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## CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 00831)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

#### Financial Highlights

	Change	2017 HK\$'000	2016 HK\$'000
• Revenue	+3.8%	2,426,822	2,339,035
• Core operating profit	+9.9%	70,096	63,766
• Profit attributable to shareholders of the Company	+10.2%	57,120	51,820
• Basic earnings per share (HK cents)	+9.5%	7.52	6.87
• Interim dividend per share (HK cents)	+14.3%	4.00	3.50

#### Operation Highlights

- Despite weak retail market sentiment, the convenience store and bakery operations achieved solid comparable store sales growth in Hong Kong
- Core operating profit and net profit increased by 9.9% and 10.2% respectively, mainly due to effective marketing for Circle K and continuous improvement in the Saint Honore operations
- Circle K's O2O CRM programme "OK Stamp It" has been highly successful, with membership exceeding 750,000 by end of June 2017
- The Group will continue its marketing and store network expansion programmes while exercising caution toward operating costs and being mindful of macroeconomic uncertainty
- The Group maintains a healthy financial position with net cash of HK\$335 million and no bank borrowings

## Number of Stores as of 30 June 2017

### Circle K Stores

Hong Kong

331

### Franchised Circle K Stores

Guangzhou

64

Macau

31

Zhuhai

15

### Subtotal

110

### Total number of Circle K Stores

441

### Saint Honore Cake Shops

Hong Kong

89

Macau

9

Guangzhou

41

Shenzhen

2

### Total number of Saint Honore Cake Shops

141

### Total number of Stores under Convenience Retail Asia

582

## Message from the CEO

The retail sector has undergone a seismic shift over the past few years. E-commerce, the internet and social media have irrevocably changed our industry, to the point where traditional bricks-and-mortar retailers find it difficult to survive without a compelling online component. To capitalise on the opportunities presented by this exciting, fast-paced business environment, the Group has reinvented itself with a bold transformation and innovative marketing platforms designed to cross-pollinate its digital and in-store operations. Quality new products also contributed to a year of relative success despite a challenging market.

### Operations Review – Circle K

As at 30 June 2017, the total number of Circle K stores was maintained at 331 as at the end of 2016. In the first half of 2017, the Group opened six new Circle K stores and closed six in Hong Kong.

The Group launched the “OK Stamp It” O2O digital marketing platform in the third quarter of 2016 as part of its strategy to attract smartphone-savvy consumers and convert online traffic into store traffic. Users download the “OK Stamp It” app to access e-stamp offers and incentives from Circle K, then visit a convenient location to redeem them in-store, thus driving store traffic. The app is fun and easy to use, and it offers features like social sharing, gift vouchers, the ability to earn e-stamps for gift redemption and more. One recent promotion introduced Pokemon eStamps that could be used to redeem a collection of plush toys.

As a loyalty programme and marketing tool, “OK Stamp It” has been wildly successful, surpassing all its KPIs in a matter of weeks and developing a membership base of more than 750,000 by the end of June 2017. It has become a key component for launching new products in the local retail industry. “OK Stamp It” was awarded an Octopus Partner Award 2016, the “Octopus Innovation Award”, and 2017 Golden Globe Tiger Awards for “Best Technology Initiative/Implementation” and “Customer Loyalty Programme” in the “Excellence in Retail & Store Management” category. It also won two bronze medals, “Best App – Consumer Brand” and “Most Responsive Mobile Campaign”, at Marketing Magazine’s Mob-Ex Awards 2017. In addition, it received five awards at Marketing Magazine’s inaugural eCommAs Awards 2017: “Best of Show – Brand”; Gold medals for “Best Customer Retention Programme”, “Best Omni-Channel Process” and “Best E-Commerce Campaign”; and a bronze medal for “Best User Experience”.

Exciting new offerings have enhanced the attraction of Circle K stores in Hong Kong. Circle K introduced exclusive ice cream products direct from Japan, supporting these launches with thematic promotions. Responding to increasing consumer demand for fresh products, the Group launched a popular new beverage category from Japan that relies on a unique process to maintain freshness and authentic taste. Circle K also continued its efforts to make customers' lives easier with a high standard of customer service. In March the Group held an appreciation day involving all management members and service ambassadors, who met more than 150,000 delighted customers individually across 150 stores.

