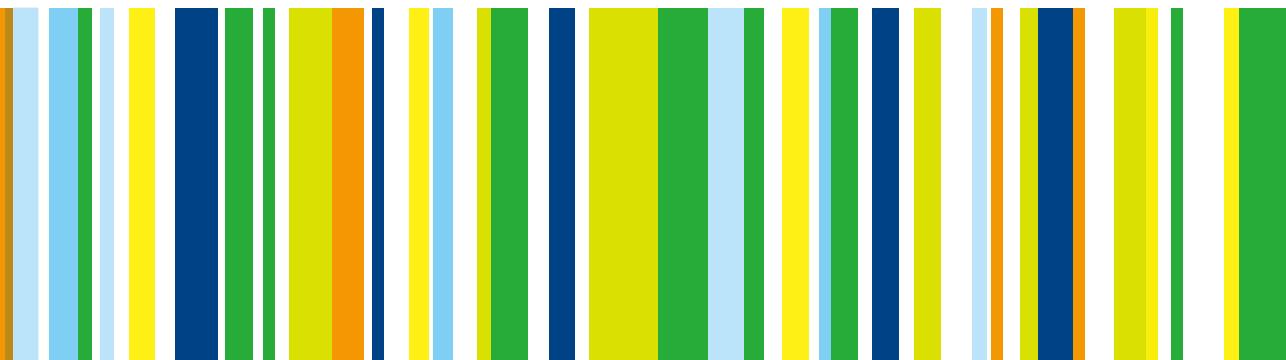




Convenience Retail Asia Limited

利亞零售有限公司

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



馮氏

Interim Report 2015

A Fung Retailing Company





PRINTED ON POST-CONSUMER WASTE RECYCLED PAPER

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Corporate Information

Executive Directors

Richard YEUNG Lap Bun (*Chief Executive Officer*)
PAK Chi Kin (*Chief Operating Officer*)

Non-executive Directors

Victor FUNG Kwok King # (*Chairman*)
William FUNG Kwok Lun +
Godfrey Ernest SCOTCHBROOK *
Jeremy Paul Egerton HOBBINS +
Benedict CHANG Yew Teck *

Independent Non-executive Directors

Malcolm AU Man Chung **
Anthony LO Kai Yiu #*
ZHANG Hongyi #**
Sarah Mary LIAO Sau Tung +

Group Chief Compliance and Risk Management Officer

Jason YEUNG Chi Wai

Company Secretary

Maria LI Sau Ping

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
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 JSM
(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>
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Sheden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Abacus Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Banker	The Hongkong and Shanghai Banking Corporation Limited
Stock Code	00831

Highlights

Interim Results For the six months ended 30 June 2015

	Change	2015 HK\$'000	2014 HK\$'000
Revenue	+5.8%	2,368,293	2,238,620
Core operating profit	-34.6%	41,979	64,167
Profit attributable to shareholders of the Company	-36.8%	30,766	48,697
Basic earnings per share (HK cents)	-37.4%	4.09	6.53
Interim dividend per share (HK cents)	Nil	3.10	3.10

Operation Highlights

- Despite subdued consumer confidence, convenience store and bakery businesses achieved satisfactory comparable store sales growth in Hong Kong
- Core operating profit before expenditure in e-commerce platform FingerShopping.com and investment in a pilot programme with Sinopec Marketing, collectively identified as “Projects”, decreased by 18.5%, which was mainly attributable to high rentals and staff costs
- Net profit declined by 36.8% due to rising operating costs and higher expenditure and investments in Projects
- With consumer market sentiment remaining weak and operating costs continuing to rise, the Group expects a difficult business environment in the second half of 2015
- To enhance profitability, the Group announced the sale of Circle K’s loss making Guangzhou operations to Fung Holdings (1937) Limited, a controlling shareholder of the Group, which will result in a one-off gain of approximately HK\$50 million
- The Group maintains a strong financial position with net cash of HK\$460 million without any bank borrowings

Number of Stores as of 30 June 2015

Circle K Stores	
Hong Kong	328
Guangzhou	73
Subtotal	401
 Franchised Circle K Stores	
Guangzhou	9
Macau	26
Zhuhai	14
Subtotal	49
 Total number of Circle K Stores	450
 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	591

Chairman's Statement

Financial Overview

I am pleased to report the unaudited interim results of Convenience Retail Asia Limited and its subsidiaries (the "Group") for the period ended 30 June 2015.

During the first six months of 2015, the Group's turnover grew by 5.8% to HK\$2,368 million, mainly due to higher comparable store sales.

Core operating profit decreased by 34.6% to HK\$42 million compared to the same period last year, due largely to substantial increases in operating expenses such as rentals and retail labour costs, as well as expenditure in an intensive marketing campaign to promote FingerShopping.com and investment in a pilot programme with Sinopec Marketing Co., Ltd. ("Sinopec Marketing") to manage 10 petrol stations and Easy Joy convenience stores in Guangzhou (together known as "the Projects"). Excluding the Projects, core operating profit decreased by 18.5% to HK\$57 million. Net profit before accounting for the Projects decreased year on year by 16.1% to HK\$45 million and declined by 36.8% to HK\$31 million after including them.

As at 30 June 2015, the Group had a net cash balance of HK\$460 million and no bank borrowings. The Board of Directors has resolved to declare an interim dividend of 3.1 HK cents per share.

Review of the Hong Kong Retail Market

The Group achieved satisfactory comparable store sales growth in Hong Kong in the first half of 2015, even though the local retail environment remained difficult. From January through June, Hong Kong's overall retail sales volume rose 1.7% year on year and contracted by 1.6% in value compared to the same period last year¹. Tourist arrival from the Chinese Mainland rose 4.7%² during the period under review, a significant decline from the 16.0% growth over the same period in 2014³. This has continued to affect the Group's festive sales.

Operating costs remained high. While rentals dipped slightly, there are no signs indicating a return to more reasonable levels. Meanwhile, the Hong Kong labour market remained very competitive due to a low unemployment rate of 3.2% and an underemployment rate of 1.4% between April and June¹. These factors inevitably affected the Group's margins and profit.

Notes:

1. Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 17 August 2015.
2. Published by the Hong Kong Tourism Board on 31 July 2015.
3. Published by the Hong Kong Tourism Board on 31 July 2014.

Company Initiatives in the Hong Kong Operations

Considering the difficult operating environment, the Group achieved a solid turnover in the first half of 2015, with higher comparable store sales from the convenience store and bakery businesses. This was largely due to the Group's continuous effort in category management, regular launches of innovative marketing and promotional campaigns to drive sales, and the implementation of more stringent controls on operating costs.

