Convenience Retail Asia Limited
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00831

INTERIM REPORT 2024

A Fung Retailing Company

Contents

Corporate Information

Executive Director
Michael TANG Tsz Kin *(Chief Executive Officer)*

Non-executive Directors
William FUNG Kwok Lun [#+] *(Chairman)*
Richard YEUNG Lap Bun
Sabrina FUNG Wing Yee
Terence FUNG Yue Ming [#]
Tiffany Daisy LEE Pei Ming

Independent Non-executive Directors
Anthony LO Kai Yiu [#*]
Sarah Mary LIAO Sau Tung [#+*]
Terrence TSANG Diao-Long [#+*]

Group Chief Compliance and Risk Management Officer
Jason YEUNG Chi Wai

Company Secretary
CHAN Chor Fai

Registered Office
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

Head Office and Principal Place of Business
15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
Hong Kong

Website
www.cr-asia.com

Legal Advisers
Mayer Brown
(as to Hong Kong Law)

Conyers Dill & Pearman, Cayman
(as to Cayman Islands Law)

Nomination Committee members
+ *Remuneration Committee members*
* *Audit Committee members*

Auditor	PricewaterhouseCoopers *Certified Public Accountants* *Registered Public Interest Entity Auditor*
Principal Share Registrar and Transfer Office	Tricor Services (Cayman Islands) Limited Third Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Abacus Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Banker	The Hongkong and Shanghai Banking Corporation Limited
Stock Code	00831

Highlights

Financial Highlights

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

Operation Highlights

- Group revenue increases slightly in a challenging market; sales driven by festive products and bakery B2B performance
- Net profit recorded a drop as a result of weak eyewear performance in Hong Kong and startup costs in Singapore
- Bakery B2B experienced strong growth as clients leveraged the Group's established R&D and production capabilities in a difficult operating environment
- Retail environment expected to remain tough in second half of the year; in response, the Group is rationalising its store network across all regions, enhancing product competitiveness and operational productivity
- The Group maintained a healthy financial position with net cash of HK$176 million and no bank borrowings
- The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share, the same as last year

Number of Stores

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

Chairman's Statement

It is my pleasure to share the 2024 first-half results for Convenience Retail Asia. In a time marked by slow recovery in Hong Kong, the Group still performed consistently by emphasising its core competencies while optimising its manufacturing processes and continuous to practise financial prudence. Such actions were appropriate for an operating environment that continues to be influenced by changing consumer and tourism patterns.

On the other hand, it was an encouraging period for the Group's blossoming B2B bakery business, which benefitted from rising demand from leading Hong Kong brands for high-quality OEM products. Our traditional Chinese festive products also enjoyed strong performances, which helped offset the market-wide drop in cake sales. Meanwhile, we made a solid start with Zoff Singapore, our first foray into Southeast Asia. Overall, the Group is moving into the second half of the year expecting on-going challenges from the retail environment in the short run but with a better expectation for the medium- to long-term.

A Market in Flux

Last year's slower-than-expected retail market recovery stretched into the first half of 2024, hampered by weak consumer sentiment; the continuation of cross-boundary and overseas "revenge travel" by Hong Kong residents, which has resulted in less discretionary income being spent locally; and changes in the consumption patterns of inbound tourists, who have been engaging in recreational and cultural activities more than once-popular activities like shopping and dining. During the period under review, Hong Kong retail sales dipped 6.6% by value and 8.2% by volume[note], while the bread, pastry, confectionery and biscuit segment, posted decreases of 10.9% and 13.3%[note], respectively. Meanwhile, the optical shop segment saw an even sharper decline, falling 14.6% by value and 16.7% by volume[note], reflecting a more difficult retail environment for Zoff, the Group's fast-fashion eyewear brand.

Note: Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 1 August 2024

Overcoming Obstacles

The first half of the year continued to see lower average basket sizes and cake sales as people spent less on home and office celebrations. In response, we emphasised strong category management and product innovation to capitalise on trends as well as historically strong sales periods such as Chinese New Year. Our well-established online-to-offline ("O2O") consumer relationship management ("CRM") platform, which boasts more than 1.3 million members, remained a useful tool for deepening engagement with customers and sharing news on the Group's latest offers and promotions.

On the store retail side, we are moving more deliberately with our store expansion plans and rationalising our network, closing underperforming stores and carrying out thorough assessments of potential new locations in order to ensure the strongest base possible for future growth. We also find ourselves competing on a tough playing field where, despite a sluggish economy, retailers still face low unemployment and high staffing costs.

The silver lining is that our strong manufacturing capabilities in Mainland China are enabling us to play effective defence and offence simultaneously. On the one hand, our first-rate facilities are ensuring a steady supply of quality products to our Saint Honore and Mon cher networks. On the other hand, these cross-border assets also make us the ideal B2B partner for clients seeking to outsource their own bakery production in light of Hong Kong's tight labour market. Strong double-digit growth from our B2B enterprise during the review period bears this out. To take advantage of this trend and further hone our competitive edge in manufacturing, we have continued to invest in innovation, digitalisation, semi-automation and staff training.

The first half of the year was also challenging for Zoff, which experienced a decrease in sales primarily due to the unfavourable economic climate and price competition from across the border. However, we have reduced Zoff's losses in Singapore and established a strong operational base, which are very positive achievements during what will be our first full year operating in this new and exciting market for the Group.

