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 2023

Financial Highlights

	Change	**2023** **HK$'000**	2022 HK$'000
• Revenue	+4.1%	**701,832**	674,211
• Core operating profit	-3.5%	**21,632**	22,417
• Core operating profit (included interest expenses on lease liabilities)	-4.8%	**18,072**	18,977
• Profit attributable to shareholders of the Company	-8.9%	**15,199**	16,690
• Basic earnings per share (HK cents)	-9.1%	**2.0**	2.2
• Interim dividend per share (HK cents)	Nil	**2.0**	2.0

Operation Highlights

- The Group achieved top-line year-on-year growth and gross margin improvement
- The Group's venture into B2B OEM business resulted in an increase of revenue growth of more than 16% compared to 1H 2022
- The Group is cautious about the remainder of 2023
- The Group maintained a healthy financial position with net cash of HK$178 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 for the previous year

Number of Stores

	30 June 2023	31 December 2022
Saint Honore Cake Shops		
Hong Kong	**116**	115
Macau	**12**	12
Guangzhou	**24**	26
Subtotal	**152**	153
Pâtisserie Mon cher		
Hong Kong	**7**	7
Total number of stores under Bakery Group	**159**	160
Zoff Eyewear Stores		
Hong Kong	**14**	14
Total number of Stores under Convenience Retail Asia	**173**	174

CEO's Statement

It is a pleasure to present my first report on the performance and activities of Convenience Retail Asia since assuming the role of Group Chief Executive Officer. Over the first six months of 2023, the Group strove to capitalise on the lifting of anti-pandemic measures such as social distancing guidelines and travel restrictions in order to drive growth across its various businesses, enjoying varying degrees of success despite somewhat sluggish recoveries for Hong Kong's retail sector and overall economy. We were particularly encouraged by the upticks in consumer sentiment and sales that followed the long Easter holiday period.

Operating costs remained high, and the on-going labour shortage affected store operating hours as well as our ability to expand our store networks as rapidly as we would have liked. However, prudent management of our staff, finances and manufacturing operations as well as the launches of exciting new products and promotions contributed to a reasonably satisfactory first half of the year.

Operations Review – Saint Honore Cake Shop

As at 30 June 2023, the Group was operating 128 Saint Honore stores in Hong Kong and Macau compared to 119 at the end of the first half of 2022. The total network in Guangzhou amounted to 24 locations. The Group opened three stores and closed four during the first six months of 2023.

During the period under review, the Group achieved modest top-line growth in an operating environment that was still struggling towards normalcy. Sales were bolstered in part by growth of more than 16% in the Group's B2B segment, which secured new customers in the airline catering and food and beverage sectors. Comparable store sales saw a mid-single-digit drop as COVID infections, the resumption of travel and a tight labour market all led to shorter opening hours at certain store locations in the first quarter.

The labour shortage has placed pressure not only on retailers' ability to maintain normal operating schedules, but also to find new staff for store expansion. Over the first half of 2023, Hong Kong's unemployment rate decreased even further, from 3.3% to 2.9%. Meanwhile, recovery in the commercial real estate market has caused landlords to seek higher rents. These factors have had an inevitable effect on the pace of the Group's network expansion.

The gradual lifting of travel restrictions between December 2022 and February 2023 impacted demand as local consumers sought to travel, taking their spending outside Hong Kong at higher than usual rates. The Group has also seen increased competition from the rising number of so-called Instagram bakeries and cake shops, which have gained in popularity ever since quarantine protocols and social distancing measures attracting customers to shop online instead of in-person at stores. However, demand and sales did start to pick up after the long Easter holidays. April also saw the launch of the latest round of the Hong Kong Government's Consumption Voucher Scheme (CVS), which the Group leveraged by launching an e-gift voucher for members of "Cake Easy", its online-to-offline (O2O) customer relationship management (CRM) platform. Elsewhere, the Group enjoyed growth in sales for festive events while bread sales remained relatively stable. Demand for daily bakery products and cakes was weak, which can be attributed to increased competition as well as slow recovery for items catering to social gatherings and celebrations such as birthday parties.

Customers regard Saint Honore as a leader in product quality and innovation, and the Group once again introduced several more delicious and eye-catching new products during the review period. The "World's Selection Campaign", for example, showcased famous gourmet bakery products from around the world, including madeleines from France, focaccia from Italy, bagels from the United States and more. The "Little Palm Cake" series featured cakes that quite literally could fit in the palm of one's hand, which made them well suited for casual enjoyment among smaller groups. We were also proud to launch a show-stopping new item for Mother's Day, a swan-shaped, three-dimensional fresh cream cake. We promoted these and other special marketing offers via Cake Easy, which enables us to drive store visitation and sales conversion through a sophisticated and target online shopping experience. As at the end of June 2023, Cake Easy was closing in on nearly 1.25 million members across Hong Kong and Macau.