FingerShopping.com remains one of the Group's most important initiatives to grow sales outside traditional channels, drive revenue and build the Circle K brand. This innovative e-commerce platform now carries more than 10,000 stock-keeping units and features close to 1,000 brands.

Review of the Retail Market on the Chinese Mainland

The Chinese Mainland continued to experience slower GDP growth, which dropped from 7.4% during the first half of 2014⁴ to 7.0% in the first half of 2015⁵. Retail sales grew 10.4% year on year⁶, down from 12.1% in 2014⁴. While the Group is pleased that its Circle K and Saint Honore operations were able to generate satisfactory results during the period under review – indicating strong customer brand preference and loyalty – the weak market environment is likely to endure for some time.

Review of the Guangzhou Operations

One of the Group's core strengths is devising timely, value-adding promotions for its loyal customers. During the period under review, Circle K and Saint Honore stores in Guangzhou presented a number of enticing offers made in partnership with leading, highly visible brands. These included a collaboration with WeChat to distribute coupons in red packets during Chinese New Year; partnerships with Tenpay and Alipay; and an exclusive joint promotion with UnionPay. The Group was also encouraged to see membership in Circle K's Hot & In loyalty programme exceed 270,000 by the end of May. This valuable customer base should continue to help deliver repeat purchases and satisfactory same-store sales performance.

Notes:

4. Published by the National Bureau of Statistics of China on 17 July 2014.
5. Published by the National Bureau of Statistics of China on 16 July 2015.
6. Published by the National Bureau of Statistics of China on 15 July 2015.

The operating environment of the convenience store business on the Chinese Mainland will remain challenging in the near future and it is difficult to determine when conditions will improve. Therefore, the Group has agreed to sell its Circle K convenience store business in Guangzhou to the controlling shareholder Fung Holdings (1937) Limited ("FH 1937"). Upon completion of the transaction, the Group will no longer pursue the pilot programme with Sinopec Marketing relating to the operation of 10 petrol stations and Easy Joy convenience stores in Guangzhou. The programme will be taken up by the FH 1937 Group.

The sale of the Circle K convenience store business in Guangzhou will not only produce a healthy one-off cash gain and alleviate the financial burden of running the Group's southern China Circle K operations, but it will also enable the Directors and management to focus on more profitable endeavours.

Review of the Saint Honore Cake Shop Operations

Commercial rentals remain high, so the Group continues to take a prudent approach to its store opening strategy. The market is in a state of flux due to the lower number of Chinese Mainland tourists in Hong Kong, which has had a negative impact on foot traffic and sales, particularly during festival occasions. Stringent cost controls and product development continue to be key focuses for the business.

Corporate Governance and Sustainability

As part of the Fung Group, the Group supports the principles of the United Nations Global Compact on human rights, labour standards, anti-corruption efforts, environmental protection and sustainability. These principles are incorporated into the Group's Supplier Code of Conduct that was issued last year, and they permeate every aspect of its business.

The Group is also a socially responsible corporation that closely monitors the impacts of its operations on the environment and community. It progressively integrates sustainable practices into daily activities, and continues to provide exceptional levels of service to customers.

Outlook

We expect that the tough business environments in Hong Kong and the Chinese Mainland to persist throughout the remainder of the year – and possibly beyond – due to lower consumer spending and continuously rising operating costs. The Group's carefully considered decision to sell its Circle K business in Guangzhou demonstrates its commitment to growth and profitability in all market conditions.

Two other important strategies for mitigating these challenges are strengthening our award-winning customer service, and enhancing our position as an employer of choice. We aim to extend our customer-centric approach by staying relevant and up to date with the trendiest, highest-quality products and services, as well as improving our online visibility. To deal with the competitive labour market, we are focusing sharply on employee satisfaction and retention through our HEARTS employee engagement programme. This involves substantially investing in the skills and career growth of our staff, and inculcating a sense of duty to self and company. We believe these efforts will further differentiate the Group's businesses as preferred brands in the hearts and minds of consumers.

FingerShopping.com is demonstrating its potential to generate sales and brand awareness, both online and across multiple customer bases. The Group is currently testing the e-commerce platform's delivery services in Guangzhou. In addition, we are securing a number of strategic partnerships with high-profile brands, including major banks in Hong Kong as well as Toys"R"Us and Café de Coral, to extend our O2O (online to offline) strategy.

I would like to close by giving my sincerest thanks to the Group's management and staff for their remarkable efforts and unwavering dedication to our business.

Victor FUNG Kwok King

Chairman

Hong Kong, 25 August 2015

Management Discussion and Analysis

Financial Review

During the first six months of 2015, the Group's turnover increased 5.8% to HK\$2,368 million. Turnover for the convenience store business increased 5.7% to HK\$1,902 million, with comparable store sales in Hong Kong and southern China growing 8.8% and 2.6% respectively compared to the same period last year. Turnover for the bakery business increased 5.5% to HK\$498 million, with 4.1% growth in comparable store sales in Hong Kong.

Gross margin and other income as a percentage of turnover slightly decreased 0.8% to 36% as the Group experienced pressure from rising raw material prices and factory labour costs. Meanwhile, operating expenses increased from 33.9% of turnover to 34.2% against the same period in 2014. This was due primarily to rising rental and labour costs, as well as expenditure in an intensive marketing campaign for e-commerce platform FingerShopping.com, which started in the first half of 2015, and investment in a pilot programme with Sinopec Marketing to manage 10 petrol stations and Easy Joy convenience stores in Guangzhou, which was launched in late 2014 (together known as "the Projects"). As a result, the Group's core operating profit decreased by 34.6% to HK\$42 million. Excluding the Projects, core operating profit decreased by 18.5% to HK\$57 million.

These same issues impacted the Group's net profit, which declined 36.8% to HK\$31 million for the six months ended 30 June 2015. Excluding the Projects, net profit declined 16.1% to HK\$45 million. Basic earnings per share decreased 37.4% to 4.09 HK cents.

As at 30 June 2015, the Group had a net cash balance of HK\$460 million with no bank borrowings. Most of the Group's cash and bank deposits were in Hong Kong dollars as well as renminbi, and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland, except for certain renminbi bank deposits held in Hong Kong, which are subject to foreign exchange risk. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in Hong Kong dollars or renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

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

Operations Review – Hong Kong

As at 30 June 2015, the total number of Circle K stores was 328 compared to 329 as at the end of 2014, and the total number of Saint Honore stores was 89 compared to 93. In the first half of 2015, the Group opened five new Circle K stores in Hong Kong and closed six for a net decrease of one, and it opened two new Saint Honore stores in Hong Kong and closed six for a net decrease of four. Given the current market environment of persistently high rents and low consumer sentiment, the Group will continue to take a prudent approach toward store expansion.