Outlook

The Group expects a second half more or less akin to the first. Our business has typically performed well during the Mid-Autumn and Christmas festive seasons, but expectations still need to be tempered given the states of the local economy, prevailing consumer sentiment, and current spending patterns of the tourist sector.

The past few years have been challenging not just for retail and F&B companies in Hong Kong, but also those operating in the wider Greater Bay Area ("GBA"). Still, we remain optimistic about the market's considerable long-term growth potential, especially in light of deeper infrastructural and economic integration across the region. We will also continue to invest in our manufacturing capabilities in Mainland China to drive sustainable growth across our bakery and B2B businesses, the latter of which has become an important revenue-driver.

The Group has strong brands with loyal customer bases. It is also cashflow-positive with ample liquidity which gives us the ability to fund its operations, invest into new retail models and pursue acquisition, licensing, M&A and joint venture opportunities. We will take advantage of the present retail landscape to adjust and uplift our store network and concepts. We believe the best course of action is to continue building on our strong foundations which will put our business on a strong footing once market conditions improve. I look forward to working with my colleagues on the Board, in management and across our organisation as we keep striving to cement the Group's position as a regional leader in specialty retailing.

William FUNG Kwok Lun
Chairman

Hong Kong, 16 August 2024

The first six months of 2024 saw a continuation of many of the trends that have impacted the retail market since the pandemic, including the rise of outbound travel by local residents, changing shopping habits among Mainland Chinese tourists to Hong Kong, higher interest rates and generally weak consumer sentiment. As a result, store foot traffic and average basket size have fallen during weekends and public holidays. Adding to these difficulties were the unstable weather conditions that afflicted the city in April and May. Elsewhere, low labour availability is making it more difficult to expand our store network, while rising rental and labour costs are putting pressure on store operating margins.

Despite these challenges, the Group was still able to deliver a reasonable financial performance from its businesses during the period under review, driving revenue with innovative new products, attractive promotions and timely category management while employing prudent cost control measures to protect margins. We were also able to leverage the growing trend by industry players to outsource non-core categories such as bakery products, leading to significant growth for our B2B enterprise. Meanwhile, we made solid progress with our new eyewear business in Singapore and bolstered our manufacturing operations to facilitate future bakery and B2B growth.

Operations Review – Saint Honore Cake Shop

As at 30 June 2024, the Group was operating 130 Saint Honore stores in Hong Kong and Macau compared to 128 at the end of the first half of 2023. The Group opened one store and closed eight during the first six months of 2024. The total network in Guangzhou amounted to 18 locations.

In the first half of the year, the Group was able to maintain revenue on a par with the previous comparable period despite the fact that lower consumer spending and more frequent outbound travel caused same-store sales to decrease. The main reasons were strong double-digit growth in the Group's burgeoning B2B enterprise and satisfactory performance in bread sales, the latter of which was supported by a number of new, higher-margin products such as sourdough, donuts and grab-n-go sandwiches.

Consumer sentiment during the period under review remained weak on account of a variety of factors, including financial and property market concerns, geopolitical tensions, and volatility in the global and Mainland Chinese economies. This contributed to both lighter footfall and lower average basket size. Sales of celebratory cakes also decreased industry-wide due to the trend away from hosting events, particularly on weekends and public holidays.

Gross profit rose slightly due to prudent cost control measures and the depreciation of the renminbi. In Hong Kong, the on-going labour shortage and associated rising costs continued to put pressure on store operating margins, which the Group sought to counter by streamlining work processes, adjusting store hours and adding more flexible shift workers.

Rents continued to rise slightly over the first six months of 2024, leading to greater discrepancy between landlord expectations and tenant affordability. In response, the Group rationalised its store network by reviewing store performance, closing underperforming locations, and employing a more selective store expansion strategy with focus on locations at high-traffic community malls and transit points.

The rise in outbound travel by Hong Kong residents following years of pandemic-related restrictions has had a significantly negative impact on local spending for the entire retail industry. Meanwhile, inbound tourists are spending less on shopping and dining in favour of cultural and outdoor recreational activities. To drive traffic and sales in such a challenging market, the Group employed effective category, pricing and festive product strategies and supported them aggressively with promotional campaigns. Our "Cake Easy" online-to-offline (O2O) customer relationship management (CRM) platform remained an important marketing tool. As at 30 June 2024, Cake Easy had more than 1.3 million members across Hong Kong and Macau – a high percentage of which could be categorised as active – and the Group's primary focus now is on ensuring quality engagement. Key digital marketing initiatives included a red packet promotion and reusable e-coupon offers, all of which served to drive in-store traffic and sales while increasing brand visibility. During the review period, the Hong Kong Retail Management Association awarded Cake Easy with an "O2O Customer Experience Recognition" and named Saint Honore a "Top 10 Quality Eshop", both offering strong testimony to the quality of the Group's digital shopping experience.

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

The Group strives to be a good corporate citizen. In March, Saint Honore Hong Kong participated in the Earth Hour campaign held by the World Wide Fund for Nature (WWF), switching off non-essential lights at all stores to show support for environmental awareness. We also continued our bread donation programmes for the needy and gave unredeemed festive products to various NGOs.

In Guangzhou, performance continued to be affected by the tough retail environment, although sales of festive products were once again strong. The Group is currently working to contain losses by rationalising costs and rightsizing its store network. New products introduced in the first half of the year have been well received, and our marketing efforts have ramped up with the launch of our official account in Little Red Book ("RED"), the popular Chinese social media and e-commerce lifestyle platform, which is providing a boost to our online promotions in the Greater Bay Area ("GBA").

