

Convenience
Retail **Asia**

Convenience Retail Asia Limited
利亞零售有限公司

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

INTERIM
REPORT **2022**

 SAINT HONORE  **Zoff**

馮氏


A Fung Retailing Company

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Corporate Information

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|---|--|
| Executive Director | Richard YEUNG Lap Bun (<i>Chief Executive Officer</i>) |
| Non-executive Directors | William FUNG Kwok Lun [#] (<i>Chairman</i>) Godfrey Ernest SCOTCHBROOK [*] Benedict CHANG Yew Teck [*] Sabrina FUNG Wing Yee Terence FUNG Yue Ming [#] |
| Independent Non-executive Directors | Anthony LO Kai Yiu ^{**} Sarah Mary LIAO Sau Tung ^{**} Terrence TSANG Diao-Long ^{**} |
| Group Chief Compliance and Risk Management Officer | Jason YEUNG Chi Wai |
| Company Secretary | CHAN Chor Fai |
| Registered Office | Second Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands |
| Head Office and Principal Place of Business | 15th Floor, LiFung Centre 2 On Ping Street Siu Lek Yuen Shatin New Territories Hong Kong |
| Website | www.cr-asia.com |
| Legal Advisers | Mayer Brown (as to Hong Kong Law) Conyers Dill & Pearman, Cayman (as to Cayman Islands Law) |

[#] *Nomination Committee members*

⁺ *Remuneration Committee members*

^{*} *Audit Committee members*

| | |
|---|---|
| Auditor | PricewaterhouseCoopers <i>Certified Public Accountants</i> <i>Registered Public Interest Entity Auditor</i> |
| Principal Share Registrar and Transfer Office | Tricor Services (Cayman Islands) Limited Second Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands |
| Hong Kong Branch Share Registrar and Transfer Office | Tricor Abacus Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong <i>(To be changed to:</i> <i>17/F, Far East Finance Centre</i> <i>16 Harcourt Road</i> <i>Hong Kong</i> <i>with effect from 15 August 2022)</i> |
| Principal Banker | The Hongkong and Shanghai Banking Corporation Limited |
| Stock Code | 00831 |

Highlights

Financial Highlights

| | Change | Six months ended 30 June | |
|--|--------|-----------------------------|------------------|
| | | 2022 HK\$'000 | 2021 HK\$'000 |
| Revenue | +11.1% | 674,211 | 606,945 |
| Core operating profit | +10.7% | 22,417 | 20,251 |
| Core operating profit (included interest expenses on lease liabilities) | +9.5% | 18,977 | 17,330 |
| Profit attributable to shareholders of the Company | | | |
| Continuing Operations | -1.5% | 16,690 | 16,941 |
| Included Discontinued Operations | -27.2% | 16,690 | 22,912 |
| Basic earnings per share (HK cents) | | | |
| Continuing Operations | Nil | 2.2 | 2.2 |
| Included Discontinued Operations | -26.7% | 2.2 | 3.0 |
| Interim dividend per share (HK cents) | Nil | 2.0 | 2.0 |

Operation Highlights

- Group revenue grew by double-digits in 1H 2022 on back of store network expansion and successful sales promotions despite disruptions from fifth wave of COVID-19
- The Group is cautiously optimistic about 2H prospects due to gradual recovery of consumer sentiment and arrival of autumn/winter festive periods
- The pandemic, inflation, supply chains and logistics interruptions will remain major risk factors for coming months. Counteract measures on cost controls, operational streamlining and supply chain enhancement are in place to mitigate any potential impact
- Future development to focus on expanding Hong Kong and GBA store networks as well as B2B business
- The Group maintains a healthy financial position with net cash of HK\$181 million and no bank borrowings
- The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share

Number of Stores

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

Chairman's Statement

I am pleased to report on the performance and activities of Convenience Retail Asia over the first half of 2022. The year began promisingly, with all business units reporting strong growth and profit over the first month of the year as the Group continued to build successfully on the Group's positioning as a multi-brand specialty retailer in the Greater Bay Area (GBA). However, the onset of the fifth wave of COVID-19 in February put Hong Kong on its back foot once again as infections skyrocketed and anti-pandemic measures returned, dealing a severe blow to the city's economy and retail sector. The surge in cases had a profound effect on cross-boundary transport between our manufacturing facility in Shenzhen and our Hong Kong store network, where newly imposed restrictions and guidelines disrupted logistics flows and contributed to rising costs. It also created a huge challenge to our staff's safety as well as staffing shortages in all areas of our operations.

