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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 2013

	Change	2013 HK\$'000	2012 HK\$'000
• Revenue	+7.4%	2,171,598	2,021,931
• Profit attributable to shareholders of the Company (before gain on disposal of property, net of tax)	-7.7%	60,146	65,145
• Gain on disposal of property, net of tax	N/A	Nil	38,502
• Profit attributable to shareholders of the Company	-42.0%	60,146	103,647
• Basic earnings per share (HK cents)	-42.4%	8.12	14.09
• Interim dividend per share (HK cents)	Nil	3.80	3.80
• Special dividend per share (HK cents)	+669.2%	40.00	5.20

### Operation Highlights

- Maintains sales growth momentum for comparable stores despite challenging operating environment and increased cost pressures across all markets
- Higher proportion of non-comparable stores affects business performance of Southern China operations, resulting in a 7.7% drop in operating profit
- Dampened consumer sentiment from decelerating economic growth in the Chinese Mainland expected to continue into second half of 2013
- Launch of FingerShopping.com paves the way for multi-channel retailing development
- The Board has resolved to pay a special dividend of 40 HK cents per share
- After the interim and special dividends, net cash balance is HK\$390.6 million without any bank borrowings

## NUMBER OF STORES AS OF 30 JUNE 2013

### Circle K Stores

Hong Kong	335
Guangzhou	70
Shenzhen	1
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**Subtotal** **406**

### Franchised Circle K Stores

Guangzhou	10
Macau	24
Zhuhai	12
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**Subtotal** **46**

**Total number of Circle K Stores** **452**

### Saint Honore Cake Shops

Hong Kong	90
Macau	8
Guangzhou	41
Shenzhen	3
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**Total number of Saint Honore Cake Shops** **142**

**Total number of Stores under Convenience Retail Asia** **594**

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

During the first six months of 2013, the Group's turnover increased 7.4% to HK\$2,171.6 million. Turnover for Circle K convenience stores increased 7% to HK\$1,739 million, with comparable convenience store sales in Hong Kong and Southern China growing 6.2% and 10.1% respectively. Turnover for Saint Honore increased 9.1% to HK\$469.1 million, with comparable store sales in Hong Kong rising by 3.9%.

Gross margin and other income as a percentage of turnover was stable, although the Group experienced pressure from rising raw material prices and factory labour costs. Store operating expenses increased from 25.8% to 26.4% of turnover against the same period in 2012. This was primarily due to the continuing escalation of expenses such as rentals and retail labour, which outpaced the growth of comparable store sales in all markets.

Also impacting operating expenses was the large number of new stores opened in Guangzhou and Shenzhen in the second half of 2012, which is still in the investment period. As a result, the Group's operating profit declined by 7.7% to HK\$60.1 million, excluding the one-off gain from the disposal of real estate property in 2012. Excluding this one-off gain in 2012, the basic earnings per share decreased by 8.4% to 8.12 HK cents.

As at 30 June 2013, the Group had a net cash balance of HK\$715.9 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 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 3.8 HK cents per share. Due to surplus cash balance, the Board of Directors has further resolved to utilise the increasingly sizeable cash reserve of the Group and declare a special dividend of 40 HK cents per share. After the interim and special dividends, the Group's net cash balance is HK\$390.6 million with no bank borrowings.

## **Operation Review – Hong Kong**

In the first half of 2013, the Group opened 14 new Circle K stores in Hong Kong and closed 10 for a net increase of four. The total number of stores as at 30 June 2013 was 335 compared to 331 in the previous year. The Group opened two new Saint Honore Cake Shop stores and also closed two stores. In addition, the Group upgraded a number of its store sites and introduced updated store designs during the period under review.

Rentals in the Hong Kong retail market appeared to have stabilised in the first half of 2013, with seemingly little room for further major increases, but we have not seen any significant downward adjustments. Landlords are becoming more realistic about asking prices compared to a year ago, and they are more willing to negotiate in the cases of new site acquisitions due to the threat of extended vacancies. However, lease renewals still require tough negotiation since the original rental terms were committed to three years ago.

## **Employees**

As at 30 June 2013, the Group had a total of 7,071 employees, 4,488 of whom were based in Hong Kong and 2,583 were based in Macau, Guangzhou and Shenzhen. Regular part-time staff accounted for 38% of the Group's total headcount. Total staff costs for the six months ended 30 June 2013 were 381.9 million compared with 339.2 million for the same period last year.

The "HEARTS" employee engagement campaign that was launched in December 2012 continued to be one of the Group's key initiatives during the period under review. The programme's key objective is to minimise turnover by improving retention among employees and new recruits, supported with a series of "HEARTS"-themed activities under the subheadings of "Happy", "Energised", "Achievement", "Respect", "Training" and "Success". The Group also designed an educational booklet explaining these various aspects and presented it to existing and new staff.