Operations Review – Mon cher

The Group has been operating Pâtisserie Mon cher, a Japanese bakery brand famous for its signature "Dojima" cream rolls, in Hong Kong since obtaining the franchise licence in 2020. As at 30 June 2024, there were six Mon cher stores in the market with another scheduled to be opened in Central in early 2025. During the first half of the year, Mon cher launched its first-ever Chinese New Year gift sets, which received a lot of positive comments from consumers. However, weekend sales experienced a dip due to the outbound travel trend and dampened local consumer sentiment towards items such as premium cake products.

Operations Review – Zoff

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

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

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

Future Prospects

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

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

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

Given the state of the current retail property market, the Group will continue to take a prudent approach towards store network expansion as it explores new locations and store formats. We are excited to further develop our eyewear business in Hong Kong and Singapore, the latter of which also offers a golden opportunity to demonstrate our exceptional brand-building capabilities to a whole new market. As always, we will seek expansion opportunities through M&A, joint venture, licensing and franchising deals to create synergies with our existing brands and expand our specialty retail portfolio.

Michael TANG Tsz Kin
Chief Executive Officer

Hong Kong, 16 August 2024

Discussion and Analysis

Financial Review

During the first six months of 2024, the Group's turnover increased by 2.8% to HK$722 million. Turnover for the bakery business increased by 3.1% to HK$649 million. Daily store sales was still adversely affected by outbound travel of local consumers. But strong growth in B2B, together with satisfactory festive sales were able to make up the shortfall. Turnover for the bakery business in Guangzhou decreased by 16.7% which was mainly due to closing of non-performing stores. Turnover for the Zoff eyewear business maintained at HK$73 million after the inclusion of the newly acquired Singapore operation. In Hong Kong market, the much dropped footfall at shopping malls had impacted the revenue.

Gross margin as a percentage of turnover improved by 1.6 percentage points to 53.7%. This was achieved through effective pricing strategy, category management, production efficiency enhancement and favourable foreign exchange rates against the renminbi and Japanese yen.

Operating expenses as a percentage of turnover increased from 49.7% to 51.7%. This was mainly caused by high staff-related costs amidst tight labour market. Despite the weak retail sales environment, rental costs were still on a mild rise. Distribution expenses were maintained at same level as last year after further effort to optimise the supply chain. Including interest expenses on lease liabilities arising from operating leases, operating expenses increased to 52.2% of turnover, up from 50.2% in 2023.

Core operating profit before interest expenses on lease liabilities decreased by 19.5% to HK$17 million. Including interest expenses on lease liabilities, core operating profit decreased by 24.8% to HK$14 million. Net profit decreased by 16.0%, from HK$15 million to HK$13 million. Basic earnings per share decreased by 20.0% to 1.6 HK cents from 2.0 HK cents.

As at 30 June 2024, the Group had a net cash balance of HK$176 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, Mainland China and Singapore. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars, Singapore dollars, renminbi or Japanese yen. The Group had foreign exchange exposure as the Group's trade suppliers transact in renminbi and Japanese yen. 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 term deposits denominated in its operating currencies, with appropriate maturity periods to meet the operating requirements and capital expenditure requirements in the future. The Group has standby banking facilities of HK$78 million in support of treasury planning and management.

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

Employees

As at 30 June 2024, the Group had a total of 3,150 employees, with 1,554, or 49%, based in Hong Kong and 1,596, or 51%, based in Guangzhou, Macau, Shenzhen and Singapore. Part-time staff accounted for 23% of total headcount. Total staff cost for the six months ended 30 June 2024 was HK$257 million compared with HK$239 million over 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 strives to create opportunities for staff to further their careers, providing comprehensive job-related skill enhancement programmes as well as customer service training for frontline staff. The Group has been named a "Super MD" in the Employees Retraining Board Manpower Developer Award Scheme for the years 2020-2025 for providing safe, healthy, stable and secure work environments.

At a time of low unemployment and labour availability, it is more crucial than ever to ensure employee satisfaction and retention. Each year, the Activity Organising Board (AOB) coordinates a number of initiatives under the HEARTS (Happy, Energised, Achievements, Respect, Training and Success) employee engagement programme to help colleagues succeed professionally and to foster staff camaraderie. These include career development programmes, events designed to promote work-life balance and social activities. So far this year, the Group and its staff have organised and/or participated in a variety of food donation drives, outreach engagements for the elderly, recycling and food waste reduction programmes, carbon reduction initiatives, and more.

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. The Group is committed to achieving sustainability in its operations wherever possible, striving to protect the environment and conserve natural resources while saving costs through the "three Rs" of reducing, reusing and recycling. It also uses energy-efficient equipment and low-carbon fuels to minimise its carbon footprint.

For the year of 2023-2024, Saint Honore has received the "15 Years Plus Caring Company Logo" continuity award from The Hong Kong Council of Social Service. Meanwhile, Zoff Hong Kong was awarded the "5 Years Plus Caring Company Logo" in the same period. Both of these awards reflect our Group's emphasis on Corporate Social Responsibility (CSR) and our commitment to giving back to the community. Further information about the Group's environmental, social and governance policies and performance will be provided in a separate report on the Group's website.

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 full compliance with all of the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 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 2024. Corporate governance structure and practices adopted by the Company during the six months under review were in line with those practices set out in the Company's 2023 Annual Report, and were also consistent with the principles set out in the CG Code.

