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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 2016

	Change	2016 HK\$'000	2015 HK\$'000 (Restated)
• Revenue	+3.4%	2,339,035	2,261,620
• Core operating profit	+7.0%	63,766	59,620
• Profit attributable to shareholders of the Company			
Continuing Operations	+7.2%	51,820	48,334
Included Discontinued Operations	+68.4%	51,820	30,766
• Basic earnings per share (HK cents)			
Continuing Operations	+7.0%	6.87	6.42
Included Discontinued Operations	+68.0%	6.87	4.09
• Interim dividend per share (HK cents)	+12.9%	3.50	3.10

Operation Highlights

- Despite weak retail market sentiment, convenience store and bakery operations achieved satisfactory comparable store sales growth in Hong Kong
- Core operating profit increased 7% on back of stabilised operating costs and improvement in Saint Honore operations
- Net profit increased by 68.4%, primarily due to the disposal of Circle K business in Guangzhou last year
- The Group expects a difficult business environment in second half of 2016 due to weak consumer sentiment, high operating costs; latter expected to persist notwithstanding possible mild downward adjustments
- The Group maintains a strong financial position with net cash of HK\$481 million without any bank borrowings

Number of Stores as of 30 June 2016

Circle K Stores

Hong Kong	<u>324</u>
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Franchised Circle K Stores

Guangzhou	72
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Macau	28
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Zhuhai	<u>18</u>
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Subtotal	<u>118</u>
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Total number of Circle K Stores	<u><u>442</u></u>
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Saint Honore Cake Shops

Hong Kong	94
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Macau	9
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Guangzhou	39
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Shenzhen	<u>2</u>
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Total number of Saint Honore Cake Shops	<u><u>144</u></u>
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Total number of Stores under Convenience Retail Asia	<u><u>586</u></u>
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Management Discussion and Analysis

Financial Review

During the first six months of 2016, the Group's turnover increased 3.4% to HK\$2,339 million. Turnover for the convenience store business increased 4.7% to HK\$1,870 million, with comparable store sales growing 5.2% compared to the same period last year. Turnover for the bakery business slightly decreased 0.5% to HK\$496 million, with low-single-digit growth in comparable store sales in Hong Kong.

Gross margin and other income as a percentage of turnover slightly increased to 35.9% despite keen competition in the retail market and high manufacturing costs. Operating expenses slightly increased from 33.1% of turnover to 33.2% against the same period in 2015, which was primarily due to high rental and labour costs. The operating results of Saint Honore Guangzhou improved following the restructuring of the business. Overall, the Group's core operating profit increased 7% to HK\$64 million.

With the disposal of Discontinued Operations in second half of 2015, the Group's net profit increased 68.4% to HK\$52 million for the six months ended 30 June 2016. Basic earnings per share for Continuing Operations increased 7% to 6.87 HK cents, and basic earnings per share including Discontinued Operations increased 68% to 6.87 HK cents.

As at 30 June 2016, the Group had a net cash balance of HK\$481 million, which was mainly generated from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held either in Hong Kong dollars or renminbi. The Group had 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 bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

The Board of Directors has resolved to declare an interim dividend of 3.5 HK cents per share.

Operations Review – Hong Kong

As at 30 June 2016, the total number of Circle K stores was 324 compared to 328 as at the end of 2015, and the total number of Saint Honore stores was 94 compared to 89. In the first half of 2016, the Group opened six new Circle K stores in Hong Kong and closed 10 for a net decrease of four, and it opened seven new Saint Honore stores in Hong Kong and closed two for a net increase of five.

Employees

As at 30 June 2016, the Group had a total of 6,811 employees, with 5,039, or 74%, based in Hong Kong and 1,772, or 26%, based in Guangzhou, Shenzhen and Macau. Part-time employees accounted for 45% of total headcount. Total staff cost for Continuing Operations for the six months ended 30 June 2016 was HK\$398 million compared to HK\$383 million for the same period last year.