Employees

As at 30 June 2015, the Group had a total of 7,725 employees. 4,957 were based in Hong Kong, and 2,768 were based in Guangzhou, Shenzhen and Macau. Part-time employees accounted for 41% of the Group's total headcount. Total staff cost for the six months ended 30 June 2015 was HK\$410 million compared to HK\$390 million for the same period last year.

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

In a challenging labour market, one of the Group's core focuses is to ensure company harmony and growth through workplace satisfaction. During the period under review, the Group's Activity Organising Board continued to develop fun activities under the HEARTS (Happy, Energised, Achievement, Respect, Training, Success) employee engagement programme to promote work-life balance and foster a happy, caring work environment for staff and their families. These included "The Little Saint Honore", which gave children of employees the chance to experience being a frontline member; a staff Fun Day; and participation in the Standard Chartered Hong Kong Marathon 2015.

Marketing and Promotion

The Group continued to launch successful marketing initiatives and promotions that helped Circle K achieve comparable store sales growth in a challenging retail market. One innovative example was Circle K's first-ever collaboration with the Kumamoto Prefecture Government to introduce Kumamoto merchandise and premiums, including charms based on the popular character Kumamon. Another was the Chinese New Year Instant Win Electronic Lucky Draw Promotion featuring Monchhichi, which helped drive customer interaction and enriched store ambience during the festive period.

Category Management

Circle K offers a wide range of quality products and convenient services that meet the increasingly high expectations of its customers. In the first half of 2015, the Group launched Ho-Yo Dual-Flavour Cup Ice Cream, which gives customers two refreshing flavours in a single cup; promoted affordable, quality Korean and Japanese noodle and rice roll items to leverage the popularity of these cuisines in the local market; introduced the iTunes Variable card to drive business in the gift card category and boost customer loyalty; and enhanced fulfilment services by launching a service where customers can drop their parcels at Family Mart in Taiwan and pick them up at Circle K stores in Hong Kong.

Customer Service Excellence

In an increasingly competitive, sophisticated and challenging retail market, the Group is intent on continuing to win the hearts and minds of consumers. We are accomplishing this by staying relevant and up to date, offering “Always Something New” products and services, maximising differentiation and increasing the Group’s online visibility.

Therefore, the Group was very proud to win the Hong Kong Retail Management Association’s award for “Service Retailer of the Year – Convenience Stores Category” for the sixth consecutive year. The Group also won a Certificate of Merit in the Customer Service category of the 2014 Hong Kong Awards for Industries. Circle K was named a “Smiling Enterprise” by the Mystery Shopper Service Association for the second straight year, and a frontline member won an award for “Smiling Staff 2015”.

Another major success initiative for the Group is improving the workplace experience. The HEARTS employee engagement campaign is central to this. Circle K has also developed a new training programme series, “Service from HEARTS”, to enhance its service levels.

Supply Chain Management and Logistics

One of the most important improvements made during the period under review was Saint Honore’s introduction of extensive GPS coverage for better fleet and cold chain management. With the right GPS navigation system, staff can more effectively track in-transit temperature and manage the cold chain at all times. This also has the potential to reduce delivery mileage.

Operations Review – Guangzhou

Circle K and Saint Honore participated in an innovative promotion organised by WeChat during the Chinese New Year by sending red packets with cash coupons and product coupons to WeChat members. The promotion generated good response and use ratio. In April and May the two brands collaborated on successful promotions with Tenpay and Alipay. They also acted as the exclusive convenience store and bakery chains for a four-day promotion with Unionpay in late May and early June, which gave customers the chance to receive 38% off purchases of RMB50 or more. The partnership’s success has led to additional promotion days with Unionpay every month through November 2015.

Circle K Guangzhou was proud to see its Hot & In membership exceed 270,000 by the end of May. To celebrate the 5th anniversary of the Hot & In membership programme, the Group extended it to cover all in-store transactions from May 2015 onwards, with the exception of bill payments, top-ups and other services. It also gave an extra RMB5 to customers making top-ups of RMB100 on their VIP cards. In addition, Circle K Guangzhou and FingerShopping.com held a joint promotion in June to give away a HK\$100 cash coupon with every RMB100 spent on Hot & In items. These cash coupons can be used for purchases on FingerShopping.com.

Circle K Guangzhou has been operating at significant losses since its commencement of operations in 2002. The operating environment of the convenience store business on the Chinese Mainland will remain challenging and it is difficult to estimate when a satisfactory financial return from the operations could be achieved. As a result, pursuant to a sale and purchase agreement signed on 25 August 2015, the Group has agreed to sell its Circle K convenience store business in Guangzhou to the controlling shareholder FH 1937, for a total cash consideration of HK\$104.5 million (subject to adjustment). Following completion of this agreement, the Group will realise a one-off gain of about HK\$50 million from the sale and considerably reduce its investment loss on the Chinese Mainland moving forward.

Operations Review – Saint Honore Cake Shop

Saint Honore saw its total number of stores decrease from 148 to 141 during the period under review. This was primarily because of rental costs, which remain high despite recent signs of correction. Meanwhile, the declining number of Chinese Mainland tourists to Hong Kong – and the accompanying drop in spending – continues to impact the traditionally lucrative holiday periods of Chinese New Year and Dragon Boat Festival.

To counter these challenges, the Group has imposed more stringent cost controls, and it continues to focus on enhancing its product mix. For instance, the company received excellent sales results and media coverage for its direct sourcing of fresh strawberries and melons from Japan, which were key ingredients in the popular “Japan Strawberry Cake” and “Japan Melon Cake”. The Group also implemented a new dough production technique to enhance quality and reduce costs.

Saint Honore is a responsible corporate citizen and continues to make positive contributions to society. The company partnered with Foodlink Foundation Limited and Feeding Hong Kong to donate unsold bread to those in need. It also collaborated with the Tung Wah Group of Hospitals to provide advice for setting up its iBakery Shop.

Saint Honore received a number of awards over the first six months of the year. These included the Smiling Enterprise Certificate 2014-2015; TVB Weekly’s Outstanding Corporate Image Award 2014 and 2014 Brand Award; and Metro Daily’s Metro Creative Awards 2015 for “Favourite Spokesperson”, which recognised Saint Honore’s marketing campaigns featuring TV artist Moses Chan, whom the Group has worked with closely over the past few years.

