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CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00831)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Change	2014 HK\$'000	2013 HK\$'000
• Revenue	+3.1%	2,238,620	2,171,598
• Core operating profit	-2.1%	64,167	65,571
• Profit attributable to shareholders of the Company	-19.0%	48,697	60,146
• Basic earnings per share (HK cents)	-19.6%	6.53	8.12
• Interim dividend per share (HK cents)	-18.4%	3.10	3.80
• Special dividend per share (HK cents)	N/A	Nil	40.00

Operation Highlights

- Convenience store and bakery businesses achieved low-single-digit comparable store sales growth amid challenging operating environment
- Core operating profit dropped by 2.1%, business performance of Circle K and Saint Honore remain healthy but under pressure
- Net profit dropped by 19% due to non-operating items (exchange loss and reduced interest income) and start-up losses of e-commerce platform FingerShopping.com
- The Group expects challenging second half in 2014 due to low market sentiment, increasing rental and labour costs, and fewer corporate orders for festive period
- The Group maintains a strong financial position with net cash of HK\$442.8 million without any bank borrowings

NUMBER OF STORES AS OF 30 JUNE 2014

Circle K Stores

Hong Kong	336
Guangzhou	69

Subtotal 405

Franchised Circle K Stores

Guangzhou	11
Macau	25
Zhuhai	12

Subtotal 48

Total number of Circle K Stores 453

Saint Honore Cake Shops

Hong Kong	91
Macau	8
Guangzhou	40
Shenzhen	3

Total number of Saint Honore Cake Shops 142

Total number of Stores under Convenience Retail Asia 595

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the first six months of 2014, the Group's turnover increased 3.1% to HK\$2,238.6 million. Turnover for the convenience store business increased 3.6% to HK\$1,801.4 million, with comparable convenience store sales in Hong Kong and Southern China growing by 3.3% and 8.5% respectively compared to the first half of 2013. Turnover for Saint Honore increased 0.7% to HK\$472.2 million, with 2.2% growth in comparable store sales in Hong Kong.

Gross margin and other income as a percentage of turnover was stable. However, the Group experienced pressure from rising rental and labour costs, resulting in an increase in operating expenses as a percentage of turnover of 33.9% compared to 33.3% during the first six months of 2013.

Core operating profit decreased 2.1% to HK\$64.2 million compared to the same period last year. This is largely attributed to rising cost pressures, which outweighed growth in comparable store sales across all markets. Also, festive products sales were lower than the first half of last year due to reduced corporate sales orders.

The Group's net profit dropped by 19%, which was mainly due to the impact of non-operating items including reduced interest income from lower bank deposits (because of the payment of the special dividend last year, which distributed 50% of the Group's cash reserves), and recognition of an exchange loss that resulted from the translation of renminbi time deposits into Hong Kong dollars, which occurred due to the depreciation of the renminbi in the first half of 2014. The Group also incurred start-up losses for the new e-commerce platform FingerShopping.com in 2014. Basic earnings per share decreased by 19.6% to 6.53 HK cents.

As at 30 June 2014, the Group had a net cash balance of HK\$442.8 million with no bank borrowings. Most of the Group's cash and bank deposits were in Hong Kong dollars as well as renminbi, and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland, except for certain renminbi bank deposits held in Hong Kong, which are subject to foreign exchange risk. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in Hong Kong dollars or renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

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

Operations Review – Hong Kong

As at 30 June 2014, the total number of Circle K stores was 336 compared to 335 as at the end of 2013, and the total number of Saint Honore stores was 91 compared to 89. In the first half of 2014, the Group opened 11 new Circle K stores in Hong Kong and closed 10 for a net increase of one, and it opened six new Saint Honore stores in Hong Kong and closed four for a net increase of two.

Low market sentiment continues to impact operations in Hong Kong, as are rising labour costs and continued high rents. Festive products sales dropped slightly as shoppers and companies spent less due to a softer economy. These factors outweighed higher comparable store sales for Circle K and Saint Honore in Hong Kong during the period under review.