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

During the period under review, the Activity Organising Board arranged several activities under the HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme, which is designed to enhance job satisfaction, boost talent retention and bolster the Group's reputation as an employer of choice. Initiatives were largely distributed across key areas such as creating a happy working environment, caring for employees' families and ensuring work-life balance. The "Little Saint Honore" work experience programme for children of employees was once again a popular choice, as was representing the Group in the Standard Chartered Hong Kong Marathon 2016, where more than 200 colleagues, their families and friends took part to nurture team spirit and promote personal health.

Operations Review – Circle K

Marketing and Promotion

During the first half of 2016, Circle K continued to build its “Dare to Try” brand image to appeal to younger generations and strengthen its customer foundation for the future. One successful initiative was the launch of a premium promotion featuring an office relaxation kit themed on the popular Sanrio character “Gudetama”. The promotion was pushed across traditional, social, mobile and in-store advertising.

Leveraging the O2O (online-to-offline) platform FingerShopping.com, the Group launched an innovative “O2O Instant Lucky Draw Promotion” in March, offering attractive prizes including Apple Watches and FingerShopping.com cash coupons totalling HK\$60 million in value. The promotion was effective in driving online sales while also increasing store traffic at Circle K.

Category Management

Effective category management is one of the most important ways for Circle K to stay fresh and relevant, ensuring that in-demand products and services are available when and where customers expect them. During the period under review, the Group took steps to enhance its convenient “Quick Breakfast” offerings, revamp its successful deli and sandwich ranges and introduce new food products themed on the Gudetama premium promotion. One highlight was the January launch of a new “Japanese Egg Mayonnaise and Ham” flavour for the Hot & In line of Super Soft sandwiches. Building on its reputation for innovation, the Group introduced in May the first MasterCard gift card in Hong Kong.

Customer Service Excellence

The Group continued to demonstrate industry-leading customer service during the first half of 2016. For the third consecutive year, Circle K received the “Smiling Enterprise Award 2015-2016” from the Mystery Shopper Service Association, and a store manager won the award for “Outstanding Smiling Staff 2016” in Hong Kong.

On 23 March, Circle K promoted its outstanding service culture and injected positive energy into the community by combining its annual Service Day with international “OK Day” – when people around the world commemorate the birth of the popular expression – and hosting games and activity booths in stores across Hong Kong. The Group also extended its HEARTS employee engagement programme when senior management and 100 of Circle K’s Service Stars visited stores across Hong Kong to interact with customers.

Operations Review – Saint Honore Cake Shop

The Group's bakery business performed reasonably well during the period under review. Saint Honore posted low-single-digit growth in comparable store sales in Hong Kong despite a very challenging retail environment, supported in part by the introduction of successful products such as Ovaltine and mango cakes and family-pack bread.

With the stabilisation of the commercial property rental market, store expansion has once again become a key growth strategy. The first six months of the year saw new store openings in some of Hong Kong's busiest districts.

This year the Group officially launched a digital customer relationship management programme for Saint Honore in Hong Kong, which features a recruitment programme offering tailor-made rewards for loyal customers. The Group has also invested in further automation along its factory production lines to ensure product quality and consistency, boost productivity and capacity, and reduce labour costs.

The Hong Kong operations were proud to receive three recognitions during the period under review: the "Smiling Enterprise Award 2015-2016", a 2016 "U Favourite Food Award" from U Magazine and a "Manpower Developer 1st (2010-18)" designation from the List of Manpower Developers of Employees Retraining Board – Manpower Developer Award Scheme.

In Guangzhou, Saint Honore achieved promising performance during the first half of 2016 as we implemented restructuring efforts to enhance supply chain efficiency and improve store and office operations. The Group introduced innovative products to drive sales, including Napoleon soft-crust pizza, which is baked to order and made with fresh ingredients. Saint Honore also launched a new bread line (FIT 魯邦種) that is tailored for Mainland customers with a unique formulation of natural yeast and healthy ingredients, fusing the best flavours of European bread with a soft, chewy texture.