Despite these and other challenges, including an uncertain macroeconomic environment with rising global inflation, our team was united and responded swiftly to overcome each challenge. The Group was still able to deliver top-line growth via strategic store network expansion and maintain a solid balance sheet despite the crisis. Operations returned to normal in the latter part of the review period and store traffic returned to about 90% of the January level. Throughout this time, we continued to strengthen our organisation and operations in preparation for the coming six months and beyond.

A Bump on the Road to Recovery

Prior to the emergence of the Omicron variant of COVID-19 in Hong Kong in February 2022, the city's retail sector had posted 12 consecutive months of growth, spurred by the relaxation of anti-pandemic measures resulting in an increase in store traffic. From February through March, however, Hong Kong's retail sales plunged by 14.2% in value and 17.2% in volume^{note} as the fifth wave of the virus drove a significant spike in infections and the re-imposition of restrictions on group gatherings, work and school impacted retail footfall. Meanwhile, tourist traffic remained depleted due to the on-going closures of Mainland China boundary crossings and international travel restrictions. Geopolitical tensions, supply chain disruptions and high inflation also continued to create strong pressure on the global economy, contributing to a highly uncertain macroeconomic environment as we head into the second half of the year.

One Step Back, One Step Forward

This has been the most challenging time for the Group and the wider Hong Kong retail sector since the initial outbreak of the pandemic two and a half years ago. Despite all these difficulties, we can still feel sanguine about our business performance during this extra-ordinary period as well as our prospects for the coming months and years. We were able to maintain our financial results to a reasonable degree, thanks to the teams' quick actions and the relief from the Employment Support Scheme subsidy. The demand for our high-quality products and customer service remains healthy and should bear more fruit as consumer sentiment keeps improving. We continued to expand our store networks in Hong Kong and Macau.

Note: Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 1 June 2022

Outlook

In the second half of the year, we expect the Hong Kong retail market to normalise further. Barring another COVID-19 outbreak, consumer sentiment should continue to grow healthier with the arrival of the Mid-Autumn and Christmas festive seasons plus an additional round of the CVS, adding momentum to the local retail market and driving foot traffic and sales at Group stores. The possibility that travel restrictions could be lifted sometime in the coming months would also mean a welcome influx of international travellers for local retailers.

We are keeping a close eye on inflation and supply chains disruptions that have been plaguing our cross-boundary transport situation. The second half of 2022 will not be easy. We will continue to practise prudent cost control, identify areas where we can streamline our operations further, and review our retail prices to ensure that we are achieving a balance between competitiveness and value.

We recently began formulating our next three-year plan for the Group's future development. Our belief in our positioning, strategic direction and growth potential remain strong; hence, we are taking a prudent yet positive medium- to long-term view. In the coming years, our shareholders can expect us to keep developing Hong Kong as our core market while exploring pragmatic opportunities to grow our brands across the GBA through network expansion and potential franchise arrangements. We remain open to licensing and M&A opportunities that could complement our existing brand profile and create synergies. We will also continue to leverage our substantial bakery expertise to build our B2B business, which we believe has great potential in the local market and throughout the region.

We have sought-after brands, long track records of product quality and customer service excellence, and a proven O2O business model that is built for the future. Our solid financial situation will enable us to adopt an expansionary path going forward. Most of all, we have talented, passionate people who are committed to the Group and its success. I would like to take this opportunity to thank everyone – from the Board, to management, to the frontlines – for their hard work and perseverance in making Convenience Retail Asia one of the GBA's leading specialty retailers.

William FUNG Kwok Lun

Chairman

Hong Kong, 11 August 2022

CEO's Statement

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

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

Operations Review – Saint Honore Cake Shop

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

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

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

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

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

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

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

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

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

Operations Review – Mon cher

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

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

Operations Review – Zoff

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

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

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

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

Future Prospects

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

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

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

Richard YEUNG Lap Bun

Chief Executive Officer

Hong Kong, 11 August 2022

Discussion and Analysis

Financial Review

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

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

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

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

As at 30 June 2022, the Group had a net cash balance of HK\$181 million, generated mainly from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenue and payments were held either in Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi resulting from its business operations on the Chinese Mainland. The Group is also subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies and with appropriate maturity periods to meet its funding requirements.