Employees

As at 30 June 2014, the Group had a total of 7,568 employees, 4,836 of whom were based in Hong Kong and 2,732 were based in Guangzhou, Shenzhen and Macau. Part-time employees accounted for 41% of the Group's total headcount. Total staff cost for the six months ended 30 June 2014 was HK\$390.1 million compared with HK\$381.9 million for the same period last year.

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

Marketing and Promotion

The Group strives to delight shoppers with innovative marketing and promotional initiatives, ensuring that there is "Always Something New" whenever existing and potential customers come to a store. One example was the "Craftholic x Candy Inspired Collection" premium promotion at Circle K, offering exclusively designed decorative plushes and multi-functional pouches, which received a positive reception from young female customers.

The Group also aims to capture seasonal momentum for festive seasons and big events. Launched at Circle K in June to correspond with the 2014 FIFA World Cup, the innovative "I Am A Soccer Fan Promotion" mobilised customer interaction and created an exciting store ambience for football fans.

New product promotions are an important way to keep customers engaged and interested. During the period under review, Circle K strengthened its brand image in the food services category with a large-scale promotion centred on four types of noodles: traditional cup and bowl noodles; Japanese and Korean imported cup and bowl noodles; soba noodles; and Hot & In mixed noodles. All of these items proved immensely popular.

The Group is also keenly focused on digital marketing, engaging customers via innovative online and social media promotions and updates.

Category Management

The Group continued to employ insightful, well-executed category management initiatives to drive foot traffic and purchases during the first six months of 2014. These included introducing popular Japanese snack food items; launching and expanding the “Ho-Yo” frozen yogurt range, which offers a variety of flavours with improved smoothness and richness; and adding a new Mixed Noodles Programme for the Hot & In hot food counter, featuring a wide variety of top-up product selections and combo drink offers that provide good taste as well as value.

The Group also leveraged the hugely popular World Cup event to drive sales in its beer category.

Customer Service Excellence

Circle K’s core customer service value is “happy employees beget happy customers”. To inculcate this within each and every employee, the Group held a series of initiatives based on its ongoing HEARTS (Happy, Energised, Achievement, Respect, Training, Success) employee engagement campaign.

During the period, the Group continued its Service Star Programme to further enhance its award-winning customer service, carrying out store visits and service training workshops for more than 120 frontline employees. Three main elements, referring to more smiles, more praise and more positive energy, were emphasised during Service Day and annual service training.

The effectiveness of these customer service campaigns was demonstrated when Circle K Hong Kong was named a “Smiling Enterprise” by the Mystery Shopper Service Association. Circle K Hong Kong was also once again named the Service Leader for the convenience store category for the first half of 2014, in accordance with the results of the Hong Kong Retail Management Association’s Mystery Shoppers Programme.

Supply Chain Management and Logistics

The Group took steps to simplify and automate its supply chain management and logistics operations during the first six months of 2014. One important initiative included making improvements to the existing working systems, equipping them to handle more inventory planning, product allocation and physical distribution functions. This has helped teams respond faster to replenishment orders and distribute goods more efficiently. It also allows the Group to simplify its working process and provide better service.

Examples include a new product allocation system, which has helped staff input more specific criteria and conditions in their requests; the introduction of more power equipment in distribution centre operations, to increase speed and reduce manual labour in the order selection process; and a new order planning system that will be launched in the third quarter of 2014.

Operations Review – Guangzhou

Circle K Guangzhou continues to emphasise repeat purchases by growing its Hot & In VIP membership, which exceeded 180,000 in June 2014. It has also held various VIP promotions, such as the popular weekly buy-one-get-one-free Milk Tea Day, to further engage loyal customers. Saint Honore Guangzhou has boosted its VIP membership to 65,000. Special offers at Saint Honore include free Chinese New Year pudding sample packs and free Dragon Boat Festival dumpling samples.