Near the end of 2016, Circle K opened its first flagship store, located in Causeway Bay. On the ground floor of this pioneering concept store are novelty products such as ice cream, snacks and beverages from Japan and South Korea, while on the first floor is a Simply Great Coffee Café with quality coffee and premium bakery products. The café's self-service format, with seating, free high-speed Wi-Fi and mobile phone charging devices, caters to a growing trend among a new generation of consumers who are seeking convenient places to relax and stay connected. The flagship store was selected by Planet Retail as one of the top store concepts in the world in the first quarter of 2017.

## **Operations Review – Saint Honore Cake Shop**

As at 30 June 2017, the total number of Saint Honore stores in Hong Kong and Macau was maintained at 98 as at the end of 2016, with the Group opening four new stores and closing four during the first six months of the year. In the first half of 2017, Saint Honore's total store network in Guangzhou and Shenzhen amounted to 43 locations.

In Hong Kong and Macau, Saint Honore performed well amidst a sluggish retail environment, recording healthy single-digit comparable store sales. In particular, the birthday cake and bread offerings enjoyed strong sales growth on the back of successful new product launches. Innovative new offerings of note included the Horlicks cake series, based on the famous malted milk brand, and the Japanese Strawberry Cake series. The Hong Kong operations were named "My Favourite Cake Shop" in the "U Favourite Food Awards 2017" organised by U Magazine.

During the period under review, the Group implemented a series of initiatives to enhance productivity and efficiency, which helped achieve an improvement in gross profit margin. Saint Honore also continued to build its e-commerce capabilities through its digital CRM (customer relationship management) programme, which now boasts about 240,000 members.

The factory conversion from chilled to frozen dough was completed in the last quarter of 2016. Since then, the Group has been working to maintain high dough quality while also improving sales and productivity. The Group is also investing in factory upgrades and new equipment to semi-automate its bread production line, ensuring consistency, efficiency and safety.

To enhance its CRM programme in Guangzhou and drive its O2O business, the Group launched a new digitalised “smART Card” in May 2017 that deepens engagement with VIP members by enabling them to link the new card to the Saint Honore WeChat account and access exclusive offers.

## **Operations Review – FingerShopping.com**

As at the end of June 2017, the Group’s O2O digital retailing platform FingerShopping.com featured more than 1,500 brands and approximately 25,000 stock-keeping units. Beauty and Personal Care continues to be the anchor category, while the Baby and Family as well as Healthcare categories have also been showing strong growth.

During the first half of 2017, the business posted gross merchandise volume growth of 20% and membership growth of 300% to 552,000 members as compared with the same period last year, driven in part by collaboration on Circle K’s “OK Stamp It” digital CRM programme. With a pick-up rate of 95% and a payment rate of 73% at Circle K Hong Kong and Macau, FingerShopping.com continues to serve as an example of a successful O2O business. The site was named one of the “Top 10 eCommerce Websites” by GS1 Hong Kong and Retail Asia Expo, and a “Quality E-Shop” by the Hong Kong Retail Management Association for 2017.

## **Future Prospects**

The Hong Kong retail market will likely remain soft for the duration of the year. However, the Group is pleased with its performance thus far in 2017, which has been made possible by quality, innovation and excellent customer relationship service – all hallmarks of the Circle K and Saint Honore brands.

The Group’s O2O strategy of aligning with the needs of more and more smartphone-savvy consumers will be a key growth driver moving forward. Robust marketing and cross-promotional synergies will help grow the membership base of “OK Stamp It”. Confident yet measured store network expansion will bring the Group’s brands, products and services to more corners of the market. Meanwhile, the Group will continue to focus on delivering trendy, appealing new products and timely seasonal promotions to its valued customers.

Overall, the Group expects to continue enjoying success over the course of the rest of the year while building a solid base for even stronger results in the future.

**Richard YEUNG Lap Bun**  
*Chief Executive Officer*

Hong Kong, 17 August 2017

## Discussion and Analysis

### Financial Review

During the first six months of 2017, the Group's turnover increased 3.8% to HK\$2,427 million. Turnover for the convenience store business increased 4.9% to HK\$1,962 million, with comparable store sales growing a healthy 4.6% over the same period last year. Turnover for the bakery business slightly decreased 0.9% to HK\$491 million, with satisfactory 5.9% growth in comparable store sales and offset with a reduction of festive products sales in Hong Kong.