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

Employees

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

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

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

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

Sustainability and Corporate Social Responsibility

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

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

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

Corporate Governance

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

The Company has been in compliance with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2022. Corporate governance practices adopted by the Company during the six months under review were in line with those practices set out in the Company’s 2021 Annual Report, and were also consistent with the principles set out in the CG Code.

The Board

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. The Board is currently comprised of the Non-executive Chairman, four Non-executive Directors, three Independent Non-executive Directors and one Executive Director. Changes in members of the Board during the reporting period and up to date were announced on 1 June 2022. The names of the Directors are set out in the Corporate Information section on page 2.

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

Board Committees

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

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

| | |
|-----------------|---|
| <i>Chairman</i> | Anthony LO Kai Yiu * |
| <i>Members</i> | Godfrey Ernest SCOTCHBROOK + Benedict CHANG Yew Teck + Sarah Mary LIAO Sau Tung * Terrence TSANG Diao-Long * (<i>appointed with effect from 26 May 2022</i>) ZHANG Hongyi * (<i>retired with effect from 26 May 2022</i>) |

* *Independent Non-executive Director*

+ *Non-executive Director*

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

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

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

Remuneration Committee

| | |
|-----------------|---|
| <i>Chairman</i> | Sarah Mary LIAO Sau Tung * |
| <i>Members</i> | William FUNG Kwok Lun + Terrence TSANG Diao-Long * (<i>appointed with effect from 26 May 2022</i>) ZHANG Hongyi * (<i>retired with effect from 26 May 2022</i>) |

* *Independent Non-executive Director*

+ *Non-executive Director*

The Remuneration Committee is primarily responsible for:

- Making recommendations to the Board on the Company's policy and structure regarding remuneration for all Directors and senior management, including allocation of share options to employees under the Company's share option scheme;
- Making recommendations to the Board on the remuneration packages of Executive Director and senior management;
- Making recommendations to the Board on the remuneration of Non-executive Directors; and
- Reviewing the Group's remuneration and human resources policy.

Nomination Committee

| | |
|-----------------|--|
| <i>Chairman</i> | William FUNG Kwok Lun + |
| <i>Members</i> | Anthony LO Kai Yiu * |
| | Sarah Mary LIAO Sau Tung * |
| | Terence FUNG Yue Ming + |
| | Terrence TSANG Diao-Long * (<i>appointed with effect from 26 May 2022</i>) |
| | ZHANG Hongyi * (<i>retired with effect from 26 May 2022</i>) |

+ *Non-executive Director*

* *Independent Non-executive Director*

The Nomination Committee is primary responsible for:

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

Directors' and Relevant Employees' Securities Transactions

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

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2022. No incident of non-compliance by Directors and relevant employees was noted by the Company for the period under review.

Compliance with Inside Information Requirements

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

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness and adequacy with the assistance of the Audit Committee. The risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Audit Committee reports to the Board on any material issues and makes relevant recommendations.

The Board has delegated to management the design, implementation and ongoing monitoring of the risk management and internal control systems. Qualified personnel throughout the Group maintain and monitor these systems on an ongoing basis. The Group's risk management and internal control processes during the six months ended 30 June 2022 were in line with the practices set out in the Corporate Governance Report on pages 35 to 39 of the Company's 2021 Annual Report.

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

- The risk management and internal control systems, as well as accounting systems of the Group remained in place and were functioning effectively and adequately, and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with the Group's policies under management's authorisation, and the financial statements were reliable for publication;
- There were ongoing processes for identifying, evaluating and managing the significant risks faced by the Group.

Investor Relations and Communication

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

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

Other Information

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

As at 30 June 2022, the Directors and chief executives of the Company and their associates had the following interests in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and/or the Code for Securities Transactions by Directors and Relevant Employees adopted by the Company:

Long positions in shares and underlying shares of the Company

| Name of Directors | Number of shares | | Total interests | Approximate percentage of interests |
|-----------------------|--------------------|------------------------------|-----------------|-------------------------------------|
| | Personal interests | Corporate/ Trust interests | | |
| William Fung Kwok Lun | 28,500,000 | 311,792,000 <i>(Note)</i> | 340,292,000 | 43.84% |
| Anthony Lo Kai Yiu | 2,276,000 | – | 2,276,000 | 0.29% |
| Sabrina Fung Wing Yee | – | 311,792,000 <i>(Note)</i> | 311,792,000 | 40.17% |
| Richard Yeung Lap Bun | 24,396,000 | – | 24,396,000 | 3.14% |