Corporate Culture

The Group strives to develop a sustainable business with people-oriented culture that nurtures successes of our business units and employees. The Board is responsible for defining the purpose, values and strategic direction of the Group, whilst management oversights the nurturance of the culture and core values over its daily operations.

The Board

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. It is structured to ensure it has a balance of skills, experience, knowledge, diversity and contributed valuable insights appropriate to the businesses and development of the Group. The Board is currently comprised of the Non-executive Chairman, four Non-executive Directors, three Independent Non-executive Directors and one Executive Director. The names of the Directors are set out in the Corporate Information section on page 2.

In order to enhance independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer are held separately by Dr William FUNG Kwok Lun and Mr Michael TANG Tsz Kin. Their respective responsibilities are clearly established and defined by the Board in writing.

Board Committees

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 in line with the CG Code.

All the committees comprise a majority of Independent Non-executive Directors to ensure independent views and input are available to the Board. 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

Chairman Anthony LO Kai Yiu *
Members Sarah Mary LIAO Sau Tung *
Terrence TSANG Diao-Long *

* *Independent Non-executive Director*

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 2024 before recommending it to the Board for approval.

Remuneration Committee

Chairman Sarah Mary LIAO Sau Tung *
Members William FUNG Kwok Lun +
Terrence TSANG Diao-Long *

* *Independent Non-executive Director*
+ *Non-executive Director*

The Remuneration Committee is primarily responsible for:

- Making recommendations to the Board on the Company's policy and structure regarding remuneration for all Directors and senior management, including allocation of share options to employees under the Company's Share Option Scheme;

- Making recommendations to the Board on the remuneration packages of Executive Director and senior management;

- Making recommendations to the Board on the remuneration of Non-executive Directors; and

- Reviewing the Group's remuneration and human resources policy.

Nomination Committee

Chairman	William FUNG Kwok Lun +
Members	Anthony LO Kai Yiu *
	Sarah Mary LIAO Sau Tung *
	Terence FUNG Yue Ming +
	Terrence TSANG Diao-Long *

* *Independent Non-executive Director*
\+ *Non-executive Director*

The Nomination Committee is primary responsible for:

- Reviewing the structure, size and composition (including diversity) of the Board;
- Assessing the independence of Independent Non-executive Directors;
- Making recommendations to the Board on the appointment or re-appointment of Directors; and
- Reviewing and monitoring the training and continuous professional development of Directors and senior management.

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 C3 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 2024. No incident of non-compliance by Directors and relevant employees was noted by the Company for the period under review.

Compliance with Inside Information Requirements

The Company handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

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 risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Audit Committee reports to the Board on any material issues and makes relevant recommendations.

The Board has delegated to management the design, implementation and ongoing monitoring of the risk management and internal control systems. Qualified personnel throughout the Group maintain and monitor these systems on an ongoing basis. The Group's risk management and internal control processes during the six months ended 30 June 2024 were in line with the practices set out in the Corporate Governance Report on pages 38 to 42 of the Company's 2023 Annual Report.

Based on the respective assessments made by CGD, the Board and the Audit Committee considered that for the six months ended 30 June 2024:

- 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 (including ESG 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; and

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

Investor Relations and Communication

A Shareholders Communication Policy has been adopted by the Board, with the objective of ensuring that the shareholders are provided with information about the Group to enable them to exercise their rights in an informed manner, and to engage actively with the Group.

The Shareholders Communication Policy pursues promoting transparency in corporate communication and investor relations. Regular communication programmes include conducting analyst briefing in person and/or via email, participation in investor conferences, conducting road shows, arranging company visits and ad hoc meetings with institutional shareholders and analysts.

The Company maintains a corporate website (www.cr-asia.com) as one of the channels to promote effective corporate communication with the investors and the general public. The website is used to disseminate company announcements, shareholder information and other relevant financial and non-financial information in an electronic format on a timely basis.

Interests and Short Positions of Directors in Shares, Underlying Shares and Debentures

As at 30 June 2024, the Directors and chief executives of the Company and their associates had the following interests in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and/or the Code for Securities Transactions by Directors and Relevant Employees adopted by the Company:

Long positions in shares and underlying shares of the Company

	Number of shares				
Name of Directors	Personal interests	Corporate/ Trust interests	Equity derivatives (share options)	Total interests	Approximate percentage of interests
William FUNG Kwok Lun	59,500,000 *(Note 2)*	311,792,000 *(Note 1)*	–	371,292,000	47.76%
Anthony LO Kai Yiu	2,276,000	–	–	2,276,000	0.29%
Sabrina FUNG Wing Yee	–	311,792,000 *(Note 1)*	–	311,792,000	40.11%
Richard YEUNG Lap Bun	24,396,000	–	–	24,396,000	3.14%
Michael TANG Tsz Kin	–	–	4,130,000 *(Note 3)*	4,130,000	0.53%

Notes:

(1) King Lun Holdings Limited ("King Lun") through its indirect wholly-owned subsidiary, Fung Retailing Limited ("FRL") (a wholly-owned subsidiary of Fung Holdings (1937) Limited ("FH 1937")) held 311,792,000 shares in the Company. 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King, the remaining 50% is owned by Dr William FUNG Kwok Lun. Ms Sabrina FUNG Wing Yee is the daughter of Dr Victor FUNG Kwok King. Therefore, Dr William FUNG Kwok Lun (by virtue of his interests in King Lun) and Ms Sabrina FUNG Wing Yee (as family member of Dr Victor FUNG Kwok King) are deemed to have interests in 311,792,000 shares of the Company.