Online sales platforms are increasingly important in the market and for the Group. In May, Saint Honore introduced a feature via which customers can go to the brand's website, order and pay, and then pick up their goods at any store in Guangzhou, making cake shopping easier than ever. A mobile application will be deployed in the third quarter of 2014 to further enhance the customer shopping experience.

The cold weather in March and heavy rainfall in May had a negative impact on retail sales, which the Group was able to mitigate somewhat with additional collaboration throughout the supply chain.

Operations Review – Saint Honore Cake Shop

In response to aggressive rent demands, the Group has been optimising its Saint Honore store network and taking a prudent approach to store openings. Some high-revenue stores were closed in the first half of the year because of untenable rent situations, and their replacement locations are not yet achieving the same revenue. This has had a negative effect on the Group's total turnover and profit.

Two other factors that have impacted results for the period under review are the slowdown of the Chinese Mainland economy and lower spending by visitors from the Chinese Mainland to Hong Kong. These had particularly strong effects during the traditionally busy Chinese New Year and Dragon Boat Festivals.

Saint Honore Hong Kong is proud to have won two awards during the first half of the year. These include U Magazine's "My Favourite Cake Shop" award, and recognition of the Company's signature oval-shaped egg tart as one of Group Buyer's "Hong Kong Top 100 Cuisines 2013-2014". Saint Honore Hong Kong was also named a "Smiling Enterprise" by the Mystery Shopper Service Association.

FingerShopping.com

Although it is still in its investment phase, FingerShopping.com, which was launched in June 2013, is already enjoying success among an increasing base of customers who value choice and convenience. Operating under an innovative model that offers convenient e-tailing services supported by Circle K's extensive store network, this "O2O" (online to offline) business has already achieved impressive operational figures, including a paid order rate of over 90% and a pickup rate of over 80%. FingerShopping.com also offers a tangible brand-building function as an online advertising and communication platform.

FingerShopping.com gives customers the ability to shop amongst more than 5,000 stock-keeping units from quality, genuine brands such as Thermos, Philips, Burt's Bees, HealthMate, Laneige and more. After placing their orders online, customers can pick up and pay for purchases at any Circle K store. The health and beauty category, including popular Korean and international brands, is the most successful anchor category, with well over half of the platform's turnover.

As at May 2014, FingerShopping.com had recruited over 22,000 fans via frequent engagement games and social sharing feeds on Facebook and Instagram. Mobile applications for iOS and Android were also launched in May to meet the needs of shoppers on the go.

Corporate Social Responsibility

The Group continued to focus on its role within the communities where it operates. Under the guidance of the Group's Corporate Social Responsibility Steering Committee, employees raised funds and volunteered their time for a wide range of worthy causes in the first half of 2014.

Key corporate social responsibility initiatives undertaken during the first half of the year included the Group's participation in Earth Hour, to promote energy conservation; the Standard Chartered Hong Kong Marathon, which over 200 colleagues from across the Group joined to help drive awareness of the importance of physical health and exercise; the "Happy Fun Day" organised by Saint Honore Hong Kong and the Tung Wah Group of Hospitals for people from low-income families; and Circle K Hong Kong's partnership with the New Life Psychiatric Rehabilitation Association to give people in recovery from mental illness the chance to gain skills toward retail employment via two New Life convenience stores at Kowloon Hospital.

Fostering a friendly, rewarding workplace is one of the Group's core commitments. The Group was proud to announce that Saint Honore Hong Kong and Circle K Hong Kong were named "Distinguished Family-Friendly Employers" and "Family-Friendly Employers", respectively, in the Corporations Category of the Family-Friendly Employers Award Scheme 2013/2014. These awards were given for demonstrating family-friendly spirit, and implementing employment policies and practices that promote family values. Both companies also received the "Special Mention" award recognising their outstanding achievements in these areas.

Saint Honore has engaged Foodlink Foundation Limited and Feeding Hong Kong to collect unsold bread from 50 stores and deliver it to those in need. It is also continuing with its monthly "Fewer Plastic Bags" day, which was launched in October 2013.