Note:

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

Save as disclosed above, as at 30 June 2022, none of the Directors, chief executives of the Company and their associates had any other interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations. Besides, at no time during the period, the Directors and chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 30 June 2022, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had notified the Company of their interests in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Interests in shares of the Company

| Name of shareholders | Number of shares | Nature of interests/ Holding capacity | Approximate percentage of interests |
|--|------------------|---|-------------------------------------|
| HSBC Trustee (C.I.) Limited | 311,792,000 | Trustee <i>(Note 1)</i> | 40.17% |
| King Lun Holdings Limited | 311,792,000 | Interest of controlled corporation <i>(Note 1)</i> | 40.17% |
| Aggregate of Standard Life Aberdeen plc affiliated investment management entities (together "SL & Aberdeen plc") | 93,020,000 | Investment manager <i>(Note 2)</i> | 11.98% |
| FIL Limited | 71,204,000 | Interest of controlled corporation <i>(Note 3)</i> | 9.17% |
| Pandanus Partners L.P. | 71,204,000 | Interest of controlled corporation <i>(Note 3)</i> | 9.17% |
| Pandanus Associates Inc. | 71,204,000 | Interest of controlled corporation <i>(Note 3)</i> | 9.17% |
| Aberdeen Standard Asia Focus PLC | 46,826,000 | Beneficial owner | 6.03% |
| Aberdeen Asian Income Fund Limited | 39,556,000 | Beneficial owner | 5.10% |
| Fidelity China Special Situations plc | 39,120,000 | Beneficial owner | 5.04% |

Notes:

1. *These shares were held by FRL. King Lun indirectly owns 100% interests in FRL through its wholly-owned subsidiary, FH 1937. All of HSBC Trustee (C.I.) Limited, King Lun, FH 1937 and FRL are deemed to have interests in these shares pursuant to the SFO. Please refer to Note in the above section headed "Interests and Short Positions of Directors in Shares, Underlying Shares and Debentures".*
2. *SL & Aberdeen plc held the shares on behalf of accounts (under discretionary or segregated mandates) managed by SL & Aberdeen plc.*
3. *Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., who owns or control one-third or more of voting rights in FIL Limited.*

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any other interests or short positions in shares or underlying shares of the Company being held by any other shareholders as recorded in the register required to be kept under section 336 of the SFO.

Share Options

On 10 May 2010, the 2010 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company for the purpose of providing incentives and/or rewards to eligible persons as defined in the scheme. On 29 April 2020, shareholders of the Company approved at the annual general meeting the termination of the 2010 Share Option Scheme, pursuant to which, no further options will be granted under the 2010 Share Option Scheme but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect. All options granted prior to the termination of the 2010 Share Option Scheme and not then exercised shall remain valid.

On 29 April 2020, the 2020 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company in view of the termination of the 2010 Share Option Scheme.

Details of the movements of share options under the 2010 Share Option Scheme and the 2020 Share Option Scheme during the six months ended 30 June 2022 are as follows:

| Grantees | Number of share options | | Exercise price HK\$ | Grant date | Vesting period | Exercisable period |
|---------------------------------|-------------------------|--------------------|------------------------|------------|----------------------|--------------------|
| | As at 1/1/2022 | As at 30/6/2022 | | | | |
| 2010 Share Option Scheme | | | | | | |
| Continuous contract employees | 100,000 | 100,000 | 4.19 | 29/3/2017 | 29/3/2017-31/3/2020 | 1/4/2020-31/3/2023 |
| | 350,000 | 350,000 | 3.88 | 8/3/2018 | 8/3/2018-31/3/2020 | 1/4/2020-31/3/2023 |
| | 70,000 | 70,000 | 3.87 | 14/3/2019 | 14/3/2019-31/3/2020 | 1/4/2020-31/3/2023 |
| | 520,000 | 520,000 | | | | |
| 2020 Share Option Scheme | | | | | | |
| Continuous contract employees | 12,166,000 | 12,166,000 | 0.764 | 11/11/2021 | 11/11/2021-31/3/2023 | 1/4/2023-31/3/2026 |
| Other participant (Note 1) | 200,000 | 200,000 | 0.764 | 11/11/2021 | 11/11/2021-31/3/2023 | 1/4/2023-31/3/2026 |
| | 12,366,000 | 12,366,000 | | | | |

Notes:

1. An employee of a subsidiary of the Company's substantial shareholder was granted 200,000 share options in 2021 in respect of provision of secretarial services that were instrumental for the Company to achieve its business plan. The granting of share options was on similar basis as the Company's employees and the terms of share options were also the same.
2. No share options under the 2010 Share Option Scheme and the 2020 Share Option Scheme were granted, exercised, cancelled, expired or lapsed during the period.