(2) Dr William FUNG Kwok Lun has personal interests of 59,500,000 shares in the Company.

(3) These interests represented the interests in the share options (being regarded as unlisted physically settled equity derivatives) granted by the Company to the Director as beneficial owner, the details of which are set out in the section headed "Share Options" below.

Save as disclosed above, as at 30 June 2024, none of the Directors, chief executives of the Company and their associates had any other interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations. Besides, save as disclosed above, at no time during the period, the Directors and chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 30 June 2024, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had notified the Company of their interests in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Interests in shares of the Company

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	311,792,000	Trustee *(Note 1)*	40.11%
King Lun Holdings Limited	311,792,000	Interest of controlled corporation *(Note 1)*	40.11%
Aggregate of abrdn plc affiliated investment management entities (together "abrdn plc")	85,452,000	Investment manager *(Note 2)*	10.99%
abrdn Asia Focus plc	45,336,000	Beneficial owner	5.83%
abrdn Asian Income Fund Limited	39,556,000	Beneficial owner	5.09%

Notes:

1. *These shares were held by FRL. King Lun indirectly owns 100% interests in FRL through its wholly-owned subsidiary, FH 1937. All of HSBC Trustee (C.I.) Limited, King Lun, FH 1937 and FRL are deemed to have interests in these shares pursuant to the SFO. Please refer to Note in the above section headed "Interests and Short Positions of Directors in Shares, Underlying Shares and Debentures".*

2. *abrdn plc held the shares on behalf of accounts (under discretionary or segregated mandates) managed by abrdn plc.*

Save as disclosed above, as at 30 June 2024, the Company had not been notified of any other interests or short positions in shares or underlying shares of the Company being held by any other shareholders as recorded in the register required to be kept under section 336 of the SFO.

Share Options

On 29 April 2020, the 2020 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company for the purpose of providing incentives and/or rewards to eligible persons as defined in the scheme.

Details of the movements of share options under the 2020 Share Option Scheme during the six months ended 30 June 2024 are as follows:

Grantees	Number of share options						
	As at 1/1/2024	Granted *(Note 1)*	As at 30/6/2024	Exercise price HK$	Grant date	Vesting period	Exercisable period
Director							
Michael TANG Tsz Kin	–	4,130,000	4,130,000	0.64	28/3/2024	28/3/2024–31/3/2025	1/4/2025–31/3/2028
Continuous contract employees	10,166,000	–	10,166,000	0.764	11/11/2021	11/11/2021–31/3/2023	1/4/2023–31/3/2026
	–	5,926,000	5,926,000	0.64	28/3/2024	28/3/2024–31/3/2025	1/4/2025–31/3/2028
	10,166,000	10,056,000	20,222,000				

Notes:

1. *During the period, share options to subscribe for a total of 10,056,000 shares were granted on 28 March 2024. The closing price of the shares immediately before the date on which the share options were granted was HK$0.61. There is no performance target attached to the share options.*

2. *The above options granted are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in the annual audited financial statements for the year ended 31 December 2023.*

3. *The value of the options granted during the period is HK$607,000 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK$0.61 at the grant date, exercise price shown above, standard deviation of expected share price returns of 27.9%, expected life of options of three years, expected dividend paid out rate of 7.6% and annual risk-free interest rate of 3.7%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years. The Black-Scholes Valuation model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.*

4. *No share options under the 2020 Share Option Scheme were exercised, cancelled, expired or lapsed during the period.*

The number of shares that may be issued in respect of share options granted under all share option schemes during the period divided by the weighted average number of ordinary shares in issue of the Company for the period is approximately 1.31%.

Number of share options available for grant under the 2020 Share Option Scheme as at 1 January 2024 and 30 June 2024 are as follows:

	30 June 2024	1 January 2024
Share options under the mandate limit	**54,865,897**	64,921,897

Save as disclosed above, as at 30 June 2024, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates had been granted any other share options.

Change in Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, change of Director's information since the publication of the Company's 2023 Annual Report are set out below:

Name of Director	**Change**
Sabrina FUNG Wing Yee	She has been appointed as an independent non-executive director of China Eastern Airlines Corporation Limited on 29 April 2024

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 2024 of 2 HK cents (2023: 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 2 September 2024 to 3 September 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 30 August 2024. Dividend warrants will be despatched on 12 September 2024.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2024

		(Unaudited) Six months ended 30 June	
		2024	2023
	Note	**HK$'000**	HK$'000
Revenue	*4*	**721,654**	701,832
Cost of sales	*5*	**(334,427)**	(335,965)
Gross profit		**387,227**	365,867
Other income	*4*	**3,333**	4,348
Store expenses	*5*	**(267,269)**	(251,162)
Distribution costs	*5*	**(42,180)**	(41,404)
Administrative expenses	*5*	**(63,692)**	(56,017)
Core operating profit		**17,419**	21,632
Interest expenses, net	*6*	**(672)**	(1,352)
Profit before income tax		**16,747**	20,280
Income tax expenses	*7*	**(3,980)**	(5,081)
Profit attributable to shareholders of the Company		**12,767**	15,199
Earnings per share (HK cents)			
Basic/diluted	*8*	**1.6**	2.0

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**12,767**	15,199
Other comprehensive (loss)/income:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(101)**	116
Total comprehensive income attributable to shareholders of the Company	**12,666**	15,315