In Guangzhou, Saint Honore launched a cake ordering service that enables customers to use their mobile phones or in-store tablets to select, order and pay for cakes. The Group is also proud that the Saint Honore team won the bronze medal at the “Anchor Pastry Challenge 2015”, organised by the China Association of Bakery and Confectionery Industry.

FingerShopping.com

The Group's comprehensive O2O platform FingerShopping.com continued to make encouraging progress in the first half of the year. Health and beauty is the site's most successful anchor category.

FingerShopping.com offers products from a number of key partners including SensatioNail, Adidas, Playboy, Clear Nose, Burt's Bees, LSnP and Touch in SOL. The site also has exclusive deals with online shops including Kumamoto Prefecture of Japan, popular Taiwanese skincare brand "Bevy C" and Korean skincare hub "Nature Duty Free".

The Group has extended FingerShopping.com's delivery services to Guangzhou, testing the Chinese Mainland market on an experimental basis. These launches have involved the development of a site version with simplified Chinese characters, live chat customer service, payment gateways and social media channels (such as Alipay and WeChat service counters).

Developing strategic partnerships with online and offline companies is a key traffic-builder for FingerShopping.com. The Group has lined up major banks in Hong Kong to offer FingerShopping.com's year-round offers to their credit card customers. As an extension of the Group's O2O strategy, FingerShopping.com also ran joint promotional campaigns with Toys"R"Us and Café de Coral whereby customers could redeem FingerShopping.com coupons with purchases.

Corporate Social Responsibility

The Group strives to be a contributing member of society, and during the first six months of 2015 it extended its outreach in the areas of the environment and helping those less fortunate. An example of the latter was Circle K's collaboration with Agent of Change – a social enterprise that provides high-quality but affordable daily necessities to the needy – which gave store customers the chance to purchase beneficiary gift packs containing cooking oil and toothpaste for just HK\$10. The Group also continued to support Habitat for Humanity in its homebuilding efforts for the underprivileged, and it participated in Fung (1906) Foundation's programme to support Youth Build 2015 in Guangdong Province.

Care for the environment has long been a cornerstone of the Group's operations, and Circle K and Saint Honore were both proud to participate in Earth Hour 2015. To help groom the next generation of business leaders, the Group participated in the Job Shadowing Day organised by Junior Achievement Hong Kong and supported by Fung (1906) Foundation, an initiative that gives secondary school students the opportunity to shadow mentors at leading companies.

Circle K and Saint Honore were delighted once again to receive recognition as a "10 Years Plus Caring Company" and "5 Years Plus Caring Company", respectively, for 2014/2015 from the Hong Kong Council of Social Service. These awards are given to companies that demonstrate "Caring for the Community", "Caring for Employees" and "Caring for the Environment", as well as long-term contributions to society.

Future Prospects

The retail market and operating environment are expected to remain difficult over the remainder of 2015, and this will likely continue affecting the operating results of the Group. However, the sale of the Circle K Guangzhou business to FH 1937 (which will help the Group reduce its investment loss on the Chinese Mainland), together with the one-off gain from the sale, will have a positive influence on the Group's overall profitability.

To strengthen its other businesses, the Group has implemented strategic changes to improve customer experience, workplace satisfaction and efficiency.

The Group is also working to ensure long-term growth by constantly exploring ways its businesses can grow and thrive. Strategic partnerships as well as acquisitions in profitable and emerging categories will be pursued as the Group looks to complement its current brands and offerings.

Circle K and Saint Honore are focused on reinvention and keeping customers engaged by introducing cutting-edge products, services and marketing. The Group also remains committed to keeping tight controls on costs and head count.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 25 August 2015

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.

Corporate governance practices adopted by the Company during the six months ended 30 June 2015 are in line with those practices set out in the Company's 2014 Annual Report, and are also consistent with the principles 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").

The Board

As at 30 June 2015, the Board comprised the Non-executive Chairman, two Executive Directors, four Independent Non-executive Directors and four Non-executive Directors.

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

The Board held four meetings to date in 2015 (with an average attendance rate of directors of about 95%) to discuss the overall strategies, operational and financial performance of the Group.

The Board has established the following committees with defined terms of reference (available on the Company's corporate website), which are of no less exacting terms than those set out in the CG Code:

- 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.

Audit Committee

The Audit Committee was established in January 2001 to review the Group's financial reporting, internal controls, corporate governance and risk management matters, and to make recommendations to the Board. Its current members include:

Anthony LO Kai Yiu * – *Committee Chairman*

Malcolm AU Man Chung *

Godfrey Ernest SCOTCHBROOK +

Benedict CHANG Yew Teck +

ZHANG Hongyi *

* *Independent Non-executive Director*

+ *Non-executive Director*

The committee includes members who possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met three times to date in 2015 (with an average attendance rate of about 93%) to consider and review with senior management, the Company's Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

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

The Audit Committee has reviewed with the management this unaudited interim report for the six months ended 30 June 2015 before recommending it to the Board for approval.

Remuneration Committee

The Remuneration Committee was established in January 2005. Its current members include:

Malcolm AU Man Chung * – *Committee Chairman*

William FUNG Kwok Lun +

Jeremy Paul Egerton HOBBINS +

ZHANG Hongyi *

Sarah Mary LIAO Sau Tung *

* *Independent Non-executive Director*

+ *Non-executive Director*

The Remuneration Committee is responsible for reviewing the Group's remuneration and human resources policy and 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.

The Remuneration Committee met once to date in 2015 (with a 100% attendance rate) to consider possible alternative incentive to Directors and employees, and the grant of share options to employees.

Nomination Committee

The Nomination Committee was established in March 2012. Its current members include:

Victor FUNG Kwok King + – *Committee Chairman*

Anthony LO Kai Yiu *

ZHANG Hongyi *

* *Non-executive Director*

* *Independent Non-executive Director*

The Nomination Committee is 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.

The Nomination Committee met once to date in 2015 (with a 100% attendance rate) to review the aforesaid matters.

Code of Conduct and Business Ethics

The Group places great emphasis on employees' ethical standards and integrity in all aspects of its operations. The Group takes a zero-tolerance approach to bribery and is committed to complying with all applicable anti-bribery laws.

Guidelines of the Group's business ethical practices as endorsed by the Board are set out in the Code of Conduct and Business Ethics (available on the Company's corporate website). All Directors, officers and employees are expected to comply with the code at all times. The code is posted on the Company's intranet for ease of reference and as a constant reminder to all employees.