Future Prospects

The operating environment in the second half of 2014 is expected to be tougher than the first six months of the year. Given this difficult market environment, the Group anticipates an adverse impact on full-year net profit. Comparable store sales growth could see a slowdown due to negative consumer sentiment, and high rents and labour costs will also pose challenges to the bottom line. In addition, festive sales for mooncakes during the Mid-Autumn Festival season, typically a busy period of high sales for the Group, are expected to soften due to more conservative consumer spending patterns.

To offset these challenges and set its companies up for medium- to long-term growth, the Group will continue to focus on strengthening its business model through its multi-channel shopping platform, and seek to further optimise the Circle K store network and streamline its operational process.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2014

		(Unaudited)	
		Six months ended	
		30 June	
	<i>Note</i>	2014	2013
		HK\$'000	HK\$'000
			(Restated)
Revenue	2	2,238,620	2,171,598
Cost of sales	3	(1,459,903)	(1,426,795)
Gross profit		<u>778,717</u>	<u>744,803</u>
Other income	2	44,473	42,969
Store expenses	3	(603,007)	(574,460)
Distribution costs	3	(55,627)	(53,112)
Administrative expenses	3	(100,389)	(94,629)
Core operating profit		<u>64,167</u>	<u>65,571</u>
Non-core operating (loss)/gain		<u>(2,666)</u>	<u>3,097</u>
Operating profit		61,501	68,668
Interest income	4	2,284	4,415
Profit before income tax		<u>63,785</u>	<u>73,083</u>
Income tax expenses	5	(15,088)	(12,937)
Profit attributable to shareholders of the Company	6	<u><u>48,697</u></u>	<u><u>60,146</u></u>
Earnings per share (HK cents)			
Basic	7	<u>6.53</u>	<u>8.12</u>
Diluted	7	<u>6.47</u>	<u>8.03</u>
Dividends	8	<u>23,231</u>	<u>325,277</u>

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2014

	(Unaudited)	
	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company	48,697	60,146
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss		
Exchange differences	(2,044)	1,126
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	46,653	61,272
	<hr/>	<hr/>

Condensed Consolidated Balance Sheet
As at 30 June 2014

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
Non-current assets			
Fixed assets		342,224	357,546
Investment property		14,175	-
Lease premium for land		61,033	55,388
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		71,100	69,183
Deferred tax assets		9,836	9,203
		<u>857,728</u>	<u>850,680</u>
Current assets			
Inventories		196,438	173,959
Rental deposits		51,059	51,920
Trade receivables	9	51,814	50,335
Other receivables, deposits and prepayments		80,301	76,897
Taxation recoverable		223	226
Bank deposits		120,471	51,284
Cash and cash equivalents		322,344	431,348
		<u>822,650</u>	<u>835,969</u>
Current liabilities			
Trade payables	10	577,132	546,920
Other payables and accruals		166,904	191,127
Taxation payable		24,680	11,055
Cake coupons		155,093	153,493
		<u>923,809</u>	<u>902,595</u>
Net current liabilities		<u>(101,159)</u>	<u>(66,626)</u>
Total assets less current liabilities		<u>756,569</u>	<u>784,054</u>
Financed by:			
Share capital		74,937	74,308
Reserves		632,577	587,407
Proposed dividend		23,231	96,603
Shareholders' funds		<u>730,745</u>	<u>758,318</u>
Non-current liabilities			
Long service payment liabilities		16,297	16,462
Deferred tax liabilities		9,527	9,274
		<u>756,569</u>	<u>784,054</u>

Condensed Consolidated Statement of Changes in Equity For the six months ended 30 June 2014

