payment liabilities		**3,710**	5,069
Deferred tax liabilities		**8,664**	8,865
		125,800	129,793
Current liabilities			
Trade payables	*11*	**75,453**	80,146
Other payables and accruals		**131,530**	173,924
Lease liabilities		**120,554**	118,901
Taxation payable		**8,000**	8,236
Cake coupons		**147,649**	165,221
		483,186	546,428
Total equity and liabilities		**1,231,326**	1,320,569

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022

	(Unaudited) Attributable to shareholders of the Company					
	Share	Capital reserves	Employee share-based compensation reserve	Exchange reserve	Retained earnings	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	**77,624**	**20,002**	**360**	**317**	**546,045**	**644,348**
Profit attributable to shareholders of the Company	**-**	**-**	**-**	**-**	**16,690**	**16,690**
Exchange differences	**-**	**-**	**-**	**(322)**	**-**	**(322)**
Total comprehensive income for the period	**-**	**-**	**-**	**(322)**	**16,690**	**16,368**
Employee share option benefit	**-**	**-**	**436**	**-**	**-**	**436**
Dividends paid	**-**	**-**	**-**	**-**	**(38,812)**	**(38,812)**
	-	**-**	**436**	**-**	**(38,812)**	**(38,376)**
At 30 June 2022	**77,624**	**20,002**	**796**	**(5)**	**523,923**	**622,340**
At 1 January 2021	77,624	20,002	606	98	480,524	578,854
Profit attributable to shareholders of the Company	-	-	-	-	22,912	22,912
Exchange differences	-	-	-	7	-	7
Actuarial gain on post-employment benefit obligation	-	-	-	-	434	434
Total comprehensive income for the period	-	-	-	7	23,346	23,353
Employee share option benefit	-	-	(152)	-	52	(100)
	-	-	(152)	-	52	(100)
At 30 June 2021	77,624	20,002	454	105	503,922	602,107

Notes to the Condensed Consolidated Interim Financial Information

1. General information

Convenience Retail Asia Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the operation of (i) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; (ii) a chain of premium pâtisserie under the brand name of Mon cher in Hong Kong – one of Japan's most popular pâtisserie and cake brands; and (iii) a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business of the Company is 15th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The Company's shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information have been approved for issue by the Board of Directors on 11 August 2022.

2. 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.

This condensed consolidated interim financial information should be read in conjunction with the 2021 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 2021 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 2022 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.

3. Revenue, other income and segment information

The Group is principally engaged in the operation of bakeries and eyewear businesses. Revenues recognised during the period are as follows:

	(Unaudited) Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Revenue		
Bakery sales revenue	**608,240**	547,921
Eyewear sales revenue	**65,971**	59,024
	674,211	606,945
Other income		
Service items and miscellaneous income	**4,820**	4,555

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

Segment information

Management has determined the operating segments based on the reports reviewed by the executive director 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 bakery and eyewear businesses. For bakery segment, revenues are mainly comprised of sale of bakery and festival products. Geographically, the management considers the performance of retailing business in Hong Kong and others, and on the Chinese Mainland.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2022 and 2021 are as follows:

	(Unaudited) Six months ended 30 June 2022			
	Bakery		Eyewear	
Continuing Operations	**HK & Others HK$'000**	**Chinese Mainland HK$'000**	**HK HK$'000**	**Group HK$'000**
Total segment revenue	580,444	41,617	65,971	688,032
Inter-segment revenue	(13,788)	(33)	-	(13,821)
Revenue from external customers	566,656	41,584	65,971	674,211
Other income	4,492	10	318	4,820
	571,148	41,594	66,289	679,031
Core operating profit/(loss)	14,118	(2,766)	11,065	22,417
Core operating profit/(loss) (included interest expenses on lease liabilities)	11,848	(3,569)	10,698	18,977
Depreciation	(72,110)	(7,972)	(12,005)	(92,087)
Depreciation (excluded depreciation on right-of-use assets)	(20,041)	(873)	(1,975)	(22,889)

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

Segment information (continued)

Continuing Operations	(Unaudited) Six months ended 30 June 2021			
	Bakery		Eyewear	
	HK & Others	Chinese Mainland	HK	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	517,181	44,609	59,024	620,814
Inter-segment revenue	(13,869)	-	-	(13,869)
Revenue from external customers	503,312	44,609	59,024	606,945
Other income	3,584	671	300	4,555
	506,896	45,280	59,324	611,500
Core operating profit/(loss)	17,933	(851)	3,169	20,251
Core operating profit/(loss) (included interest expenses on lease liabilities)	16,086	(1,593)	2,837	17,330
Depreciation	(59,089)	(8,925)	(13,670)	(81,684)
Depreciation (excluded depreciation on right-of-use assets)	(17,088)	(1,300)	(2,575)	(20,963)

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 (included interest expenses on lease liabilities).

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the condensed consolidated profit and loss account and interest expenses, net from Continuing Operations in note 6, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue of HK$13,821,000 (2021: HK$13,869,000) represents internal sales within Bakery segment.