Directors' and Relevant Employees' Securities Transactions

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

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2015. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2015.

The Company has adopted the Policy on Inside Information, and 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 ensuring that the Group maintains a sound and effective system of risk management and internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and that it aims to 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 executive management the design, implementation and ongoing monitoring of the system of risk management and internal controls (covering financial, operational and compliance controls). Qualified personnel throughout the Group maintain and monitor this system on an ongoing basis. Details of the Company's risk management and internal control systems are set out in the Corporate Governance Report on pages 35 to 37 of the Company's 2014 Annual Report.

The Corporate Compliance Group (comprising CGD and Corporate Secretarial Division), under the supervision of the Group Chief Compliance and Risk Management Officer, in conjunction with our external advisors reviews the adherence to relevant laws and regulations, compliance with the Listing Rules, public disclosure requirements and our standards of compliance practices.

CGD staff independently review the internal controls and evaluate their adequacy, effectiveness and compliance. The scope of the internal audit review covers material financial, operational and compliance controls, as well as risk management policies and procedures. A summary of the key recommendations is presented at the Audit Committee meetings. The implementation of all agreed recommendations is being followed up on a quarterly basis and the progress of implementation is reported to the Audit Committee at each committee meeting.

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2015:

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

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2015.

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 the Shares, Underlying Shares and Debentures

As at 30 June 2015, the Directors and chief executives of the Company and their associates had the following interests in the 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 Companies 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 the underlying shares of the Company

Name of Directors	Number of shares				Total interests	Approximate percentage of interests
	Personal interests	Family interests	Corporate/ Trust interests	Equity derivatives (share options)		
Victor Fung Kwok King	-	-	311,792,000 (Note 1)	-	311,792,000	41.33%
William Fung Kwok Lun	-	-	311,792,000 (Note 1)	-	311,792,000	41.33%
Richard Yeung Lap Bun	20,396,000	-	-	4,000,000 (Note 2)	24,396,000	3.23%
Pak Chi Kin	1,044,000	-	-	3,000,000 (Note 2)	4,044,000	0.53%
Jeremy Paul Egerton Hobbins	180,000	-	-	-	180,000	0.02%

Notes:

1. *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. Therefore, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, by virtue of their interests in King Lun, are deemed to have interests in 311,792,000 shares of the Company.*
2. *These interests represented the interests in the share options (being regarded as unlisted physically settled equity derivatives) granted by the Company to these Directors as beneficial owners, the details of which are set out in the section headed "Share Options" below.*

Save as disclosed above, as at 30 June 2015, none of the Directors, chief executives and their associates had any other interests or short positions in the 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 (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 the Shares and Underlying Shares

As at 30 June 2015, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had interests in the 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 (L)	Trustee (Note 1)	41.33%
King Lun Holdings Limited	311,792,000 (L)	Corporate interests (Note 1)	41.33%
Arisaig Asia Consumer Fund Limited ("Arisaig Asia")	92,580,000 (L)	Other	12.27%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	92,580,000 (L)	Other (Note 2)	12.27%
Lindsay William Ernest Cooper ("Mr. Cooper")	92,580,000 (L)	Corporate interests (Note 3)	12.27%
Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group")	77,220,000 (L)	Other (Note 4)	10.23%
JPMorgan Chase & Co.	37,752,000 (L) 26,458,000 (P)	Corporate interests (Note 5)	5.00%

(L) – Long Position

(P) – Lending Pool

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 1 in the above section headed "Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures".*
2. *These shares were held by Arisaig Asia of which Arisaig Partners is the fund manager.*
3. *These shares were held by Arisaig Asia of which Arisaig Partners is the fund manager. Arisaig Partners is indirectly owned as to 33.33% by Mr. Cooper through a chain of companies, namely, through Skye Partners Limited (directly owned as to 33.33% by Mr. Cooper), and in turn Skye Partners Limited wholly owns Arisaig Partners (Holdings) Ltd., which in turn wholly owns Arisaig Partners.*
4. *The Aberdeen Group held the shares on behalf of accounts (under discretionary or segregated mandates) managed by the Aberdeen Group.*
5. *These shares were held by JPMorgan Chase & Co. as investment manager.*

Save as disclosed above, as at 30 June 2015, the Company had not been notified of any other interests or short positions in the 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 following expiration of the previous share option scheme.

Details of the movements of share options under the 2010 Share Option Scheme during the six months ended 30 June 2015 are as follows:

(A) Continuous contract employees

As at 1 January 2015	Number of share options				As at 30 June 2015	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Granted (Note 1)	Exercised (Note 2a)	Lapsed (Note 3)	Expired					
7,279,000	-	(2,139,000)	(100,000)	-	5,040,000	3.22	10 March 2011	1 April 2014	31 March 2017
66,000	-	-	-	-	66,000	3.71	8 March 2012	1 April 2014	31 March 2017
470,000	-	-	-	-	470,000	5.40	28 March 2013	1 April 2014	31 March 2017
14,078,000	-	-	(200,000)	-	13,878,000	5.53	28 February 2014	1 April 2017	31 March 2020
-	726,000	-	-	-	726,000	5.10	19 March 2015	1 April 2017	31 March 2020
21,893,000	726,000	(2,139,000)	(300,000)	-	20,180,000				

(B) Directors

	Number of share options									
	As at 1 January 2015		As at 30 June 2015				Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Granted (Note 1)	Exercised (Note 2b)	Lapsed	Expired						
Richard Yeung Lap Bun	2,000,000	-	-	-	-	2,000,000	3.22	10 March 2011	1 April 2014	31 March 2017
	2,000,000	-	-	-	-	2,000,000	5.53	28 February 2014	1 April 2017	31 March 2020
Pak Chi Kin	2,000,000	-	(1,000,000)	-	-	1,000,000	3.22	10 March 2011	1 April 2014	31 March 2017
	2,000,000	-	-	-	-	2,000,000	5.53	28 February 2014	1 April 2017	31 March 2020
	8,000,000	-	(1,000,000)	-	-	7,000,000				

Notes:

- During the period, share options to subscribe for a total of 726,000 shares were granted on 19 March 2015. The closing price of the shares immediately before the date on which the options were granted was HK\$5.10.
- (a) Share options to subscribe for 2,139,000 shares were exercised by continuous contract employees during the period. The weighted average closing market price per share immediately before the dates on which the options were exercised was approximately HK\$4.81.
(b) Share options to subscribe for 1,000,000 shares were exercised by Pak Chi Kin during the period. The weighted average closing market price per share immediately before the date on which the options were exercised was HK\$5.10.
- Share options to subscribe for 300,000 shares lapsed during the period following the cessation of employment of certain grantees.
- The above options granted are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in the annual audited financial statements for the year ended 31 December 2014.