Gross margin and other income as a percentage of turnover increased by 0.4% to 36.3% despite keen competition in the retail market and high manufacturing costs. The improvement in the efficiency and productivity of Saint Honore factory production is one of the key contributors to the margin growth. Operating expenses marginally increased from 33.2% of turnover to 33.4% against the same period in 2016, which was primarily due to high rental and labour costs as well as higher than usual marketing and promotion costs spent on the recruitment of "OK Stamp It" members. Overall, the Group's core operating profit increased 9.9% to HK\$70 million.

Net profit increased 10.2% to HK\$57 million for the six months ended 30 June 2017. Basic earnings per share increased 9.5% to 7.52 HK cents.

As at 30 June 2017, the Group had a net cash balance of HK\$335 million, which was mainly generated from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held either in Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

The Board of Directors has resolved to declare an interim dividend of 4 HK cents per share.

### Employees

As at 30 June 2017, the Group had a total of about 6,800 employees, with about 5,100, or 75%, based in Hong Kong and about 1,700, or 25%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 43% of total headcount. Total staff cost for the six months ended 30 June 2017 was HK\$405 million compared to HK\$398 million for the same period last year.

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

The HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme remains a vital part of the Group's customer service and loyalty efforts. To strengthen the HEARTS employee engagement programme, the Activity Organising Board has continued to conduct activities across key areas: creating a happy working environment; caring for employees' families; and ensuring work-life balance. Examples during the period under review included participation by Group colleagues, their families and friends in the Standard Chartered Hong Kong Marathon 2017, and holding a "Wellness Month" in March to promote environmental protection and green lifestyles.

## **Sustainability and Corporate Social Responsibility**

As part of the Fung Group, Convenience Retail Asia Limited abides by the principles specified in the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability.

The Group is committed to a voluntary framework of proactive sustainability, community and employment strategies. Key areas include reducing the Group's carbon footprint; promoting environmental awareness among the community; collaborating with suppliers for a safer, healthier and greener supply chain; expanding the Group's programme of social and community projects; and ensuring a safe, healthy, balanced and empowering workplace. The Group also published its first Environmental, Social and Governance (ESG) report, covering the calendar year of 2016, in April 2017.

**Condensed Consolidated Profit and Loss Account**  
**For the six months ended 30 June 2017**

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	2,426,822	2,339,035
Cost of sales	3	(1,599,326)	(1,551,588)
Gross profit		<u>827,496</u>	<u>787,447</u>
Other income	2	53,193	52,109
Store expenses	3	(639,144)	(614,633)
Distribution costs	3	(71,514)	(69,033)
Administrative expenses	3	(99,935)	(92,124)
Core operating profit		<u>70,096</u>	<u>63,766</u>
Non-core operating gain	3	-	42
Operating profit		<u>70,096</u>	<u>63,808</u>
Interest income	4	1,045	1,124
Profit before income tax		<u>71,141</u>	<u>64,932</u>
Income tax expenses	5	(14,021)	(13,112)
Profit attributable to shareholders of the Company		<u>57,120</u>	<u>51,820</u>
Earnings per share (HK cents)			
Basic	6	<u>7.52</u>	<u>6.87</u>
Diluted	6	<u>7.52</u>	<u>6.87</u>

**Condensed Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2017**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to shareholders of the Company	57,120	51,820
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	1,327	(2,121)
Total comprehensive income attributable to shareholders of the Company	<u>58,447</u>	<u>49,699</u>