Condensed Consolidated Balance Sheet

As at 30 June 2024

	Note	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
Assets			
Non-current assets			
Intangible assets	*12*	**359,456**	357,465
Fixed assets	*10*	**174,621**	181,337
Right-of-use assets	*11*	**246,877**	266,323
Investment properties	*13*	**5,377**	5,494
Lease premium for land		**65,400**	66,874
Deferred tax assets		**2,885**	1,760
Rental and other long-term deposits		**45,928**	44,087
		900,544	923,340
Current assets			
Inventories		**43,572**	36,509
Rental deposits		**20,353**	19,350
Trade receivables	*14*	**55,455**	57,003
Other receivables, deposits and prepayments		**30,587**	27,920
Taxation recoverable		**675**	77
Restricted bank deposit		**1,211**	1,249
Cash and cash equivalents		**174,437**	220,640
		326,290	362,748
Total assets		**1,226,834**	1,286,088
Equity			
Share capital	*17*	**77,742**	77,742
Reserves		**564,173**	582,448
Total equity		**641,915**	660,190
Liabilities			
Non-current liabilities			
Lease liabilities	*16*	**118,125**	129,337
Long service payment liabilities		**12,785**	12,125
Deferred tax liabilities		**9,679**	8,728
		140,589	150,190
Current liabilities			
Trade payables	*15*	**70,903**	64,885
Other payables and accruals		**119,963**	135,608
Lease liabilities	*16*	**138,346**	145,266
Taxation payable		**6,064**	3,547
Cake coupons		**109,054**	126,402
		444,330	475,708
Total equity and liabilities		**1,226,834**	1,286,088

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	(Unaudited) Attributable to shareholders of the Company						
	Share capital HK$'000	Share premium HK$'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 2024	**77,742**	**888**	**20,002**	**954**	**(274)**	**560,878**	**660,190**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**12,767**	**12,767**
Exchange differences	**–**	**–**	**–**	**–**	**(101)**	**–**	**(101)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(101)**	**12,767**	**12,666**
Employee share option benefit	**–**	**–**	**–**	**156**	**–**	**–**	**156**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(31,097)**	**(31,097)**
	–	**–**	**–**	**156**	**–**	**(31,097)**	**(30,941)**
At 30 June 2024	**77,742**	**888**	**20,002**	**1,110**	**(375)**	**542,548**	**641,915**
At 1 January 2023	77,624	–	20,002	1,142	(325)	557,380	655,823
Profit attributable to shareholders of the Company	–	–	–	–	–	15,199	15,199
Exchange differences	–	–	–	–	116	–	116
Total comprehensive income for the period	–	–	–	–	116	15,199	15,315
Issue of new shares	100	664	–	–	–	–	764
Employee share option benefit	–	94	–	(172)	–	198	120
Dividends paid	–	–	–	–	–	(38,862)	(38,862)
	100	758	–	(172)	–	(38,664)	(37,978)
At 30 June 2023	77,724	758	20,002	970	(209)	533,915	633,160

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Cash flows from operating activities		
Cash generated from operations	**93,589**	57,080
Hong Kong profits tax paid	**(1,098)**	–
Overseas income tax paid	**(1,092)**	(1,708)
Net cash generated from operating activities	**91,399**	55,372
Cash flows from investing activities		
Acquisition of subsidiary	**(2,881)**	–
Purchase of fixed assets	**(17,082)**	(15,172)
Proceeds from disposal of fixed assets	**37**	91
Interest received	**3,514**	2,421
Net cash used in investing activities	**(16,412)**	(12,660)
Cash flows from financing activities		
Proceeds from issuance of shares	**–**	764
Payment of lease liabilities	**(90,883)**	(81,794)
Decrease/(increase) in rental deposits	**1,356**	(947)
Dividends paid	**(31,097)**	(38,862)
Net cash used in financing activities	**(120,624)**	(120,839)
Decrease in cash and cash equivalents	**(45,637)**	(78,127)
Cash and cash equivalents at 1 January	**220,640**	256,125
Effect of foreign exchange rate changes	**(566)**	(929)
Cash and cash equivalents at 30 June	**174,437**	177,069

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 Mainland China; (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 and Singapore.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Third 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 16 August 2024.

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 2023 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 2023 consolidated financial statements, except as described below.

2. Basis of preparation (continued)

Intangible assets

Licences

Separately acquired licences are shown at historical cost. Licences are recognised at fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and impairment losses. They have a finite useful life, and are amortised on a straight-line basis over the remaining term of the licences.

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 2024 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. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the 2023 consolidated financial statements, and should be read in conjunction with the 2023 consolidated financial statements.

There have been no changes in the risk management policies since the year end.