## **Marketing and Promotion**

In line with the "Always Something New" corporate positioning, the Group constantly strives to introduce unique, innovative promotions that enhance the Circle K brand, boost sales, and offer attractive rewards for customers to reinforce loyalty.

In the first quarter of 2013, the Group launched a premium promotion based on characters from the globally popular mobile messenger “LINE”. Circle K was the first retailer in Hong Kong to offer a range of exclusive LINE character accessories, which were awarded as free gifts with the redemption of 12 stickers. (Customers received one sticker for every purchase of HK\$20 or above.) The campaign generated significant social media buzz through an official Circle K LINE fan group, providing a new high-profile channel for communicating with customers. This promotion was also successful in generating incremental sales.

Circle K Hong Kong’s brand marketing efforts were recognised when it won the online public vote for the “Retail Chain Store Category of Yahoo! Emotive Brand Award 2012-2013”, organised by Yahoo! Hong Kong Limited for the second consecutive year – a timely recognition of the growing popularity of the Circle K brand among its target customers.

## **Customer Service Excellence**

The Group is proud that Circle K Hong Kong was named “Service Retailer of the Year” in the Convenience Store Category of the Mystery Shoppers Programme for the third consecutive year (2010 to 2012) by the Hong Kong Retail Management Association. This award reflects the hard work and dedication that we put into our customer service.

On 22 March – the company’s annual “Service Day” – the Group launched “Service from the Heart”, a new customer service training programme themed in line with the “HEARTS” employee engagement campaign. On 30 May, at the 10<sup>th</sup> Service Star Graduation Ceremony, 20 newly trained Service Stars officially became champions of the Group’s quality customer service culture. There are now a total of 107 Service Stars leading the frontline operations team to even higher standard of service excellence. Also, the Group introduced specially designed new uniforms for the store operations and bakery teams, which project a professional, contemporary, energetic image for the Circle K brand.

## **Category Management**

In the media category, the impact of free newspapers on category sales has more or less stabilised. Therefore, the newspaper price increase from HK\$6 to HK\$7 in the second quarter of 2013 did not have a negative effect on sales; in fact, the category’s sales value reported a slight increase.

Various category promotions, such as the Strawberry Fair for the confectionary category and Ice Cream Aloha for the ice cream category, also proved to be quite effective in drawing customer traffic and enhancing category awareness through enhanced product offerings.

## **Supply Chain Management and Logistics**

Circle K's distribution and logistics team has extended operational support to FingerShopping.com so that the website's e-fulfilment service can leverage the existing store delivery routes and schedules.

A fulfilment centre, a warehouse management system and supporting logistics were set up to consolidate the website's deliver services. This has enabled the FingerShopping team to fulfil online orders quickly and efficiently, with streamlined order and information flow.

## **Operations Review – Guangzhou**

The Hot & In food service continued to be the main driver of revenue and margin growth for the Guangzhou market during the period under review, contributing approximately 40% of the sales mix. Continuous improvement in the product range – including the introduction of a new range of meal boxes with chunkier meat recipes, as well as a new flavour-of-the-month programme for cup drinks – and a highly successful VIP programme that recently hit 100,000 memberships helped contribute to the strong sales performance.

To encourage cross-market collaboration and support career development, 30 junior executives were sent from the Guangzhou office to attend a three-day leadership training workshop in Hong Kong. Ongoing efforts such as this are part of the Group's efforts to enhance the management capabilities of its employees.

The Group also engaged in effective social media initiatives, using tools such as WeChat and Weibo to communicate with customers and better understand their needs. This has also helped establish Circle K as one of the leading convenience store brands in the market.

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

Saint Honore Hong Kong saw satisfactory sales performance for the Chinese New Year pudding and Dragon Boat Festival product categories in the first half of 2013. It was also named a "TVB Weekly Superbrand 2012" by TVB and a "Touch Brand 2012" by East Touch Magazine in recognition of its successful marketing campaign for its signature "Belgium Chocolate Cake" collection last year.

For the past two years, the Group has worked with television artist Moses Chan to be Saint Honore's advertising spokesperson, and he was named "My Favourite Spokesperson" by Metro Daily readers in the annual Metro Creative Awards poll.

Hong Kong also saw the launch of a new cake catalogue in the second quarter of 2013. This included novelty offerings such as 3D cakes and new flavours for DIY cakes including mango and chocolate.

During the period under review, the Group made a number of enhancements to the Saint Honore customer experience in Guangzhou. Chief among these was the introduction of new store models including on-site bakery and café offerings, made possible via partnership with the popular Italian brand illy. The new stores also feature comfortable seating and free Wi-Fi access. In addition, the Group launched a new uniform design for the frontline store team to enhance the brand's image.