To enhance the efficiency of its factory operations and help address the labour shortage issue, the Group embarked upon an HK$8 million capital expenditure project to ramp up automation in its production and packaging. Investing such resources will also help support the Group's growing B2B business. Meanwhile, we continued to invest in our people to enhance our bakery expertise while providing learning and development opportunities for employees. In the first six months of the year, staff members attended a variety of training and development courses in Belgium, Japan and Shanghai as well as Hong Kong in relation to product development and modern production processes.

The events of the past few years underscore the importance of being a good corporate citizen. This year, Saint Honore was once again named a “Trusted E-shop” and “Top 10 Quality E-shop” by the Hong Kong Retail Management Association. The Group also continued to donate unsold products to those in need via organisations such as Foodlink and Food Angel.

In Macau, we launched a lucky draw campaign in April that featured the new iPhone 14 Pro as the top prize. The campaign was conducted via the Cake Easy platform, enabling us to engage with local customers and strengthen their offline-online experience while shopping with Saint Honore.

In Guangzhou, we continued our store modernization programme to upgrade outlets with more premium design features. The Foshan store was re-opened in April, and two more locations are slated for upgrade works in the second half of the year. Our collaborations with leading social media platforms and food delivery services continued; meanwhile, we also began accepting digital RMB in all our Guangzhou stores in May, providing more payment convenience for customers and enabling the Group to capture promotional offers through its business partners. We also remain in discussion with potential partners for franchising opportunities in the Greater Bay Area.

Operations Review – Mon cher

The Group obtained the franchise licence to operate Pâtisserie Mon cher in Hong Kong in 2020. Since then, it has opened seven outlets across the city, all in popular, high-traffic shopping locations. Mon cher is a premium pâtisserie from Japan that enjoys high affinity among local consumers – especially the valuable younger demographics – and fits well within the Group’s portfolio of specialty brands that offer strong growth potential in Greater Bay Area markets. It is particularly famous for its signature “Dojima” cream rolls, which come in a variety of flavours using Japanese ingredients. Dojima, Osaka is a small but vibrant city of Japan in which Pâtisserie Mon cher opened its first store 20 years ago.

In the first half of the year, Mon cher introduced several well-received new Dojima rolls, cakes and pastries, including special editions for Valentine’s Day, Mother’s Day and Father’s Day as well as seasonal products for spring and summer. There were also items featuring popular and innovative ingredients, such as the Japanese Strawberry Collection and Earl Grey Dojima Roll.

Operations Review – Zoff

Zoff, our franchise of the trendy fast-fashion eyewear chain from Japan, achieved healthy growth in store sales over the first half of 2023 as the local market started its economic recovery from the pandemic and foot traffic began returning to malls. Since launching Zoff in Hong Kong in 2017, the Group has opened a total of 14 outlets en route to achieving and maintaining market leadership in the segment.

Effective marketing campaigns and eye-catching new product launches are critical to Zoff's success. Leveraging the brand's appeal to younger demographics, the Group partnered with a number of well-known social media influencers and opinion leaders during the review period, reaching tens of thousands of followers across Hong Kong and Chinese Mainland to drive sales to both domestic customers and tourists. We were also able to leverage the latest round of the Hong Kong Government's CVS in April, working with leading payment gateways on joint promotions to attract customers and maximise marketing exposure.

Zoff carries more than 1,400 SKUs, offering customers a wide and regularly refreshed variety of stylish frames while also creating differentiation from competitors. March saw the promotion of the "Made in Japan" series featuring frames manufactured in Fukui Prefecture's Sabae City, which is renowned for its meticulously crafted eyewear. So far this year, we have collaborated with a number of notable fashion designers – including leading outdoor gear brand DOD, "Stark Industries" from Marvel, the popular manga character Chiikawa and more – on collections that have been enthusiastically received by the market. Zoff is also focused on providing customers with the latest in corrective lenses. In April, we launched a new service, "Lenstar Myopia", which uses biometry to enable early detection of the onset of myopia and powerful software with clear graphics to help track and manage the condition. We also became the first fast-fashion eyewear chain in Hong Kong to offer the MiYOSMART lens, which corrects visual defects and slows down the progression of myopia.