4. Revenue, other income and segment information

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

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Revenue		
Bakery sales revenue	**648,658**	629,093
Eyewear sales revenue	**72,996**	72,739
	721,654	701,832
Other income		
Service items and miscellaneous income	**3,333**	4,348

4. 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 under the brand names of Saint Honore and Mon cher. For eyewear segment, revenues are mainly derived from the sale of eyewear products under the brand name of Zoff. Geographically, the management considers the performance of retailing business in Hong Kong and others, and Mainland China.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2024 and 2023 are as follows:

	(Unaudited) Six months ended 30 June 2024			
	Bakery		Eyewear	
	HK & Others HK$'000	Mainland China HK$'000	HK & Others HK$'000	Group HK$'000
Total segment revenue	627,396	29,618	72,996	730,010
Inter-segment revenue	(8,308)	(48)	–	(8,356)
Revenue from external customers	619,088	29,570	72,996	721,654
Other income	2,400	166	767	3,333
	621,488	29,736	73,763	724,987
Core operating profit/(loss)	24,964	(3,594)	(3,951)	17,419
Core operating profit/(loss) (included interest expenses on lease liabilities)	22,532	(4,340)	(4,594)	13,598
Depreciation	(87,901)	(5,911)	(19,634)	(113,446)
Depreciation (excluded depreciation on right-of-use assets)	(22,329)	(542)	(3,092)	(25,963)

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

Segment information (continued)

	(Unaudited) Six months ended 30 June 2023			
	Bakery		Eyewear	
	HK & Others HK$'000	Mainland China HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	605,374	35,551	72,739	713,664
Inter-segment revenue	(11,803)	(29)	–	(11,832)
Revenue from external customers	593,571	35,522	72,739	701,832
Other income	3,734	61	553	4,348
	597,305	35,583	73,292	706,180
Core operating profit/(loss)	13,413	(3,303)	11,522	21,632
Core operating profit/(loss) (included interest expenses on lease liabilities)	11,051	(4,107)	11,128	18,072
Depreciation	(82,261)	(7,762)	(13,410)	(103,433)
Depreciation (excluded depreciation on right-of-use assets)	(21,346)	(643)	(1,826)	(23,815)

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).

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

Segment information (continued)

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 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$8,356,000 (2023: HK$11,832,000) represents internal sales within Bakery segment.

The segment assets and liabilities as at 30 June 2024 and 31 December 2023 are as follows:

	(Unaudited) As at 30 June 2024			
	Bakery		**Eyewear**	
	HK & Others HK$'000	**Mainland China HK$'000**	**HK & Others HK$'000**	**Group HK$'000**
Total segment assets	**957,508**	**32,289**	**99,477**	**1,089,274**
Total segment assets include:				
Additions to segment non-current assets	**63,598**	**6,589**	**27,354**	**97,541**
Total segment liabilities	**472,689**	**36,347**	**60,140**	**569,176**

	(Audited) As at 31 December 2023			
	Bakery		Eyewear	
	HK & Others HK$'000	Mainland China HK$'000	HK HK$'000	Group HK$'000
Total segment assets	1,030,217	40,710	93,324	1,164,251
Total segment assets include:				
Additions to segment non-current assets	171,206	10,587	41,006	222,799
Total segment liabilities	517,310	41,881	54,432	613,623

The amounts provided to the management with respect to total assets and total liabilities are measured in a manner consistent with that of the condensed consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

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

Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
Segment assets for reportable segments	**1,089,274**	1,164,251
Unallocated:		
Deferred tax assets	**2,885**	1,760
Taxation recoverable	**675**	77
Corporate bank deposits	**134,000**	120,000
Total assets per condensed consolidated balance sheet	**1,226,834**	1,286,088

Reportable segment liabilities are reconciled to total liabilities as follows:

	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
Segment liabilities for reportable segments	**569,176**	613,623
Unallocated:		
Deferred tax liabilities	**9,679**	8,728
Taxation payable	**6,064**	3,547
Total liabilities per condensed consolidated balance sheet	**584,919**	625,898

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$613,921,000 (2023: HK$598,999,000), and the total of its revenue from other regions is HK$107,733,000 (2023: HK$102,833,000) for the six months ended 30 June 2024.

The total of non-current assets other than deferred tax assets located in Hong Kong is HK$795,596,000 (as at 31 December 2023: HK$821,436,000), and the total of these non-current assets located in other regions is HK$102,063,000 (as at 31 December 2023: HK$100,144,000) as at 30 June 2024.

5. Expenses by nature

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Cost of inventories sold	**190,795**	197,198
Delivery Charges	**21,414**	25,411
Depreciation of owned fixed assets	**24,372**	22,225
Depreciation of right-of-use assets	**87,483**	79,618
Depreciation of investment properties	**117**	116
Depreciation of lease premium for land	**1,474**	1,474
Employee benefit expense	**257,410**	239,137
Short-term and variable lease payments	**7,932**	7,661
Utilities	**22,064**	22,377
Other expenses	**94,507**	89,331
Total cost of sales, store expenses, distribution costs and administrative expenses	**707,568**	684,548

6. Interest expenses, net

	(Unaudited) Six months ended 30 June 2024 HK$'000	2023 HK$'000
Interest income on bank deposits	**3,149**	2,208
Interest expenses on lease liabilities	**(3,821)**	(3,560)
	(672)	(1,352)

7. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2024 and 2023. 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 2024 HK$'000	2023 HK$'000
Current income tax		
Hong Kong profits tax	**2,947**	3,019
Overseas profits tax	**1,208**	1,188
Deferred income tax	**(175)**	874
	3,980	5,081

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	
	2024	2023
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**12,767**	15,199
	Number of Shares	Number of shares
Weighted average number of ordinary shares in issue	**777,416,974**	776,622,875
Adjustment for:		
Share options	**170,508**	1,274,135
Weighted average number of ordinary shares for diluted earnings per share	**777,587,482**	777,897,010

9. Dividend

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Interim dividend, proposed of 2 HK cents (2023: 2 HK cents) per share	**15,548**	15,545

At a meeting held on 16 August 2024, the Directors proposed an interim dividend and it is not reflected as dividend payable in this condensed consolidated interim financial information.