	(Unaudited)							
	Attributable to shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2014	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318
Profit attributable to shareholders of the Company	-	-	-	-	-	-	48,697	48,697
Exchange differences	-	-	-	-	-	(2,044)	-	(2,044)
Total comprehensive income for the period	-	-	-	-	-	(2,044)	48,697	46,653
Issue of new shares	629	19,895	-	-	-	-	-	20,524
Employee share option benefit	-	4,169	-	-	(1,660)	-	110	2,619
Dividend paid	-	-	-	-	-	-	(97,369)	(97,369)
	629	24,064	-	-	(1,660)	-	(97,259)	(74,226)
At 30 June 2014	74,937	357,743	177,087	17,781	9,796	7,059	86,342	730,745
At 1 January 2013	73,938	317,977	177,087	17,222	11,317	10,710	406,930	1,015,181
Profit attributable to shareholders of the Company	-	-	-	-	-	-	60,146	60,146
Exchange differences	-	-	-	-	-	1,126	-	1,126
Total comprehensive income for the period	-	-	-	-	-	1,126	60,146	61,272
Issue of new shares	276	9,006	-	-	-	-	-	9,282
Employee share option benefit	-	2,699	-	-	(895)	-	74	1,878
Dividend paid	-	-	-	-	-	-	(96,468)	(96,468)
	276	11,705	-	-	(895)	-	(96,394)	(85,308)
At 30 June 2013	74,214	329,682	177,087	17,222	10,422	11,836	370,682	991,145

Notes to the Condensed Consolidated Interim Financial Information

1. Basis of preparation and accounting policies

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 14 August 2014.

This condensed consolidated interim financial information should be read in conjunction with the 2013 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 2013 consolidated financial statements.

The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for the accounting periods beginning on or after 1 January 2014 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies.

The Group’s management assesses the performance of the operating businesses based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit of the convenience store and bakery businesses before interest income and income tax expenses, but excludes any material gains or losses which are of capital nature or non-recurring nature.

To conform with such management's assessment, the classification of certain items on the condensed consolidated profit or loss account for the six months ended 30 June 2014 has been changed. Management considers the change in classification can provide more relevant financial information to the users to assess the business performance through the core operating results of the Group. Core operating result is the result generated from the Group's operating businesses excluding corporate exchange gain or loss and gain or loss on disposal of property which are of capital nature or non-operating related. The reclassification is applied retrospectively, and hence, the effect of the reclassification in the certain comparative figures in the condensed consolidated profit and loss account for the six months ended 30 June 2013 were comprised of decrease in other gains, net by HK\$2,731,000 and increase in cost of sales, store expenses, distribution cost and administrative expenses by HK\$366,000, which are reclassified to non-core operating gain of HK\$3,097,000 in total.

2. Revenue, other income and segment information

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

	(Unaudited)	
	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Revenue		
Merchandise sales revenue	1,801,363	1,739,025
Bakery sales revenue	437,257	432,573
	2,238,620	2,171,598
	2,238,620	2,171,598
Other income		
Service items and miscellaneous income	44,473	42,969
	44,473	42,969
	44,473	42,969

Segment information

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

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

The segment information provided to the management for the reportable segments for the six months ended 30 June 2014 and 2013 are as follows:

	(Unaudited)				
	Six months ended 30 June 2014				
	Convenience Store		Bakery		Group
HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	HK\$'000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total segment revenue	1,696,464	104,899	441,840	54,115	2,297,318
Inter-segment revenue	-	-	(58,686)	(12)	(58,698)
Revenue from external customers	1,696,464	104,899	383,154	54,103	2,238,620
Total segment other income	41,786	802	2,875	256	45,719
Inter-segment other income	-	(73)	(1,118)	(55)	(1,246)
Other income	41,786	729	1,757	201	44,473
	<u>1,738,250</u>	<u>105,628</u>	<u>384,911</u>	<u>54,304</u>	<u>2,283,093</u>
Core operating profit/(loss)	68,707	(11,382)	15,201	(8,359)	64,167
Non-core operating loss					(2,666)
Operating profit					<u>61,501</u>
Interest income					2,284
Profit before income tax					63,785
Income tax expenses					(15,088)
Profit after income tax					<u>48,697</u>
Depreciation and amortisation	(13,682)	(3,803)	(13,104)	(3,285)	(33,874)