Based on our considerable success with Zoff in Hong Kong, we have been in discussions with the brand owner about bringing the business into other cities in Asia. Such a development would allow the Group to deliver on its growth strategy of geographic expansion and diversification.

Fulfilling its role as a good corporate citizen, Zoff continued to expand the health care voucher payment collection service throughout its network. There are now 10 stores in Hong Kong helping seniors across the city obtain comprehensive eye examinations.

Future Prospects

Consumer demand has been weak due to a smaller local population that has been travelling and spending overseas more. We expect demand in the second half of the year to remain soft. Hong Kong’s exceptionally low unemployment rate makes it difficult to find available candidates for vacancies. This will continue to place pressure on our store network expansion plans as well as our ability to staff existing outlets and factories. We also still face high costs for operating expenses, especially in the areas of labour, rental and logistics. To counter these challenges, we will focus even more on our staff recruitment and retention efforts, sparing no effort to safeguard our reputation as an employer of choice, while practising prudent cost control and optimising our operations.

The Group continues to seek expansion through M&A, joint venture, licensing and franchising opportunities that can bring synergistic new brands and businesses into its portfolio. At Saint Honore, we are excited about our experiment to grow by franchising the bakery business on the Chinese Mainland, while our B2B enterprise is working hard to secure new clients and achieve organic growth in order to capitalise on its growing momentum. Plans are in place to innovate our bakery manufacturing capability and uplift not only our capacity, but also its efficiency and quality to cope with demand of the future.

In closing, I would like to express how much I look forward to the opportunity to lead Convenience Retail Asia to build upon its considerable solid foundation and reach even greater heights. I have every confidence that our strong corporate culture and track records of operational excellence, quality customer service and innovation will continue to distinguish us as we pursue our mission to be a specialty leader in high-end and premium brands in the Greater Bay Area.

Michael TANG Tsz Kin
Chief Executive Officer

Hong Kong, 10 August 2023

Discussion and Analysis

Financial Review

During the first six months of 2023, turnover increased by 4.1% to HK$702 million. Turnover for the bakery business grew by 3.4% to HK$629 million. Growth of sales to corporate customers remained robust, increasing by more than 16%. Sales from the retail network were flat with a mid-single-digit percentage drop for comparable stores whose traffic was affected by soft demand. Turnover for the Zoff eyewear business, boosted by higher shopping mall traffic, increased by 10.3% to HK$73 million.

Gross margin as a percentage of turnover rose by 3.5 percentage points to 52.1%. Cost of raw materials decreased as a result of depreciation of the renminbi and Japanese yen. Production costs were driven down further by productivity improvements. During the period, the Group made pricing adjustments to improve the margins of certain product categories while maintaining their competitiveness.

Operating expenses as a percentage of turnover increased by 1.2 percentage points to 49.7%, excluding the one-off subsidy of HK$17 million from the Hong Kong Government's Employment Support Scheme last year. This was mainly due to higher staff cost. In response to the tight labour market, the Group reviewed its salary structure and benefit schemes in order to retain existing staff and attract new employees. The increase in staff cost was partially offset by lower distribution expenses following the easing of cross-border quarantine measures at the beginning of the year. Including interest expenses on lease liabilities, the Group's percentage of operating expenses increased from 46.5% to 50.2% against the same period in 2022.

Core operating profit before interest expenses on lease liabilities decreased by 3.5% to HK$22 million. Including interest expenses on lease liabilities, core operating profit decreased by 4.8% to HK$18 million. Basic and diluted earnings per share were both 2.0 HK cents, compared to 2.2 cents and 2.1 cents, respectively, for the same period last year.

As at 30 June 2023, the Group had a net cash balance of HK$178 million, generated mainly from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenue and payments were held either in Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi resulting from its business operations on the Chinese Mainland. The Group is also subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies with appropriate maturity periods to meet funding requirements.

The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share (2022: 2 HK cents).

Employees

As at 30 June 2023, the Group had a total of 3,212 employees, with 1,615, or 50%, based in Hong Kong and 1,597, or 50%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 24% of total headcount. Total staff cost for the six months ended 30 June 2023 was HK$239 million compared to HK$205 million for the same period last year.

To attract and retain staff in a challenging labour market, 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. The Group promotes advancement and opportunities for its employees by providing comprehensive job-related skill enhancement, and frontline staff receive thorough training on the delivery of high-quality customer service. The Group has been acknowledged as a "Super MD" under the Employees Retraining Board Manpower Developer Award Scheme for the years 2020-2025 for its extensive efforts in providing safe, healthy, stable and secure work environments.