10. Fixed assets

	(Unaudited) 30 June 2024 HK$'000	(Unaudited) 30 June 2023 HK$'000
Opening net book amount	**181,337**	190,976
Additions	**17,082**	15,172
Acquisition of subsidiary	**1,438**	–
Disposals	**(745)**	(511)
Depreciation	**(24,372)**	(22,225)
Exchange differences	**(119)**	(92)
Closing net book amount	**174,621**	183,320

11. Right-of-use assets

	(Unaudited) 30 June 2024 HK$'000	(Unaudited) 30 June 2023 HK$'000
Opening net book amount	**266,323**	252,169
Additions	**64,265**	83,584
Acquisition of subsidiary	**9,960**	–
Disposals	**(4,877)**	(787)
Remeasurement	**–**	191
Depreciation	**(87,483)**	(79,618)
Exchange differences	**(1,311)**	(1,163)
Closing net book amount	**246,877**	254,376

12. Intangible assets

	Goodwill HK$'000	**Trademarks** HK$'000	**Licence** HK$'000	**Group** HK$'000
Cost and net book amount				
At 1 January 2023, 30 June 2023 and 1 January 2024	247,465	110,000	–	357,465
Acquisition of subsidiary	–	–	1,991	1,991
At 30 June 2024	247,465	110,000	1,991	359,456

Note:

On 2 January 2024, the Group acquired from the licence owner of Zoff, all the issued shares of Zoff I Singapore Pte. Ltd. ("ZIS") with a consideration of SGD1,613,000. ZIS is incorporated in Singapore and is the exclusive operator of Zoff eyewear brand in the country which operated five retail outlets. The Group recognised the fair value of the assets and liabilities of ZIS at the date of acquisition.

13. Investment properties

	(Unaudited) 30 June 2024 HK$'000	(Unaudited) 30 June 2023 HK$'000
Opening net book amount	**5,494**	5,727
Depreciation	**(117)**	(116)
Closing net book amount	**5,377**	5,611

14. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from corporate 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 2024, the aging analysis by invoice date of trade receivables is as follows:

	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
0-30 days	**29,085**	31,431
31-60 days	**24,278**	21,928
61-90 days	**437**	1,808
Over 90 days	**1,655**	1,836
	55,455	57,003

15. Trade payables

At 30 June 2024, the aging analysis by invoice date of the trade payables is as follows:

	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
0-30 days	**38,005**	39,713
31-60 days	**30,141**	22,812
61-90 days	**1,030**	757
Over 90 days	**1,727**	1,603
	70,903	64,885

16. Lease liabilities

	(Unaudited) 30 June 2024 HK$'000	(Unaudited) 30 June 2023 HK$'000
As at 1 January	**274,603**	257,009
Additions	**63,702**	83,264
Acquisition of subsidiary	**11,902**	–
Disposals	**(5,255)**	(831)
Remeasurement	**–**	191
Payments	**(90,883)**	(81,794)
Interest expenses	**3,821**	3,560
Exchange differences	**(1,419)**	(1,211)
Closing net book amount	**256,471**	260,188
Current lease liabilities	**138,346**	136,090
Non-current lease liabilities	**118,125**	124,098
	256,471	260,188

17. Share capital

	(Unaudited) 30 June 2024 Shares of HK$0.10 each		(Audited) 31 December 2023 Shares of HK$0.10 each	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At end of the period	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At beginning of the period	**777,416,974**	**77,742**	776,244,974	77,624
Issue of shares on exercise of share options	**–**	**–**	1,172,000	118
At end of the period	**777,416,974**	**77,742**	777,416,974	77,742

18. Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets. Capital expenditure contracted but not yet provided as at 30 June 2024 is HK$4,943,000 (as at 31 December 2023: HK$9,070,000).

19. Related party transactions

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 40.11% of the Company's shares. All of the related party transactions of the Group are entered into with Fung Holdings (1937) Limited (the holding company of FRL and a substantial shareholder of the Company) and its subsidiaries and associates.

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the period:

(a) Related party transactions

		(Unaudited) Six months ended 30 June	
		2024	2023
	Note	**HK$'000**	HK$'000
Income			
Sales of products	*(i)*		
Subsidiary/fellow subsidiary of a substantial shareholder		**19**	–
Charges			
Reimbursement of office and administrative expenses	*(ii)*		
Subsidiaries/fellow subsidiary of a substantial shareholder		**12**	1
Associate of a substantial shareholder		**–**	682
Rental	*(iii)*		
Subsidiary of a substantial shareholder		**680**	675
Associate of a substantial shareholder		**–**	1,501

19. Related party transactions (continued)

(b) Key management personnel compensation

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Fees	**1,300**	1,358
Bonuses	**3,335**	1,480
Salaries and other allowances	**4,922**	4,575
Employee share option benefit	**108**	83
Pension costs – defined contribution scheme	**45**	28
	9,710	7,524

(c) Period-end balances with related parties

	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
Amounts due to:		
Subsidiary of a substantial shareholder	**–**	(2)

The balances with the related parties included in other receivables and other payables are unsecured, interest free and repayable on demand.

Notes:

(i) *Sales of products to subsidiary/fellow subsidiary of a substantial shareholder were carried out in ordinary course of business and terms mutually agreed between the Group and the subsidiary/fellow subsidiary.*

(ii) *Reimbursements payable to subsidiaries/fellow subsidiary/associate of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.*

(iii) *Rentals are payable to a subsidiary/associate of a substantial shareholder in accordance with the terms of agreements.*

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