Supply Chain Management and Logistics

With the warmer months approaching, the Group strengthened the capacity of its cold chain for delivering ice cream products by partnering with proven third-party contractors. This also enabled stores to enhance the customer shopping experience by stocking additional trendy, directly imported items through global sourcing.

As for Saint Honore, additional logistics service contractors were engaged to achieve more flexibility in scheduling delivery routes.

FingerShopping.com

The Group's O2O platform FingerShopping.com continued to make good headway during the period under review. The site now carries approximately 21,000 stock-keeping units from about 1,500 brands. FingerShopping.com's comprehensive offerings, user-friendly interface and convenient services – which allow customers to purchase products online, and pay for them and pick them up at nearby Circle K stores – helped earn it recognition as one of the “2016 Top 10 eCommerce Websites” as decided by GS1 Hong Kong and Retail Asia Expo. In addition, FingerShopping.com extended its market coverage to Macau in February.

Over the first six months of 2016, FingerShopping.com recorded nearly 100% growth in both gross merchandise value (“GMV”) and membership compared to the first half of 2015, with a pick-up rate in excess of 95% and a payment rate of 73% at Circle K stores in Hong Kong. The fast-growing, high-potential health and beauty segment represented 78% of total GMV.

Corporate Social Responsibility

Giving back to the community is one of the most rewarding company activities for staff and management. In the first half of 2016, Circle K Hong Kong partnered with New Life Psychiatric Rehabilitation Association for a corporate social integration project, providing real-life working environments and job training at Circle K stores in United Christian Hospital and Tseung Kwan O Hospital for people in recovery from mental illness.

In January, the Group collaborated with the Tung Wah Group of Hospitals to celebrate Chinese New Year with more than 60 senior citizens. In May, Circle K Hong Kong partnered with iBakery – a social enterprise operated by the Tung Wah Group of Hospitals – for a “Mother's Day Cookies Programme”, selling cookie gift packs for HK\$38 to raise funds benefiting low-income families.

As part of its comprehensive sustainability efforts, the Group supported Earth Hour 2016 by displaying posters in prominent display areas and turning off non-essential store lights and signs for one hour on the day of the event. Circle K stores also continued to give excess food to Foodlink Foundation Limited (“Foodlink”), donating approximately 16,000 pieces in the first half of 2016. Saint Honore also donated excess buns and bread to Foodlink during the period.

In recognition of its numerous corporate social responsibility initiatives and strong track record of giving back to the community, Circle K and Saint Honore were once again awarded the “10 Years Plus Caring Company Logo” and “5 Years Plus Caring Company Logo” respectively from the Hong Kong Council of Social Service.

Future Prospects

The Group anticipates that the macroeconomic environment will remain challenging for the rest of the year and beyond. This is due to a combination of reasons that include sluggish growth on the Chinese Mainland, US interest rate concerns, and uncertainty regarding Europe and the future of the European Union following the Brexit vote. In Hong Kong, falling visitation and tourist spending along with weak local consumer sentiment are likely to continue impacting retail sales.

In the second half of 2016, the Group will seek to grow profit at existing stores by continuing to improve efficiency, reduce costs, and drive sales through innovative product development, marketing and category management. With the commercial rental market on the downswing, cautious store expansion will play a role in driving revenue across the convenience store and bakery businesses.

Although the business environment has been challenging, the Group's core operations remain strong and healthy, and it has a solid balance sheet with a good cash position. We will continue to monitor the market closely for merger and acquisition opportunities that can help us grow our business, at the same time as we strive for healthy organic growth.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2016