Our people are our most important asset. The HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme, directed by the Activity Organising Board (AOB), supports colleagues and their families by offering career development opportunities and promoting work-life balance while also nurturing a spirit of community and social responsibility.

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. We also emphasise corporate social responsibility (CSR) and sustainability in our strategic planning and daily operations. Over the first half of the year, we took great care as always to practise the three "Rs" of reducing, reusing and recycling while also seeking ways to reduce our carbon emissions throughout the organisation by adopting low-carbon fuels and energy-efficient operations.

We are proud that Saint Honore once again received the "10 Years Plus Caring Company Logo" from the Hong Kong Council of Social Service, while Zoff received the "Caring Company Logo 2022-23". Recognitions such as these reflect the importance placed by the Group on CSR and giving back to its communities. Further information about the Group's environmental, social and governance policies and performance has been provided in a separate report on the Group's website.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2023

	Note	(Unaudited) Six months ended 30 June 2023 HK$'000	2022 HK$'000
Revenue	*3*	**701,832**	674,211
Cost of sales	*4*	**(335,965)**	(346,869)
Gross profit		**365,867**	327,342
Other income	*3*	**4,348**	4,820
Store expenses	*4*	**(251,162)**	(212,065)
Distribution costs	*4*	**(41,404)**	(44,133)
Administrative expenses	*4*	**(56,017)**	(53,547)
Core operating profit		**21,632**	22,417
Interest expenses, net	*5*	**(1,352)**	(2,628)
Profit before income tax		**20,280**	19,789
Income tax expenses	*6*	**(5,081)**	(3,099)
Profit attributable to shareholders of the Company		**15,199**	16,690
Earnings per share (HK cents)	*7*		
Basic		**2.0**	2.2
Diluted		**2.0**	2.1

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2023

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**15,199**	16,690
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**116**	(322)
Total comprehensive income attributable to shareholders of the Company	**15,315**	16,368

Condensed Consolidated Balance Sheet
As at 30 June 2023

	Note	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
Assets			
Non-current assets			
Fixed assets		**183,320**	190,976
Right-of-use assets		**254,376**	252,169
Investment properties		**5,611**	5,727
Lease premium for land		**68,347**	69,821
Intangible assets		**357,465**	357,465
Rental and other long-term deposits		**47,843**	43,739
Deferred tax assets		**6,691**	6,747
		923,653	926,644
Current assets			
Inventories		**39,413**	43,098
Rental deposits		**14,319**	13,739
Trade receivables	*9*	**47,608**	48,282
Other receivables, deposits and prepayments		**32,847**	34,412
Taxation recoverable		**61**	278
Restricted bank deposit		**1,224**	1,268
Cash and cash equivalents		**177,069**	256,125
		312,541	397,202
Total assets		**1,236,194**	1,323,846
Equity			
Share capital		**77,724**	77,624
Reserves		**555,436**	578,199
Total equity		**633,160**	655,823
Liabilities			
Non-current liabilities			
Lease liabilities		**124,098**	127,656
Long service payment liabilities		**12,019**	11,710
Deferred tax liabilities		**9,270**	9,332
		145,387	148,698
Current liabilities			
Trade payables	*10*	**66,884**	75,398
Other payables and accruals		**122,230**	158,965
Lease liabilities		**136,090**	129,353
Taxation payable		**6,866**	4,367
Cake coupons		**125,577**	151,242
		457,647	519,325
Total equity and liabilities		**1,236,194**	1,323,846

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2023

	(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 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**
At 1 January 2022	77,624	-	20,002	360	317	546,045	644,348
Profit attributable to shareholders of the Company	-	-	-	-	-	16,690	16,690
Exchange differences	-	-	-	-	(322)	-	(322)
Total comprehensive income for the period	-	-	-	-	(322)	16,690	16,368
Employee share option benefit	-	-	-	436	-	-	436
Dividends paid	-	-	-	-	-	(38,812)	(38,812)
	-	-	-	436	-	(38,812)	(38,376)
At 30 June 2022	77,624	-	20,002	796	(5)	523,923	622,340

Notes to the Condensed Consolidated Interim Financial Information

1. General information

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

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 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 10 August 2023.

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 2022 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 2022 consolidated financial statements.

The Group has adopted new and amended standards and interpretation of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2023 and relevant to its operations. The adoption of such new and amended standards and interpretation does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group's accounting policies.