Save as disclosed above, as at 30 June 2022, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates had been granted any other share options.

Change in Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, change of Director's information since the publication of the Company's 2021 Annual Report are set out below:

| Name of Director | Change |
|-----------------------|--|
| William Fung Kwok Lun | He resigned as executive director of Global Brands Group Holding Limited (in liquidation) on 1 July 2022 |

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

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

Interim Dividend

The Board of Directors has resolved to declare an interim dividend for the six months ended 30 June 2022 of 2 HK cents (2021: 2 HK cents) per share to the shareholders of the Company.

Closure of Register of Members

The Register of Members of the Company will be closed from 29 August 2022 to 30 August 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (to be changed to "17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong" with effect from 15 August 2022), not later than 4:30 p.m. on 26 August 2022. Dividend warrants will be despatched on 8 September 2022.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2022

| | | (Unaudited) Six months ended 30 June | |
|--|------|--|------------------|
| | Note | 2022 HK\$'000 | 2021 HK\$'000 |
| Continuing Operations | | | |
| Revenue | 4 | 674,211 | 606,945 |
| Cost of sales | 5 | (346,869) | (305,329) |
| Gross profit | | 327,342 | 301,616 |
| Other income | 4 | 4,820 | 4,555 |
| Store expenses | 5 | (212,065) | (205,191) |
| Distribution costs | 5 | (44,133) | (31,913) |
| Administrative expenses | 5 | (53,547) | (48,816) |
| Core operating profit | | 22,417 | 20,251 |
| Non-core operating gain, net | 6 | – | 2,517 |
| Operating profit | | 22,417 | 22,768 |
| Interest expenses, net | 7 | (2,628) | (2,592) |
| Profit before income tax | | 19,789 | 20,176 |
| Income tax expenses | 8 | (3,099) | (3,235) |
| Profit for the period from Continuing Operations | | 16,690 | 16,941 |
| Discontinued Operations | | | |
| Profit for the period from Discontinued Operations | 19 | – | 5,971 |
| Profit attributable to shareholders of the Company | | 16,690 | 22,912 |
| Earnings per share (HK cents) | 9 | | |
| Basic | | | |
| Continuing Operations | | 2.2 | 2.2 |
| Included Discontinued Operations | | 2.2 | 3.0 |
| Diluted | | | |
| Continuing Operations | | 2.1 | 2.2 |
| Included Discontinued Operations | | 2.1 | 3.0 |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

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

Condensed Consolidated Balance Sheet

As at 30 June 2022

| | Note | (Unaudited) 30 June 2022 HK\$'000 | (Audited) 31 December 2021 HK\$'000 |
|---|------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | 11 | 172,852 | 173,577 |
| Right-of-use assets | 12 | 231,206 | 228,231 |
| Investment properties | 14 | 5,844 | 5,961 |
| Lease premium for land | | 71,295 | 72,768 |
| Intangible assets | 13 | 357,465 | 357,465 |
| Rental and other long-term deposits | | 45,624 | 40,646 |
| Deferred tax assets | | 9,065 | 10,580 |
| | | 893,351 | 889,228 |
| Current assets | | | |
| Inventories | | 50,182 | 43,127 |
| Rental deposits | | 17,653 | 19,913 |
| Trade receivables | 15 | 45,990 | 45,290 |
| Other receivables, deposits and prepayments | | 42,756 | 32,157 |
| Taxation recoverable | | 201 | 324 |
| Restricted bank deposit | | 811 | 245 |
| Cash and cash equivalents | | 180,382 | 290,285 |
| | | 337,975 | 431,341 |
| Total assets | | 1,231,326 | 1,320,569 |
| Equity | | | |
| Share capital | 18 | 77,624 | 77,624 |
| Reserves | | 544,716 | 566,724 |
| Total equity | | 622,340 | 644,348 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | 17 | 113,426 | 115,859 |
| Long service payment liabilities | | 3,710 | 5,069 |
| Deferred tax liabilities | | 8,664 | 8,865 |
| | | 125,800 | 129,793 |
| Current liabilities | | | |
| Trade payables | 16 | 75,453 | 80,146 |
| Other payables and accruals | | 131,530 | 173,924 |
| Lease liabilities | 17 | 120,554 | 118,901 |
| Taxation payable | | 8,000 | 8,236 |
| Cake coupons | | 147,649 | 165,221 |
| | | 483,186 | 546,428 |
| Total equity and liabilities | | 1,231,326 | 1,320,569 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022