		(Unaudited)	
		Six months ended	
		30 June	
	<i>Note</i>	2016	2015
		HK\$'000	HK\$'000
			(Restated)
Continuing Operations			
Revenue	2	2,339,035	2,261,620
Cost of sales	3	(1,551,588)	(1,503,615)
		<hr/>	<hr/>
Gross profit		787,447	758,005
Other income	2	52,109	49,291
Store expenses	3	(614,633)	(595,491)
Distribution costs	3	(69,033)	(58,892)
Administrative expenses	3	(92,124)	(93,293)
		<hr/>	<hr/>
Core operating profit		63,766	59,620
Non-core operating gain/(loss)	3	42	(615)
		<hr/>	<hr/>
Operating profit		63,808	59,005
Interest income	4	1,124	2,132
		<hr/>	<hr/>
Profit before income tax		64,932	61,137
Income tax expenses	5	(13,112)	(12,803)
		<hr/>	<hr/>
Profit for the period from Continuing Operations		51,820	48,334
Discontinued Operations			
Loss for the period from Discontinued Operations	10	-	(17,568)
		<hr/>	<hr/>
Profit attributable to shareholders of the Company		51,820	30,766
		<hr/>	<hr/>
Earnings per share (HK cents)			
Basic earnings per share	6		
Continuing Operations		6.87	6.42
Included Discontinued Operations		6.87	4.09
		<hr/>	<hr/>
Diluted earnings per share	6		
Continuing Operations		6.87	6.39
Included Discontinued Operations		6.87	4.07
		<hr/>	<hr/>

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company	51,820	30,766
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	(2,121)	(432)
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	49,699	30,334
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	49,699	47,879
Discontinued Operations	-	(17,545)
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Balance Sheet
As at 30 June 2016

		(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Non-current assets			
Fixed assets		329,733	334,875
Investment properties		27,936	28,585
Lease premium for land		36,726	37,906
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		86,012	74,361
Deferred tax assets		17,418	14,075
		<hr/> 857,185	<hr/> 849,162
Current assets			
Inventories		183,982	185,358
Rental deposits		51,993	53,794
Trade receivables	8	51,724	48,495
Other receivables, deposits and prepayments		83,390	80,527
Restricted bank deposit		934	957
Cash and cash equivalents		480,055	567,114
		<hr/> 852,078	<hr/> 936,245
Current liabilities			
Trade payables	9	570,628	539,783
Other payables and accruals		184,897	212,039
Taxation payable		22,233	7,430
Cake coupons		163,945	166,246
		<hr/> 941,703	<hr/> 925,498
Net current (liabilities)/assets		<hr/> (89,625)	<hr/> 10,747
Total assets less current liabilities		<hr/> <hr/> 767,560	<hr/> <hr/> 859,909
Financed by:			
Share capital		75,464	75,464
Reserves		671,673	763,070
Shareholders' funds		<hr/> 747,137	<hr/> 838,534
Non-current liabilities			
Long service payment liabilities		10,446	11,505
Deferred tax liabilities		9,977	9,870
		<hr/> 767,560	<hr/> 859,909

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

(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 2016	75,464	377,246	177,087	18,474	13,201	2,217	174,845	838,534
Profit attributable to shareholders of the Company	-	-	-	-	-	-	51,820	51,820
Exchange differences	-	-	-	-	-	(2,121)	-	(2,121)
Total comprehensive income for the period	-	-	-	-	-	(2,121)	51,820	49,699
Employee share option benefit	-	-	-	-	2,206	-	80	2,286
Dividends paid	-	-	-	-	-	-	(143,382)	(143,382)
	-	-	-	-	2,206	-	(143,302)	(141,096)
At 30 June 2016	75,464	377,246	177,087	18,474	15,407	96	83,363	747,137
At 1 January 2015	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161
Profit attributable to shareholders of the Company	-	-	-	-	-	-	30,766	30,766
Exchange differences	-	-	-	-	-	(432)	-	(432)
Total comprehensive income for the period	-	-	-	-	-	(432)	30,766	30,334
Issue of new shares	314	9,793	-	-	-	-	-	10,107
Employee share option benefit	-	1,864	-	-	438	-	104	2,406
Dividend paid	-	-	-	-	-	-	(98,044)	(98,044)
	314	11,657	-	-	438	-	(97,940)	(85,531)
At 30 June 2015	75,429	375,946	177,087	18,474	11,500	6,956	69,572	734,964

Notes to the Condensed Consolidated Interim Financial Information

1. Basis of preparation and accounting policies

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

This condensed consolidated interim financial information should be read in conjunction with the 2015 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 2015 consolidated financial statements.