3. Revenue, other income and segment information

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

	(Unaudited) Six months ended 30 June 2023 HK$'000	2022 HK$'000
Revenue		
Bakery sales revenue	**629,093**	608,240
Eyewear sales revenue	**72,739**	65,971
	701,832	674,211
Other income		
Service items and miscellaneous income	**4,348**	4,820

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

Segment information

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

The management considers the business principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of bakery and eyewear businesses. For bakery segment, revenues are mainly comprised of sale of bakery and festival products 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 on the Chinese Mainland.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2023 and 2022 are as follows:

	(Unaudited) Six months ended 30 June 2023			
	Bakery		Eyewear	
	HK & Others HK$'000	Chinese Mainland HK$'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)

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

Segment information (continued)

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

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that of the condensed consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of core operating profit (included interest expenses on lease liabilities).

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the condensed consolidated profit and loss account and interest expenses, net in note 5, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue of HK$11,832,000 (2022: HK$13,821,000) represents internal sales within Bakery segment.

4. Expenses by nature

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Cost of inventories sold	**197,198**	206,260
Delivery Charges	**25,411**	32,621
Depreciation of owned fixed assets	**22,225**	21,299
Depreciation of right-of-use assets	**79,618**	69,198
Depreciation of investment properties	**116**	117
Depreciation of lease premium for land	**1,474**	1,473
Employee benefit expense *(note a)*	**239,137**	205,299
Short-term and variable lease payments *(note b)*	**7,661**	9,313
Utilities	**22,377**	19,688
Other expenses	**89,331**	91,346
Total cost of sales, store expenses, distribution costs and administrative expenses	**684,548**	656,614

Notes:

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

(b) Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$1,828,000 (2022: HK$2,472,000) for the six months ended 30 June 2023.

5. Interest expenses, net

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Interest income on bank deposits	**2,208**	818
Interest expense on bank loan	**-**	(6)
Interest expenses on lease liabilities	**(3,560)**	(3,440)
	(1,352)	(2,628)

6. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2023 and 2022. 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	
	2023	2022
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**3,019**	2,245
Overseas profits tax	**1,188**	242
Deferred income tax	**874**	612
	5,081	3,099

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 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	
	2023	2022
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**15,199**	16,690
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**776,622,875**	776,244,974
Adjustment for:		
Share options	**1,274,135**	1,072,894
Weighted average number of ordinary shares for diluted earnings per share	**777,897,010**	777,317,868

8. Dividend

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Interim dividend, proposed of 2 HK cents (2022: 2 HK cents) per share	15,545	15,525

At a meeting held on 10 August 2023, the Directors proposed an interim dividend and it is not reflected as dividend payable in this condensed consolidated interim financial information.

9. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 30 June 2023, the aging analysis by invoice date of trade receivables is as follows:

	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
0-30 days	**26,400**	26,825
31-60 days	**19,044**	17,811
61-90 days	**694**	1,855
Over 90 days	**1,470**	1,791
	47,608	48,282

10. Trade payables

At 30 June 2023, the aging analysis by invoice date of the trade payables is as follows:

	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
0-30 days	**37,251**	44,813
31-60 days	**27,943**	29,602
61-90 days	**503**	79
Over 90 days	**1,187**	904
	66,884	75,398

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 the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2023. Corporate governance practices adopted by the Company during the six months under review were in line with those practices set out in the Company's 2022 Annual Report, and were also consistent with the principles set out in the CG Code.

The Board is responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters as well as investments. In order to enhance independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board has established three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, each of which has its own defined terms of reference (available on the Company's corporate website). These terms of reference are consistent with the CG Code.

All the committees comprise a majority of Independent Non-executive Directors 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

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 2023 before recommending it to the Board for approval.

Directors' and Relevant Employees' Securities Transactions

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

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2023. No incident of non-compliance by Directors and relevant employees was noted by the Company for the period under review.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness and adequacy with the assistance of the Audit Committee. Based on the respective assessments made by senior management and CGD, the Board and the Audit Committee considered that for the six months ended 30 June 2023:

- 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;

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

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period.

Interim Dividend

The Board of Directors has resolved to declare an interim dividend for the six months ended 30 June 2023 of 2 HK cents (2022: 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 28 August 2023 to 29 August 2023, 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 25 August 2023. Dividend warrants will be despatched on 7 September 2023.

On behalf of the Board
Convenience Retail Asia Limited
Michael TANG Tsz Kin
Executive Director
& Chief Executive Officer

Hong Kong, 10 August 2023

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