| | (Unaudited) | |
|---|------------------|------------|
| | Six months ended | |
| | 30 June | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Cash flows from operating activities | | |
| Cash generated from operations | 27,880 | 35,051 |
| Hong Kong profits tax paid | (874) | (382) |
| Overseas income tax paid | (1,067) | (660) |
| Net cash generated from operating activities | 25,939 | 34,009 |
| Cash flows from investing activities | | |
| Payment of transaction costs in relation to disposal of Discontinued Operations in 2020 | – | (102,628) |
| Purchase of fixed assets | (21,135) | (12,225) |
| Additions to investment properties | – | (893) |
| Proceeds from disposal of fixed assets | 42 | 7 |
| Proceeds from disposal of assets held of sale | – | 27,067 |
| Increase in restricted bank deposit | (576) | – |
| Interest received | 983 | 335 |
| Net cash used in investing activities | (20,686) | (88,337) |
| Cash flows from financing activities | | |
| Payment of lease liabilities | (73,627) | (67,698) |
| Increase in rental deposits | (826) | (795) |
| Dividends paid | (38,812) | – |
| Drawdown of bank loan | 30,000 | – |
| Repayment of bank loan | (30,000) | – |
| Interest paid | (6) | – |
| Net cash used in financing activities | (113,271) | (68,493) |
| Decrease in cash and cash equivalents | (108,018) | (122,821) |
| Cash and cash equivalents at 1 January | 290,285 | 373,143 |
| Effect of foreign exchange rate changes | (1,885) | 200 |
| Cash and cash equivalents at 30 June | 180,382 | 250,522 |

Notes to the Condensed Consolidated Interim Financial Information

1. General information

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

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

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

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

2. Basis of preparation

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

This condensed consolidated interim financial information should be read in conjunction with the 2021 consolidated financial statements which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used and described in the 2021 consolidated financial statements.

The Group has adopted new and amended standards and interpretation of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2022 and relevant to its operations. The adoption of such new and amended standards and interpretation does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies.

3. Financial risk management

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the 2021 consolidated financial statements, and should be read in conjunction with the 2021 consolidated financial statements.

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

4. Revenue, other income and segment information

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

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

Segment information

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

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

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

Segment information (continued)

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

| Continuing Operations | (Unaudited) | | | |
|--|--------------------------------------|---------------------------------|---------------------------|-------------------|
| | Six months ended 30 June 2022 | | | |
| | Bakery HK & Others HK\$'000 | Chinese Mainland HK\$'000 | Eyewear 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) |

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

Segment information (continued)

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

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

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

Segment information (continued)

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the condensed consolidated profit and loss account and interest expenses, net from Continuing Operations in note 7, as the reconciliation items are not included in the measure of the segments' performance by the management.

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

The segment assets and liabilities as at 30 June 2022 and 31 December 2021 are as follows:

| | (Unaudited) As at 30 June 2022 | | | |
|--|-----------------------------------|---------------------------------|----------------|-------------------|
| | Bakery | | Eyewear | |
| | HK & Others HK\$'000 | Chinese Mainland HK\$'000 | HK HK\$'000 | Group HK\$'000 |
| Total segment assets | 978,399 | 94,045 | 60,298 | 1,132,742 |
| Total segment assets include: | | | | |
| Additions to segment non-current assets | 94,753 | 1,533 | 1,684 | 97,790 |
| Total segment liabilities | 528,530 | 26,277 | 37,515 | 592,322 |

| | (Audited) As at 31 December 2021 | | | |
|--|-------------------------------------|---------------------------------|----------------|-------------------|
| | Bakery | | Eyewear | |
| | HK & Others HK\$'000 | Chinese Mainland HK\$'000 | HK HK\$'000 | Group HK\$'000 |
| Total segment assets | 1,025,430 | 98,879 | 69,454 | 1,193,763 |
| Total segment assets include: | | | | |
| Additions to segment non-current assets | 166,995 | 24,462 | 32,833 | 224,290 |
| Total segment liabilities | 578,793 | 29,343 | 50,984 | 659,120 |