**Condensed Consolidated Balance Sheet**  
As at 30 June 2017

		(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
<b>Assets</b>			
Non-current assets			
Fixed assets		341,683	337,475
Investment properties		26,828	27,174
Lease premium for land		35,008	35,130
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		89,977	87,120
Deferred tax assets		13,942	15,916
		866,798	862,175
Current assets			
Inventories		174,166	217,029
Rental deposits		58,173	59,114
Trade receivables	8	57,071	60,883
Other receivables, deposits and prepayments		89,997	97,377
Taxation recoverable		2,095	-
Restricted bank deposit		929	892
Cash and cash equivalents		333,976	541,942
		716,407	977,237
Total assets		1,583,205	1,839,412
<b>Equity</b>			
Share capital		76,243	75,530
Reserves		511,677	734,192
Total equity		587,920	809,722
<b>Liabilities</b>			
Non-current liabilities			
Long service payment liabilities		10,704	11,182
Deferred tax liabilities		8,835	10,033
		19,539	21,215
Current liabilities			
Trade payables	9	588,150	618,295
Other payables and accruals		189,423	205,260
Taxation payable		24,554	10,803
Cake coupons		173,619	174,117
		975,746	1,008,475
Total equity and liabilities		1,583,205	1,839,412

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

(Unaudited)  
Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2017	75,530	379,697	177,087	19,316	17,173	(3,109)	144,028	809,722
Profit attributable to shareholders of the Company	-	-	-	-	-	-	57,120	57,120
Exchange differences	-	-	-	-	-	1,327	-	1,327
Total comprehensive income for the period	-	-	-	-	-	1,327	57,120	58,447
Issue of new shares	713	22,266	-	-	-	-	-	22,979
Employee share option benefit	-	4,224	-	-	(2,910)	-	417	1,731
Dividends paid	-	(205,847)	-	-	-	-	(99,112)	(304,959)
	713	(179,357)	-	-	(2,910)	-	(98,695)	(280,249)
At 30 June 2017	76,243	200,340	177,087	19,316	14,263	(1,782)	102,453	587,920
At 1 January 2016	75,464	377,246	177,087	18,474	13,201	2,217	174,845	838,534
Profit attributable to shareholders of the Company	-	-	-	-	-	-	51,820	51,820
Exchange differences	-	-	-	-	-	(2,121)	-	(2,121)
Total comprehensive income for the period	-	-	-	-	-	(2,121)	51,820	49,699
Employee share option benefit	-	-	-	-	2,206	-	80	2,286
Dividend paid	-	-	-	-	-	-	(143,382)	(143,382)
	-	-	-	-	2,206	-	(143,302)	(141,096)
At 30 June 2016	75,464	377,246	177,087	18,474	15,407	96	83,363	747,137

## **Notes to the Condensed Consolidated Interim Financial Information**

### **1. Basis of preparation and accounting policies**

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

This condensed consolidated interim financial information should be read in conjunction with the 2016 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 2016 consolidated financial statements.

The Group has adopted new and amended standards and interpretations of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2017 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies.

## 2. Revenue, other income and segment information

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Revenue		
Merchandise sales revenue	1,962,150	1,870,236
Bakery sales revenue	456,538	458,603
e-commerce revenue	8,134	10,196
	<hr/>	<hr/>
	2,426,822	2,339,035
	<hr/> <hr/>	<hr/> <hr/>
Other income		
Service items and miscellaneous income	53,193	52,109
	<hr/> <hr/>	<hr/> <hr/>

### Segment information

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

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

The segment information provided to the management for the reportable segments for the six months ended 30 June 2017 and 2016 are as follows:

(Unaudited)						
Six months ended 30 June 2017						
	Convenience Store HK & Others HK\$'000	Bakery HK & Others HK\$'000		Chinese Mainland HK\$'000	e-commerce HK HK\$'000	Group HK\$'000
Total segment revenue	1,962,150	458,941	57,204	8,134	2,486,429	
Inter-segment revenue	-	(59,607)	-	-	(59,607)	
Revenue from external customers	1,962,150	399,334	57,204	8,134	2,426,822	
Total segment other income	49,807	3,410	1,805	69	55,091	
Inter-segment other income	(791)	(1,107)	-	-	(1,898)	
Other income	49,016	2,303	1,805	69	53,193	
	2,011,166	401,637	59,009	8,203	2,480,015	
Core operating profit/(loss)	67,125	14,372	(3,094)	(8,307)	70,096	
Depreciation and amortisation	(14,370)	(17,679)	(3,652)	(398)	(36,099)	
(Unaudited)						
Six months ended 30 June 2016						
	Convenience Store HK & Others HK\$'000	Bakery HK & Others HK\$'000		Chinese Mainland HK\$'000	e-commerce HK HK\$'000	Group HK\$'000
Total segment revenue	1,870,236	462,818	59,006	10,196	2,402,256	
Inter-segment revenue	-	(63,221)	-	-	(63,221)	
Revenue from external customers	1,870,236	399,597	59,006	10,196	2,339,035	
Total segment other income	48,399	4,435	1,016	47	53,897	
Inter-segment other income	(681)	(1,107)	-	-	(1,788)	
Other income	47,718	3,328	1,016	47	52,109	
	1,917,954	402,925	60,022	10,243	2,391,144	
Core operating profit/(loss)	71,526	6,628	(4,003)	(10,385)	63,766	
Depreciation and amortisation	(13,276)	(16,347)	(3,283)	(584)	(33,490)	