The innovative "Concierge Cake Ordering Service" was introduced in 13 select stores in Guangzhou, allowing customers to relax in comfortable sofa seating and use a touchscreen monitor for easy catalogue browsing and order placement.

Other initiatives included the launch of seasonal fruit recipes, such as a strawberry range in spring and a mango range in summer; the launch of gift cards targeting the corporate market and retail customers; and the introduction of "Coffee Day" every Wednesday, when VIP card members can enjoy half-price on illy coffee while non-members can enjoy half-price for their second cup.

In Macau Saint Honore performed very well, with encouraging improvements in business performance.

## **FingerShopping.com**

The Group was proud to announce the official launch of FingerShopping.com on 26 June 2013. Operated by a subsidiary, FingerShopping Limited, this new e-tailing platform will be very important for the future business development of Circle K stores in Hong Kong given that more and more customers will be making purchases through multi-channels. The innovative "bricks and clicks" model, which will be supported by the Circle K store network for pick-up and payment, gives customers the ability to make safe, efficient online purchases, thereby further expanding the scope of convenience services offered by Circle K.

A key focus over 2013 and 2014 will be to build up a database of FingerShopping.com customers. The Group expects to invest approximately HK\$6-8 million to develop and promote this new platform.

Also, in support of the new website's launch, the Circle K Hong Kong operations team has been fully briefed on the e-fulfilment and payment processes, and dedicated leaflets have been distributed at stores to generate awareness of the website, its innovative consumer proposition and its benefits.

## **Corporate Social Responsibility**

Both Circle K and Saint Honore joined the World Wild Fund for Nature's "Earth Hour" in April 2013. This is an annual lights-off campaign held to generate awareness for environmental protection through energy conservation. The Group placed Earth Hour posters in prominent display areas throughout stores, and turned off non-essential lights and signage for one hour on the day of the event. The Group supports awareness-building campaigns like this with initiatives designed to minimise or mitigate the environmental impact of its operations. For example, over 90% of all store lighting in Guangzhou has been converted from T5 to LED, a process that is expected to be completed by the third quarter along with the store refit programme.

In January 2013, Circle K and Saint Honore once again received recognition as a "5 Years Plus Caring Company" and "Caring Company" respectively from the Hong Kong Council of Social Service. These awards highlight the two companies' consistent efforts to promote corporate social responsibility by fulfilling the criteria of Volunteering, Giving, Mentoring, Caring for the Employee and Caring for the Environment.

The same month, the Group participated in the Campus Beautification cum Green Programme organised by Habitat for Humanity. The objective was to create a better, more inspiring learning environment for students.

In April 2013, the Group entered a team in the Tree Planting Challenge organised by Friends of the Earth. This event is designed to raise awareness of climate change and its impact. The Group also partnered with the Haven of Hope Integrated Vocational Rehabilitation Service Centre, which provided labelling and packaging services to Circle K in support of their international sourcing initiatives.



## Future Prospects

The Group has a cautious outlook for the second half of 2013. GDP growth for the Mainland continued to decelerate, from 7.7% in the first quarter to 7.5%<sup>1</sup> for the second. Purchasing manager index figures also indicate a decline in general economic activities. In view of these economic indicators, it will be quite difficult for comparable store sales growth in the Guangzhou operations to resume the momentum of high double-digit growth as in prior years.

However, the operating conditions in the Hong Kong market is expected to improve slightly in the second half of 2013, underpinned by the buoyant inbound tourism as well as the rebound in local consumer sentiment, supported by the record high employment figure and increase in income.

We will continue to look for merger and acquisition opportunities aggressively, even though our cash reserves have been partly reduced as a result of the decision to pay out a special dividend. Banking facilities will be considered and can easily be arranged in case the need arises for additional funding to finance any viable merger and acquisition projects.

*Note:*

1. *Published by the National Bureau of Statistics of China on 15 July 2013.*

**Condensed Consolidated Profit and Loss Account**  
**For the six months ended 30 June 2013**

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2013</b>	2012
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Revenue	2	2,171,598	2,021,931
Cost of sales	3	(1,427,125)	(1,338,804)
Gross profit		<u>744,473</u>	<u>683,127</u>
Other income	2	42,969	41,485
Other gains, net		2,731	1,469
Store expenses	3	(573,618)	(520,669)
Distribution costs	3	(53,259)	(49,752)
Administrative expenses	3	(94,628)	(81,183)
Gain on disposal of property		-	36,788
Operating profit		<u>68,668</u>	<u>111,265</u>
Interest income	4	4,415	5,887
Profit before income tax		<u>73,083</u>	<u>117,152</u>
Income tax expenses	5	(12,937)	(13,505)
Profit attributable to shareholders of the Company	6	<u>60,146</u>	<u>103,647</u>
Earnings per share (HK cents)			
Basic	7	<u>8.12</u>	<u>14.09</u>
Diluted	7	<u>8.03</u>	<u>14.05</u>
Dividends	8	<u>325,277</u>	<u>66,373</u>