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

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

Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

| | (Unaudited) 30 June 2022 HK\$'000 | (Audited) 31 December 2021 HK\$'000 |
|--|--|--|
| Segment assets for reportable segments | 1,132,742 | 1,193,763 |
| Unallocated: | | |
| Deferred tax assets | 9,065 | 10,580 |
| Taxation recoverable | 201 | 324 |
| Corporate bank deposits | 89,318 | 115,902 |
| Total assets per condensed consolidated balance sheet | 1,231,326 | 1,320,569 |

Reportable segment liabilities are reconciled to total liabilities as follows:

| | (Unaudited) 30 June 2022 HK\$'000 | (Audited) 31 December 2021 HK\$'000 |
|---|--|--|
| Segment liabilities for reportable segments | 592,322 | 659,120 |
| Unallocated: | | |
| Deferred tax liabilities | 8,664 | 8,865 |
| Taxation payable | 8,000 | 8,236 |
| Total liabilities per condensed consolidated balance sheet | 608,986 | 676,221 |

The Group is domiciled in Hong Kong. The result of its revenue of Continuing Operations from external customers in Hong Kong is HK\$565,083,000 (2021: HK\$499,485,000), and the total of its revenue from other regions is HK\$109,128,000 (2021: HK\$107,460,000) for the six months ended 30 June 2022.

The total of non-current assets other than deferred tax assets located in Hong Kong is HK\$739,674,000 (as at 31 December 2021: HK\$740,032,000), and the total of these non-current assets located in other regions is HK\$144,612,000 (as at 31 December 2021: HK\$138,616,000) as at 30 June 2022.

5. Expenses by nature from Continuing Operations

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

Notes:

- (a) Government subsidies of HK\$16,964,000 (2021: nil) from the Employment Support Scheme has been credited to employee benefit expense for the six months ended 30 June 2022.
- (b) Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK\$2,472,000 (2021: HK\$1,503,000) for the six months ended 30 June 2022.

6. Non-core operating gain, net

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

7. Interest expenses, net from Continuing Operations

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

8. Income tax expenses from Continuing Operations

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2022 and 2021. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates prevailing in the regions in which the Group operates.

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

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

9. Earnings per share

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

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

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

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

10. Dividend

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

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

11. Fixed assets

| | (Unaudited) | |
|--------------------------------------|-----------------|--------------------------------|
| | 30 June 2022 | (Unaudited) 30 June 2021 |
| | HK\$'000 | HK\$'000 |
| Opening net book amount | 173,577 | 158,356 |
| Transfer from lease premium for land | – | 5,411 |
| Additions | 21,135 | 12,225 |
| Disposals | (426) | (2,246) |
| Depreciation | (21,299) | (19,176) |
| Exchange differences | (135) | 20 |
| Closing net book amount | 172,852 | 154,590 |

12. Right-of-use assets

| | (Unaudited) 30 June 2022 HK\$'000 | (Unaudited) 30 June 2021 HK\$'000 |
|-------------------------|--|--|
| Opening net book amount | 228,231 | 189,698 |
| Additions | 73,797 | 51,426 |
| Remeasurement | – | 578 |
| Depreciation | (69,198) | (60,721) |
| Exchange differences | (1,624) | 198 |
| Closing net book amount | 231,206 | 181,179 |

13. Intangible assets

Intangible assets are comprised of goodwill of HK\$247,465,000 and trademarks of HK\$110,000,000 as at 30 June 2022 and 31 December 2021.