The Group has adopted new and amended standards and interpretations of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2016 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.

On 25 August 2015, the Group has disposed of certain subsidiaries which are principally engaged in the operation of the convenience store business in Guangzhou and the operation is presented as Discontinued Operations. The financial results of the Discontinued Operations for the period ended 30 June 2015 have been restated accordingly.

2. Revenue, other income and segment information

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

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Revenue		
Merchandise sales revenue	1,870,236	1,786,189
Bakery sales revenue	458,603	467,462
e-commerce revenue	10,196	7,969
	<hr/>	<hr/>
	2,339,035	2,261,620
	<hr/>	<hr/>
Other income		
Service items and miscellaneous income	52,109	49,291
	<hr/>	<hr/>

Segment information

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

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

The segment information provided to the management for the reportable segments for the six months ended 30 June 2016 and 2015 are as follows:

(Unaudited)					
Six months ended 30 June 2016					
<u>Continuing Operations</u>	Convenience Store	Bakery		e-commerce	Group
	HK & Others HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	
Total segment revenue	1,870,236	462,818	59,006	10,196	2,402,256
Inter-segment revenue	-	(63,221)	-	-	(63,221)
Revenue from external customers	1,870,236	399,597	59,006	10,196	2,339,035
Total segment other income	48,399	4,435	1,016	47	53,897
Inter-segment other income	(681)	(1,107)	-	-	(1,788)
Other income	47,718	3,328	1,016	47	52,109
	1,917,954	402,925	60,022	10,243	2,391,144
Core operating profit/(loss)	71,526	6,628	(4,003)	(10,385)	63,766
Depreciation and amortisation	(13,276)	(16,347)	(3,283)	(584)	(33,490)
(Unaudited)					
Six months ended 30 June 2015					
<u>Continuing Operations</u>	Convenience Store	Bakery		e-commerce	Group
	HK & Others HK\$'000 (Restated)	HK & Others HK\$'000 (Restated)	Chinese Mainland HK\$'000 (Restated)	HK HK\$'000 (Restated)	
Total segment revenue	1,786,189	462,361	65,265	7,969	2,321,784
Inter-segment revenue	-	(60,164)	-	-	(60,164)
Revenue from external customers	1,786,189	402,197	65,265	7,969	2,261,620
Total segment other income	46,829	3,664	225	10	50,728
Inter-segment other income	(328)	(1,109)	-	-	(1,437)
Other income	46,501	2,555	225	10	49,291
	1,832,690	404,752	65,490	7,979	2,310,911
Core operating profit/(loss)	69,962	7,866	(8,375)	(9,833)	59,620
Depreciation and amortisation	(13,035)	(14,578)	(3,814)	(588)	(32,015)

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. This measurement basis includes profit before income tax excluding interest income, corporate exchange gain or loss and gain or loss on disposal of property which are of capital nature or non-operating related.

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

3. Expenses by nature from Continuing Operations

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Amortisation of lease premium for land	621	785
Cost of inventories sold	1,436,827	1,393,368
Depreciation of owned fixed assets	32,380	30,883
Depreciation of investment properties	489	347
Employee benefit expense	397,581	382,651
Operating leases rental for land and buildings	245,353	231,913
Other expenses	214,085	211,959
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating gain/(loss)	2,327,336	2,251,906
	<hr/>	<hr/>

4. Interest income from Continuing Operations

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Interest income on bank deposits	1,124	2,132
	<hr/>	<hr/>

5. Income tax expenses from Continuing Operations

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2016 and 2015. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates prevailing in the countries in which the Group operates.