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.

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

### 3. Expenses by nature

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Amortisation of lease premium for land	607	621
Cost of inventories sold	1,490,076	1,436,827
Depreciation of owned fixed assets	35,010	32,380
Depreciation of investment properties	482	489
Employee benefit expense	404,628	397,581
Operating leases rental for land and buildings	255,845	245,353
Other expenses	223,271	214,085
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating gain	2,409,919	2,327,336
	<hr/> <hr/>	<hr/> <hr/>

### 4. Interest income

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest income on bank deposits	1,045	1,124
	<hr/>	<hr/>

## 5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2017 and 2016. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates prevailing in the countries in which the Group operates.

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current income tax		
Hong Kong profits tax	10,274	13,196
Overseas profits tax	2,892	3,228
Deferred income tax charge/(credit)	855	(3,312)
	<hr/>	<hr/>
	14,021	13,112
	<hr/>	<hr/>

## 6. Earnings per share

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

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

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	57,120	51,820
	<hr/>	<hr/>
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Weighted average number of ordinary shares in issue	759,520,522	754,640,974
Adjustment for:		
Share options	64,243	3,035
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share	759,584,765	754,644,009
	<hr/> <hr/>	<hr/> <hr/>

## 7. Dividend

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interim dividend, proposed of 4 HK cents (2016: 3.5 HK cents) per share	30,497	26,412
	<hr/>	<hr/>

At a meeting held on 17 August 2017, the Directors proposed an interim dividend and it is not reflected as dividend payable in this condensed consolidated interim financial information.

## 8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 30 June 2017, the aging analysis by invoice date of trade receivables is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2017</b> <b>HK\$'000</b>	(Audited) 31 December 2016 HK\$'000
0-30 days	43,129	48,035
31-60 days	6,641	5,464
61-90 days	2,278	3,113
Over 90 days	5,023	4,271
	<hr/> 57,071	<hr/> 60,883
	<hr/>	<hr/>

## 9. Trade payables

At 30 June 2017, the aging analysis by invoice date of the trade payables is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2017</b> <b>HK\$'000</b>	(Audited) 31 December 2016 HK\$'000
0-30 days	347,472	396,688
31-60 days	150,801	135,554
61-90 days	58,524	54,987
Over 90 days	31,353	31,066
	<hr/> 588,150	<hr/> 618,295
	<hr/>	<hr/>

## Corporate Governance

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

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

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

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

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

Corporate governance practices adopted by the Company during the six months ended 30 June 2017 are in line with those practices set out in the Company's 2016 Annual Report, and are also consistent with the principles set out in the CG Code.

## **Audit Committee**

The Audit Committee met three times to date in 2017 (with an average attendance rate of about 87%) to consider and review with senior management, the Company's internal auditor under the Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

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

The Audit Committee has reviewed with senior management the unaudited interim financial information for the six months ended 30 June 2017 before recommending it to the Board for approval.

## **Directors' and Relevant Employees' Securities Transactions**

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines in line with the Model Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2017. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2017.

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

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2017:

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

## **Compliance with the Corporate Governance Code**

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2017.

## 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 2017 of 4 HK cents (2016: 3.5 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 4 September 2017 to 5 September 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 1 September 2017. Dividend warrants will be despatched on 14 September 2017.

On behalf of the Board  
**Convenience Retail Asia Limited**  
**Richard YEUNG Lap Bun**  
*Executive Director*  
& *Chief Executive Officer*

Hong Kong, 17 August 2017

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