14. Investment properties

| | (Unaudited) 30 June 2022 HK\$'000 | (Unaudited) 30 June 2021 HK\$'000 |
|------------------------------|--|--|
| Opening net book amount | 5,961 | 29,866 |
| Additions | – | 893 |
| Depreciation | (117) | (637) |
| Impairment (<i>note 6</i>) | – | (2,154) |
| Exchange differences | – | 33 |
| Closing net book amount | 5,844 | 28,001 |

15. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 30 June 2022, the aging analysis by invoice date of trade receivables is as follows:

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

16. Trade payables

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

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

17. Lease liabilities

| | (Unaudited) 30 June 2022 HK\$'000 | (Unaudited) 30 June 2021 HK\$'000 |
|-------------------------------|--|--|
| Opening net book amount | 234,760 | 205,036 |
| Additions | 72,197 | 50,826 |
| Remeasurement | – | 578 |
| Payments | (73,627) | (67,698) |
| Interest expenses | 3,440 | 2,921 |
| Exchange differences | (1,696) | 211 |
| Rent concessions | (1,094) | – |
| Closing net book amount | 233,980 | 191,874 |
| Current lease liabilities | 120,554 | 106,276 |
| Non-current lease liabilities | 113,426 | 85,598 |
| | 233,980 | 191,874 |

18. Share capital

| | (Unaudited) 30 June 2022 | | (Audited) 31 December 2021 | |
|------------------------------------|-----------------------------|----------------|-------------------------------|----------|
| | Shares of HK\$0.10 each | | Shares of HK\$0.10 each | |
| | No. of shares | HK\$'000 | No. of shares | HK\$'000 |
| Authorised: | | | | |
| At end of the period | 2,000,000,000 | 200,000 | 2,000,000,000 | 200,000 |
| Issued and fully paid: | | | | |
| At beginning and end of the period | 776,244,974 | 77,624 | 776,244,974 | 77,624 |

19. Discontinued Operations

On 21 December 2020, the Group completed its disposal of the entire interests of the wholly-owned subsidiary, Convenience Retail Asia (BVI) Limited (the "Discontinued Operations") to Alimentation Couche-Tard Inc.

The condensed consolidated results of Discontinued Operations are presented in the condensed consolidated profit and loss account and consolidated cash flow statement in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The profit of HK\$5,971,000 for the period ended 30 June 2021 represented a net reversal of provision on disposal.

20. Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets. Capital expenditure contracted but not yet provided as at 30 June 2022 is HK\$16,032,000 (as at 31 December 2021: HK\$8,293,000).

21. Related party transactions

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 40.17% of the Company's shares. All of the related party transactions of the Group are entered into with Fung Holdings (1937) Limited (the holding company of FRL and a substantial shareholder of the Company) and its subsidiaries and associates.

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

(a) Related party transactions

| | | (Unaudited) | |
|--|--------------|---------------------------------|-----------------|
| | | Six months ended 30 June | |
| | | 2022 | 2021 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Income | | | |
| Service income and reimbursement of office and administrative expenses | <i>(i)</i> | | |
| Subsidiary of a substantial shareholder | | 61 | 61 |
| Associate of a substantial shareholder | | 14 | 8 |
| Expenses | | | |
| Reimbursement of office and administrative expenses | <i>(ii)</i> | | |
| Subsidiaries of a substantial shareholder | | 982 | 1,448 |
| Associate of a substantial shareholder | | 358 | 453 |
| Rental payable | <i>(iii)</i> | | |
| Associate of a substantial shareholder | | 1,301 | 3,600 |

21. Related party transactions (continued)

(b) Key management personnel compensation

| | (Unaudited) | |
|---|--------------------------|----------|
| | Six months ended 30 June | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Fees | 1,369 | 1,237 |
| Bonuses | 3,263 | 2,484 |
| Salaries and other allowances | 4,684 | 4,583 |
| Employee share option benefit | 168 | – |
| Pension costs – defined contribution scheme | 27 | 36 |
| | 9,511 | 8,340 |

(c) Period-end balances with related parties

| | (Unaudited) | (Audited) |
|---|-------------|-------------|
| | 30 June | 31 December |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Amounts due from: | | |
| Subsidiary of a substantial shareholder | 51 | 21 |
| Associate of a substantial shareholder | 8 | 7 |
| Amounts due to: | | |
| Subsidiary of a substantial shareholder | – | (217) |

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

21. Related party transactions (continued)

(c) Period-end balances with related parties (continued)

Notes:

- (i) Service income and reimbursements receivable from subsidiary/associate of a substantial shareholder in respect of office and administrative expenses incurred are charged on an actual cost recovery basis and in accordance with the terms of agreements.
- (ii) Reimbursements payable to subsidiaries/associate of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.
- (iii) Rentals are payable to associate of a substantial shareholder in accordance with the terms of agreements.



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