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

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Current income tax		
Hong Kong profits tax	13,196	13,255
Overseas profits tax	3,228	1,246
Deferred income tax credit	(3,312)	(1,698)
	<hr/>	<hr/>
	13,112	12,803
	<hr/> <hr/>	<hr/> <hr/>

6. Earnings per share

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

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

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

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Profit/(Loss) attributable to shareholders of the Company		
Continuing Operations	51,820	48,334
Discontinued Operations	-	(17,568)
	<u>51,820</u>	<u>30,766</u>
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares in issue	754,640,974	752,758,448
Adjustment for:		
Share options	3,035	3,249,382
	<u>754,644,009</u>	<u>756,007,830</u>

7. Dividend

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend, proposed of 3.5 HK cents (2015: 3.1 HK cents) per share	26,412	23,383
	<u>26,412</u>	<u>23,383</u>

The proposed dividend is not reflected as dividend payable in the condensed consolidated interim financial information.

8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 30 June 2016, the aging analysis of trade receivables is as follows:

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
0-30 days	42,499	35,899
31-60 days	4,216	4,098
61-90 days	1,703	4,457
Over 90 days	3,306	4,041
	<hr/> 51,724	<hr/> 48,495

9. Trade payables

At 30 June 2016, the aging analysis of the trade payables is as follows:

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
0-30 days	339,294	307,212
31-60 days	147,744	142,299
61-90 days	55,283	54,578
Over 90 days	28,307	35,694
	<hr/> 570,628	<hr/> 539,783

10. Discontinued Operations

The condensed consolidated results of Discontinued Operations are presented in the condensed consolidated profit and loss account in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

(a) Results of the Discontinued Operations have been included in the Condensed Consolidated Profit and Loss Account as follows:

	(Unaudited) Six months ended 30 June 2015 HK\$'000
Revenue	116,224
Cost of sales*	(72,404)
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Gross profit	43,820
Other income*	1,031
Store expenses*	(45,242)
Distribution costs	(5,128)
Administrative expenses*	(12,122)
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Core operating loss	(17,641)
Interest income	73
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Loss for the period	(17,568)
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* Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of HK\$8,116,000.

Operating loss is stated after crediting and charging the following:

	(Unaudited) Six months ended 30 June 2015 HK\$'000
Amortisation of lease premium for land	231
Cost of inventories sold	71,435
Depreciation of owned fixed assets	3,383
Employee benefit expense	26,967
Operating leases rental for land and building	17,362
Other expenses	15,518
	<hr/>
Total cost of sales, store expenses, distribution costs and administrative expenses	134,896
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(b) Cumulative income recognised in Other Comprehensive Income relating to the Discontinued Operations:

	(Unaudited) Six months ended 30 June 2015 HK\$'000
Exchange differences	23
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Corporate Governance

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

In order to enhance independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board has established the following committees with defined terms of reference (available on the Company's corporate website), which are in line with the revised Corporate Governance Code and Corporate Governance Report (the "CG Code", with the amendments came into effect on 1 January 2016) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

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

Corporate governance practices adopted by the Company during the six months ended 30 June 2016 are in line with those practices set out in the Company's 2015 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 2016 (with an average attendance rate of about 93%) to consider and review with senior management, the Company's Corporate Governance Division ("CGD", which carries out the internal audit function) and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

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

The Audit Committee has reviewed with senior management the unaudited interim financial information for the six months ended 30 June 2016 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 in line with the Model Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2016. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2016.

Risk Management and Internal Control

The Board is responsible for ensuring that the Group maintains appropriate and effective risk management and internal control systems, and for reviewing the effectiveness and adequacy of such systems through the Audit Committee.

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

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2016:

- The risk management and internal control systems, as well as accounting systems of the Group were in place and functioning effectively and adequately, and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with 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 2016.

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 2016 of 3.5 HK cents (2015: 3.1 HK cents) per share to the shareholders of the Company.

Closure of Register of Members

The Register of Members of the Company will be closed from 29 August 2016 to 30 August 2016, 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 26 August 2016. Dividend warrants will be despatched on 8 September 2016.

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

Hong Kong, 11 August 2016

As at the date of this announcement, Executive Directors of the Company are Mr Richard Yeung Lap Bun and Mr Pak Chi Kin; Non-executive Directors are Dr Victor Fung Kwok King, Dr William Fung Kwok Lun, Mr Godfrey Ernest Scotchbrook, Mr Jeremy Paul Egerton Hobbins 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.