4. Expenses by nature from Continuing Operations

	(Unaudited) Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Cost of inventories sold	**206,260**	184,199
Delivery charges	**32,621**	12,797
Depreciation of owned fixed assets	**21,299**	19,176
Depreciation of right-of-use assets	**69,198**	60,721
Depreciation of investment properties	**117**	637
Depreciation of lease premium for land	**1,473**	1,150
Employee benefit expense *(note a)*	**205,299**	234,477
Short-term and variable lease payments *(note b)*	**9,313**	8,052
Utilities	**19,688**	13,570
Other expenses	**91,346**	56,470
Total cost of sales, store expenses, distribution costs and administrative expenses	**656,614**	591,249

Notes:

(a) Government subsidies of HK$16,964,000 (2021: nil) from the Employment Support Scheme has been credited to employee benefit expense for the six months ended 30 June 2022.

(b) Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$2,472,000 (2021: HK$1,503,000) for the six months ended 30 June 2022.

5. Non-core operating gain, net

The non-core operating gain for the period ended 30 June 2021 was comprised of a disposal gain of HK$4,671,000 on an asset held for sales and an impairment loss of HK$2,154,000 on an investment property. The asset held for sales was an office property and the investment property was a retail property. Both properties were located in Guangzhou, the Chinese Mainland.

6. Interest expenses, net from Continuing Operations

	(Unaudited) Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Interest income on bank deposits	**818**	329
Interest expenses on bank loan	**(6)**	-
Interest expenses on lease liabilities	**(3,440)**	(2,921)
	(2,628)	(2,592)

7. Income tax expenses from Continuing Operations

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2022 and 2021. 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 to the condensed consolidated profit and loss account represents:

	(Unaudited) Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**2,245**	63
Overseas profits tax	**242**	2,653
Deferred income tax	**612**	519
	3,099	3,235

8. 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.

	(Unaudited) Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Profit attributable to shareholders of the Company		
Continuing Operations	**16,690**	16,941
Discontinued Operations	**-**	5,971
	16,690	22,912
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**776,244,974**	776,244,974
Adjustment for:		
Share options	**1,072,894**	-
Weighted average number of ordinary shares for diluted earnings per share	**777,317,868**	776,244,974

9. Dividend

	(Unaudited) Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Interim dividend, proposed of 2 HK cents (2021: 2 HK cents) per share	**15,525**	**15,525**

At a meeting held on 11 August 2022, the Directors proposed an interim dividend and it is not reflected as dividend payable in this condensed consolidated interim financial information.

10. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from 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 2022, the aging analysis by invoice date of trade receivables is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	HK$'000	HK$'000
0-30 days	**23,397**	26,204
31-60 days	**16,904**	13,808
61-90 days	**1,440**	3,967
Over 90 days	**4,249**	1,311
	45,990	45,290

11. Trade payables

At 30 June 2022, the aging analysis by invoice date of the trade payables is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	HK$'000	HK$'000
0-30 days	**44,376**	48,520
31-60 days	**26,841**	27,576
61-90 days	**1,092**	596
Over 90 days	**3,144**	3,454
	75,453	80,146

Corporate Governance

The Board 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.

The Company has been in compliance with the code provisions 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") for the six months ended 30 June 2022. Corporate governance practices adopted by the Company during the six months under review were in line with those practices set out in the Company's 2021 Annual Report, and were also consistent with the principles set out in the CG Code.

The Board is responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters as well as investments. 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 three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, each of which has its own defined terms of reference (available on the Company's corporate website). These terms of reference are consistent with the CG Code.

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. Such committees are provided with sufficient resources to discharge their duties and have access to independent professional advice if considered necessary at the Company's expense.

Audit Committee

The Audit Committee is primary responsible for reviewing the Group's financial reporting, risk management, internal controls and corporate governance matters, and making relevant recommendations to the Board. The committee includes members who possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee has authority to investigate any activity within its terms of reference and has full access to and the cooperation of management. It has direct access to Corporate Governance Division ("CGD") and the external auditor, and full discretion to invite any management to attend its meetings.

The Audit Committee has reviewed with senior management the unaudited interim financial information for the six months ended 30 June 2022 before recommending it to the Board for approval.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted a Code for Securities Transactions by Directors and Relevant Employees (the "Securities Code") governing Directors' securities transactions on terms no less exacting than those of 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 2022. No incident of non-compliance by Directors and relevant employees was noted by the Company for the period under review.

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. Based on the respective assessments made by senior management and CGD, the Board and the Audit Committee considered that for the six months ended 30 June 2022:

- 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 under management's authorisation, and the financial statements were reliable for publication;

- there were ongoing processes for identifying, evaluating and managing the significant risks faced by the Group.

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 2022 of 2 HK cents (2021: 2 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 29 August 2022 to 30 August 2022, 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 (to be changed to "17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong" with effect from 15 August 2022), not later than 4:30 p.m. on 26 August 2022. Dividend warrants will be despatched on 8 September 2022.

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

Hong Kong, 11 August 2022

As at the date of this announcement, Executive Director of the Company is Mr Richard Yeung Lap Bun; Non-executive Directors are Dr William Fung Kwok Lun, Mr Godfrey Ernest Scotchbrook, Mr Benedict Chang Yew Teck, Ms Sabrina Fung Wing Yee and Mr Terence Fung Yue Ming; Independent Non-executive Directors are Mr Anthony Lo Kai Yiu, Dr Sarah Mary Liao Sau Tung and Mr Terrence Tsang Diao-Long.