5. The value of the options granted during the period is HK\$444,000 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK\$5.10 at the grant date, exercise price shown above, standard deviation of expected share price returns of 22.5%, expected life of options of four years, expected dividend paid out rate of 3.6% and annual risk-free interest rate of 1.1%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years. The Black-Scholes Valuation model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Save as disclosed above, as at 30 June 2015, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates has been granted any other share options.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of Directors' information since the publication of the Company's 2014 Annual Report are set out below:

Name of Directors	Changes
Victor Fung Kwok King	<ul style="list-style-type: none">resigned as Chairman and director of Fung Global Institute with effect from 1 July 2015became Chairman of the Advisory Board of the Asia Global Institute at The University of Hong Kong with effect from 1 July 2015
William Fung Kwok Lun	<ul style="list-style-type: none">resigned as director of Fung Global Institute with effect from 1 July 2015

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 2015 of 3.1 HK cents (2014: 3.1 HK cents) per share to the shareholders of the Company.

Closure of Register of Members

The Register of Members of the Company will be closed from 10 September 2015 to 11 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 September 2015. Dividend warrants will be despatched on 18 September 2015.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2015

	Note	(Unaudited) Six months ended 30 June	2014 HK\$'000
		2015 HK\$'000	
Revenue	4	2,368,293	2,238,620
Cost of sales	5	(1,566,370)	(1,459,903)
Gross profit		801,923	778,717
Other income	4	50,044	44,473
Store expenses	5	(640,583)	(603,007)
Distribution costs	5	(64,020)	(55,627)
Administrative expenses	5	(105,385)	(100,389)
Core operating profit		41,979	64,167
Non-core operating loss	5	(615)	(2,666)
Operating profit		41,364	61,501
Interest income	6	2,205	2,284
Profit before income tax		43,569	63,785
Income tax expenses	7	(12,803)	(15,088)
Profit attributable to shareholders of the Company	8	30,766	48,697
Earnings per share (HK cents)			
Basic	9	4.09	6.53
Diluted	9	4.07	6.47
Dividend	10	23,383	23,231

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	(Unaudited)	
	Six months ended	
	30 June	
	2015 HK\$'000	2014 HK\$'000
Profit attributable to shareholders of the Company	30,766	48,697
Other comprehensive loss:		
Item that may be reclassified to profit or loss		
Exchange differences	(432)	(2,044)
Total comprehensive income attributable to shareholders of the Company	30,334	46,653

Condensed Consolidated Balance Sheet

As at 30 June 2015

	Note	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Non-current assets			
Fixed assets	11	343,829	337,775
Investment property	12	22,220	22,567
Lease premium for land		59,063	60,199
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		87,312	76,446
Deferred tax assets		11,421	10,448
		883,205	866,795
Current assets			
Inventories		190,661	194,579
Rental deposits		46,548	47,528
Trade receivables	13	58,964	52,970
Other receivables, deposits and prepayments		79,447	85,915
Taxation recoverable		—	166
Bank and restricted deposits	14	2,879	9,169
Cash and cash equivalents	14	456,732	528,177
		835,231	918,504
Current liabilities			
Trade payables	15	594,952	589,688
Other payables and accruals		181,694	211,962
Taxation payable		24,824	11,952
Cake coupons		160,555	158,106
		962,025	971,708
Net current liabilities		(126,794)	(53,204)
Total assets less current liabilities		756,411	813,591
Financed by:			
Share capital	16	75,429	75,115
Reserves		636,152	617,286
Proposed dividend		23,383	97,760
Shareholders' funds		734,964	790,161
Non-current liabilities			
Long service payment liabilities		12,480	13,738
Deferred tax liabilities		8,967	9,692
		756,411	813,591

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	(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 2015	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161
Profit attributable to shareholders of the Company	-	-	-	-	-	-	30,766	30,766
Exchange differences	-	-	-	-	-	(432)	-	(432)
Total comprehensive income for the period	-	-	-	-	-	(432)	30,766	30,334
Issue of new shares	314	9,793	-	-	-	-	-	10,107
Employee share option benefit	-	1,864	-	-	438	-	104	2,406
Dividend paid	-	-	-	-	-	-	(98,044)	(98,044)
	314	11,657	-	-	438	-	(97,940)	(85,531)
At 30 June 2015	75,429	375,946	177,087	18,474	11,500	6,956	69,572	734,964
At 1 January 2014	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318
Profit attributable to shareholders of the Company	-	-	-	-	-	-	48,697	48,697
Exchange differences	-	-	-	-	-	(2,044)	-	(2,044)
Total comprehensive income for the period	-	-	-	-	-	(2,044)	48,697	46,653
Issue of new shares	629	19,895	-	-	-	-	-	20,524
Employee share option benefit	-	4,169	-	-	(1,660)	-	110	2,619
Dividend paid	-	-	-	-	-	-	(97,369)	(97,369)
	629	24,064	-	-	(1,660)	-	(97,259)	(74,226)
At 30 June 2014	74,937	357,743	177,087	17,781	9,796	7,059	86,342	730,745

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015

	(Unaudited) Six months ended 30 June	2014
	2015	HK\$'000
Cash flows from operating activities		
Cash generated from operations	51,168	80,765
Hong Kong profits tax paid	(28)	–
Overseas income tax paid	(1,421)	(1,870)
Net cash generated from operating activities	49,719	78,895
Cash flows from investing activities		
Purchase of fixed assets	(42,365)	(33,416)
Purchase of lease premium for land	–	(7,290)
Proceeds from disposal of fixed assets	460	794
Decrease/(increase) in bank deposits	6,281	(70,483)
Interest received	2,586	1,516
Net cash used in investing activities	(33,038)	(108,879)
Cash flows from financing activities		
Proceeds from issuance of shares	10,107	20,524
Dividend paid	(98,044)	(97,369)
Net cash used in financing activities	(87,937)	(76,845)
Decrease in cash and cash equivalents	(71,256)	(106,829)
Cash and cash equivalents at 1 January	528,177	431,348
Effect of foreign exchange rate changes	(189)	(2,175)
Cash and cash equivalents at 30 June	456,732	322,344

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 chains of convenience stores and bakeries under the brand name of Circle K and Saint Honore respectively in Hong Kong, Macau and the Chinese Mainland. The Group also started an e-commerce business in 2013 and operates an online retailing platform of FingerShopping.com.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business was 5th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. On 1 February 2015, the principal place of business of the Company changed to 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 25 August 2015.