	(Unaudited)				
	Six months ended 30 June 2013				
	Convenience Store		Bakery		
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	Group HK\$'000
Total segment revenue	1,641,724	97,301	444,837	43,930	2,227,792
Inter-segment revenue	-	-	(56,184)	(10)	(56,194)
Revenue from external customers	1,641,724	97,301	388,653	43,920	2,171,598
Total segment other income	41,168	803	1,835	359	44,165
Inter-segment other income	-	(58)	(1,138)	-	(1,196)
Other income	41,168	745	697	359	42,969
	1,682,892	98,046	389,350	44,279	2,214,567
Core operating profit/(loss)	67,502	(12,191)	19,259	(8,999)	65,571
Non-core operating gain					3,097
Operating profit					68,668
Interest income					4,415
Profit before income tax					73,083
Income tax expenses					(12,937)
Profit after income tax					60,146
Depreciation and amortisation	(12,920)	(4,047)	(13,062)	(2,475)	(32,504)

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.

3. Expenses by nature

	(Unaudited)	
	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Amortisation of lease premium for land	871	556
Depreciation of owned fixed assets	32,911	31,948
Depreciation of investment property	92	-
Other expenses	2,185,052	2,116,492
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs and administrative expenses	2,218,926	2,148,996
	<hr/>	<hr/>

4. Interest income

	(Unaudited)	
	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest income on bank deposits	2,284	4,415
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5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2014 and 2013. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2014 and 2013 at the rates prevailing in the countries in which the Group operates.

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

	(Unaudited)	
	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	13,549	12,643
Overseas profits tax	2,004	1,798
Deferred tax credit	(465)	(1,504)
	<hr/>	<hr/>
	15,088	12,937
	<hr/>	<hr/>

6. Profit attributable to shareholders of the Company

For the six months ended 30 June 2014, the unaudited profit attributable to shareholders of the Company amounted to HK\$48,697,000 (2013: HK\$60,146,000).

7. Earnings per share

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

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

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

	(Unaudited)	
	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company	48,697	60,146
	<hr/>	<hr/>
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares in issue	745,630,704	740,794,681
Adjustment for:		
Share options	6,629,799	8,200,671
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share	752,260,503	748,995,352
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8. Dividends

	(Unaudited)	
	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend, proposed of 3.1 HK cents (2013: 3.8 HK cents) per share	23,231	28,220
Special dividend, proposed of nil (2013: 40 HK cents) per share	-	297,057
	<u>23,231</u>	<u>325,277</u>

These proposed dividends have not been reflected as a dividend payable in the condensed consolidated balance sheet.

9. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers 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 2014, the aging analysis of trade receivables is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
0-30 days	39,124	37,235
31-60 days	4,598	4,620
61-90 days	3,661	2,484
Over 90 days	4,431	5,996
	<u>51,814</u>	<u>50,335</u>

10. Trade payables

At 30 June 2014, the aging analysis of the trade payables is as follows:

	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
0-30 days	360,635	295,685
31-60 days	133,042	152,912
61-90 days	47,620	57,210
Over 90 days	35,835	41,113
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	577,132	546,920
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CORPORATE GOVERNANCE

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

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

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

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

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

Corporate governance practices adopted by the Company during the six months ended 30 June 2014 are in line with those practices set out in the Company’s 2013 Annual Report, and are also consistent with the principles set out in the CG Code.

Audit Committee

The Audit Committee met three times to date in 2014 (with an average attendance rate of about 93.3%) to consider and review with senior management, the Company’s Corporate Governance Division (“CGD”) and external auditor various matters as set out in the Audit Committee’s terms of reference, which included the following:

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

The Audit Committee has reviewed with the management the unaudited interim report for the six months ended 30 June 2014 before recommending it to the Board for approval.

Directors' and Relevant Employees' Securities Transactions

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

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2014. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2014.

Internal Control and Risk Management

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

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

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2014:

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

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2014.

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 2014 of 3.1 HK cents (2013: 3.8 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 21 August 2014 to 22 August 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 August 2014. Dividend warrants will be despatched on 29 August 2014.

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

Hong Kong, 14 August 2014

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