2. 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.

This condensed consolidated interim financial information should be read in conjunction with the 2014 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 2014 consolidated financial statements.

As at 30 June 2015, the Group had net current liabilities of HK\$126,794,000 (as at 31 December 2014: HK\$53,204,000). In preparing this financial information, the Group's management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 30 June 2015, the Group had unutilised banking facilities amounting to HK\$127,888,000 (as of 31 December 2014: HK\$125,736,000). Under these circumstances, the Group's management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial information on a going concern basis.

The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for the accounting periods beginning on or after 1 January 2015 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.

3. Financial risk management and financial instruments

(a) Financial risk factors

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 2014 consolidated financial statements, and should be read in conjunction with the 2014 consolidated financial statements.

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

(b) Fair value estimation

The Group adopted the HKFRS 7 Amendments for financial instruments that are measured in the condensed consolidated balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) Quoted prices in active markets for identical assets or liabilities (level 1)
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- (iii) Inputs for the asset or liability that are not based on observable market data (level 3)

The Group's financial asset that is measured at fair value as at 30 June 2015 and 31 December 2014 are as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Available-for-sale financial asset (level 3)	1,895	1,895

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. For financial assets where the significant inputs is not based on observable market data, the asset is included in level 3.

(c) Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between Chief Financial Officer and the valuation team at least twice every year, in line with the Group's reporting periods.

4. Revenue, other income and segment information

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

	(Unaudited) Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Revenue		
Merchandise sales revenue	1,902,413	1,799,736
Bakery sales revenue	457,911	437,257
e-commerce revenue	7,969	1,627
	2,368,293	2,238,620
Other income		
Service items and miscellaneous income	50,044	44,473

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 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 the Chinese Mainland.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2015 and 2014 are as follows:

	(Unaudited) Six months ended 30 June 2015					
	Convenience Store		Bakery		e-commerce	
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	Group HK\$'000
Total segment revenue	1,786,189	116,224	462,361	65,265	7,969	2,438,008
Inter-segment revenue	-	-	(69,708)	(7)	-	(69,715)
Revenue from external customers	1,786,189	116,224	392,653	65,258	7,969	2,368,293
Total segment other income	46,829	1,032	3,664	225	10	51,760
Inter-segment other income	(328)	(99)	(1,109)	(180)	-	(1,716)
Other income	46,501	933	2,555	45	10	50,044
	1,832,690	117,157	395,208	65,303	7,979	2,418,337
Core operating profit/(loss)	65,104	(12,783)	7,866	(8,375)	(9,833)	41,979
Depreciation and amortisation	(13,035)	(3,614)	(14,578)	(3,814)	(588)	(35,629)

(Unaudited) Six months ended 30 June 2014						
	Convenience Store		Bakery		e-commerce	
	HK & Others	Chinese Mainland HK\$'000	HK & Others	Chinese Mainland HK\$'000	HK	Group HK\$'000
Total segment revenue	1,694,837	104,899	441,840	54,115	1,627	2,297,318
Inter-segment revenue	-	-	(58,686)	(12)	-	(58,698)
Revenue from external customers	1,694,837	104,899	383,154	54,103	1,627	2,238,620
Total segment other income	41,782	802	2,875	256	4	45,719
Inter-segment other income	-	(73)	(1,118)	(55)	-	(1,246)
Other income	41,782	729	1,757	201	4	44,473
	1,736,619	105,628	384,911	54,304	1,631	2,283,093
Core operating profit/(loss)	74,151	(11,382)	15,201	(8,359)	(5,444)	64,167
Depreciation and amortisation	(13,516)	(3,803)	(13,104)	(3,285)	(166)	(33,874)

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.

The segment assets and liabilities as at 30 June 2015 and 31 December 2014 are as follows:

	(Unaudited) As at 30 June 2015					
	Convenience Store		Bakery		e-commerce	
	HK & Others	Chinese Mainland HK\$'000	HK & Others	Chinese Mainland HK\$'000	HK	Group HK\$'000
Total segment assets	541,907	74,764	739,470	81,153	12,366	1,449,660
Total segment assets include:						
Additions to segment non-current assets	21,793	1,606	19,422	3,367	911	47,099
Total segment liabilities	614,642	43,545	269,480	13,925	8,089	949,681

	(Audited) As at 31 December 2014					
	Convenience Store		Bakery		e-commerce	
	HK & Others	Chinese Mainland HK\$'000	HK & Others	Chinese Mainland HK\$'000	HK	Group HK\$'000
Total segment assets	532,898	84,081	740,533	76,217	11,135	1,444,864
Total segment assets include:						
Additions to segment non-current assets	23,243	8,874	29,463	17,062	2,060	80,702
Total segment liabilities	619,361	45,707	286,759	13,253	8,414	973,494

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.

Reportable segment assets are reconciled to total assets as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Segment assets for reportable segments	1,449,660	1,444,864
Unallocated:		
Deferred tax assets	11,421	10,448
Taxation recoverable	—	166
Corporate bank deposits	257,355	329,821
Total assets per condensed consolidated balance sheet	1,718,436	1,785,299

Reportable segment liabilities are reconciled to total liabilities as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Segment liabilities for reportable segments	949,681	973,494
Unallocated:		
Deferred tax liabilities	8,967	9,692
Taxation payable	24,824	11,952
Total liabilities per condensed consolidated balance sheet	983,472	995,138

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK\$2,126,076,000 (2014: HK\$2,024,806,000), and the total of revenue from external customers from other countries is HK\$242,217,000 (2014: HK\$213,814,000) for the six months ended 30 June 2015.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK\$740,178,000 (as at 31 December 2014: HK\$723,291,000), and the total of these non-current assets located in other countries is HK\$129,711,000 (as at 31 December 2014: HK\$131,161,000) as at 30 June 2015.

5. Expenses by nature

	(Unaudited) Six months ended 30 June	2015 HK\$'000	2014 HK\$'000
Amortisation of lease premium for land	1,016	871	
Cost of inventories sold	1,464,246	1,367,439	
Depreciation of owned fixed assets	34,266	32,855	
Depreciation of investment property	347	148	
Employee benefit expense	409,618	390,126	
Operating leases rental for land and buildings	249,275	231,012	
Other expenses	218,205	199,141	
 Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating loss	 2,376,973	 2,221,592	

6. Interest income

	(Unaudited) Six months ended 30 June	2015 HK\$'000	2014 HK\$'000
Interest income on bank deposits	2,205	2,284	

7. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2015 and 2014. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2015 and 2014 at the rates prevailing in the countries in which the Group operates.

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

	(Unaudited) Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Current income tax		
Hong Kong profits tax	13,255	13,549
Overseas profits tax	1,246	2,004
Deferred tax credit	(1,698)	(465)
	12,803	15,088

8. Profit attributable to shareholders of the Company

For the six months ended 30 June 2015, the unaudited profit attributable to shareholders of the Company amounted to HK\$30,766,000 (2014: HK\$48,697,000).

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 periods.

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

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

	(Unaudited) Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit attributable to shareholders of the Company	30,766	48,697
		Number of shares
Weighted average number of ordinary shares in issue	752,758,448	745,630,704
Adjustment for:		
Share options	3,249,382	6,629,799
Weighted average number of ordinary shares for diluted earnings per share	756,007,830	752,260,503

10. Dividend

	(Unaudited) Six months ended 30 June	2015 HK\$'000	2014 HK\$'000
Interim dividend, proposed of 3.1 HK cents (2014: 3.1 HK cents) per share	23,383	23,231	

The proposed dividend has not been reflected as a dividend payable in the condensed consolidated balance sheet.

11. Fixed assets

	(Unaudited) 30 June 2015 HK\$'000	(Unaudited) 30 June 2014 HK\$'000
Opening net book amount	337,775	357,546
Additions	42,825	34,270
Transfer to investment property	–	(23,062)
Disposals	(2,342)	(1,429)
Depreciation	(34,266)	(32,855)
Exchange differences	(163)	(985)
Closing net book amount	343,829	333,485

12. Investment Property

	(Unaudited) 30 June 2015 HK\$'000	(Unaudited) 30 June 2014 HK\$'000
Opening net book amount	22,567	–
Transfer from fixed assets	–	23,062
Depreciation	(347)	(148)
 Closing net book amount	 22,220	 22,914

13. 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 2015, the aging analysis of trade receivables is as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0-30 days	47,016	40,254
31-60 days	3,337	5,707
61-90 days	2,818	2,219
Over 90 days	5,793	4,790
 	 58,964	 52,970

14. Cash and bank balances

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Cash and cash equivalents	456,732	528,177
Current bank deposits	–	6,280
Restricted bank deposits	2,879	2,889
	459,611	537,346

15. Trade payables

At 30 June 2015, the aging analysis of the trade payables is as follows:

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0-30 days	369,487	336,958
31-60 days	126,337	154,076
61-90 days	55,608	61,284
Over 90 days	43,520	37,370
	594,952	589,688

16. Share capital

	(Unaudited) 30 June 2015		(Audited) 31 December 2014
	Shares of HK\$0.10 each No. of shares		Shares of HK\$0.10 each No. of shares
	HK\$'000		HK\$'000
Authorised:			
At end of the period	2,000,000,000	200,000	2,000,000,000
Issued and fully paid:			
At beginning of the period	751,151,974	75,115	743,081,974
Issue of shares on exercise of share options (note)	3,139,000	314	8,070,000
At end of the period	754,290,974	75,429	751,151,974
			75,115

Note:

During the period, 3,139,000 (year ended 31 December 2014: 8,070,000) shares were allotted and issued pursuant to the exercise of share options.

17. Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets.

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Contracted but not provided for	4,518	6,211
Authorised but not contracted for	7,171	4,662
	11,689	10,873

18. Related party transactions

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 41.33% 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 businesses during the period:

(a) Related party transactions

	Note	(Unaudited) Six months ended 30 June	2015 HK\$'000	2014 HK\$'000
Income				
Service income and reimbursement of office and administrative expenses	(i)			
Subsidiaries/fellow subsidiaries of a substantial shareholder		732	1,808	
Associates of a substantial shareholder		25	561	
Service income	(ii)			
Fellow subsidiary of a substantial shareholder		8	–	
Associate of a substantial shareholder		53	49	
Expenses				
Reimbursement of office and administrative expenses	(iii)			
Subsidiaries/fellow subsidiary of a substantial shareholder		1,082	1,203	
Associates of a substantial shareholder		485	356	
Rental payable	(iv)			
Fellow subsidiaries of a substantial shareholder		1,509	4,481	
Associates of a substantial shareholder		4,226	215	
Net purchases	(v)			
Associates of a substantial shareholder		6,875	4,759	
Consultancy and advisory service fee paid to a director of subsidiaries of the Company		92	420	

(b) Key management personnel compensation

	(Unaudited) Six months ended 30 June	2014 HK\$'000
Fees	1,570	1,500
Bonuses	5,339	6,185
Salaries and other allowances	6,924	6,638
Employee share option benefit	983	1,003
Pension costs – defined contribution scheme	54	47
	14,870	15,373

(c) Period-end balances with related parties

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Amounts due from:		
Subsidiaries of a substantial shareholder	80	503
Associate of a substantial shareholder	16	–
Amounts due to:		
Subsidiaries/fellow subsidiary of a substantial shareholder	(922)	(820)
Associates of a substantial shareholder	(3,991)	(3,752)

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

- (d) The Company provides corporate guarantee to certain banks for the banking facilities of subsidiaries of HK\$32,888,000 (2014: HK\$32,888,000). As of 30 June 2015, the banking facilities of the subsidiaries amounting to HK\$5,000,000 (as of 31 December 2014: HK\$7,152,000) were utilised.

Notes:

- (i) Service income and reimbursements receivable from subsidiaries/fellow subsidiaries/associates 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) Service income from fellow subsidiary/associate of a substantial shareholder were carried out in ordinary course of business and on terms mutually agreed between the Group and the fellow subsidiary/associate.
- (iii) Reimbursements payable to subsidiaries/fellow subsidiary/associates of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.
- (iv) Rentals are payable to fellow subsidiaries/associates of a substantial shareholder in accordance with the terms of agreements.
- (v) Purchases from associates of a substantial shareholder were carried out in ordinary course of business and on terms mutually agreed between the Group and the associates.

19. Event after the balance sheet date

On 25 August 2015, the Group has announced the sale of Circle K Guangzhou operations to Fung Holdings (1937) Limited, the controlling shareholder of the Group, at a consideration of HK\$104.5 million (subject to adjustment). It is expected to result a one-off gain of approximately HK\$50 million and improve future profitability of the Group.