**Condensed Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2013**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to shareholders of the Company	60,146	103,647
Other comprehensive income		
Item that may be reclassified to profit or loss		
Exchange differences	1,126	(287)
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	61,272	103,360
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**Condensed Consolidated Balance Sheet**  
**As at 30 June 2013**

		(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Non-current assets			
Fixed assets		359,589	362,250
Lease premium for land		30,717	31,197
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		95,288	65,180
Deferred tax assets		10,183	9,152
		<u>855,137</u>	<u>827,139</u>
Current assets			
Inventories		173,641	180,914
Rental deposits		44,638	41,820
Trade receivables	9	63,176	47,819
Other receivables, deposits and prepayments		80,332	83,872
Bank deposits		69,531	203,998
Cash and cash equivalents		646,386	539,035
		<u>1,077,704</u>	<u>1,097,458</u>
Current liabilities			
Trade payables	10	591,956	551,015
Other payables and accruals		161,629	184,225
Taxation payable		19,059	5,638
Cake coupons		143,500	142,555
		<u>916,144</u>	<u>883,433</u>
Net current assets		<u>161,560</u>	<u>214,025</u>
Total assets less current liabilities		<u>1,016,697</u>	<u>1,041,164</u>
Financed by:			
Share capital		74,214	73,938
Reserves		591,654	845,026
Proposed dividends		325,277	96,217
Shareholders' funds		<u>991,145</u>	<u>1,015,181</u>
Non-current liabilities			
Long service payment liabilities		17,017	16,962
Deferred tax liabilities		8,535	9,021
		<u>1,016,697</u>	<u>1,041,164</u>

## Condensed Consolidated Statement of Changes in Equity

### For the six months ended 30 June 2013

(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 2013	73,938	317,977	177,087	17,222	11,317	10,710	406,930	1,015,181
Profit attributable to shareholders of the Company	-	-	-	-	-	-	60,146	60,146
Exchange differences	-	-	-	-	-	1,126	-	1,126
Total comprehensive income for the period	-	-	-	-	-	1,126	60,146	61,272
Issue of new shares	276	9,006	-	-	-	-	-	9,282
Employee share option benefit	-	2,699	-	-	(895)	-	74	1,878
Dividend paid	-	-	-	-	-	-	(96,468)	(96,468)
	276	11,705	-	-	(895)	-	(96,394)	(85,308)
At 30 June 2013	74,214	329,682	177,087	17,222	10,422	11,836	370,682	991,145
At 1 January 2012	73,391	295,490	177,087	16,472	13,268	9,765	354,599	940,072
Profit attributable to shareholders of the Company	-	-	-	-	-	-	103,647	103,647
Exchange differences	-	-	-	-	-	(287)	-	(287)
Total comprehensive income for the period	-	-	-	-	-	(287)	103,647	103,360
Issue of new shares	347	11,139	-	-	-	-	-	11,486
Employee share option benefit	-	3,029	-	-	(1,763)	-	572	1,838
Dividend paid	-	-	-	-	-	-	(81,085)	(81,085)
	347	14,168	-	-	(1,763)	-	(80,513)	(67,761)
At 30 June 2012	73,738	309,658	177,087	16,472	11,505	9,478	377,733	975,671

## 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 is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 6 August 2013.

This condensed consolidated interim financial information should be read in conjunction with the 2012 consolidated financial statements which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, 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 2012 consolidated financial statements.

The Group has adopted the following new standard of HKFRS which is mandatory for the accounting periods beginning on or after 1 January 2013 and relevant to its operations:

HKFRS 13	Fair Value Measurement
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There are no other new and amended standards and interpretations of HKFRS that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

## 2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores and bakeries. Revenues recognised during the six months ended 30 June 2013 are as follows:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Revenue		
Merchandise sales revenue	1,739,025	1,625,007
Bakery sales revenue	432,573	396,924
	<hr/>	<hr/>
	2,171,598	2,021,931
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Other income		
Service items and miscellaneous income	42,969	41,485
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### 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 and geographic perspective. From a product perspective, management assesses the performance of convenience store and bakery business. 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. 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 2013 and 2012 are as follows:

	<b>(Unaudited)</b>				
	<b>Six months ended 30 June 2013</b>				
	<b>Convenience Store</b>		<b>Bakery</b>		<b>Group</b>
<b>HK &amp; Others</b>	<b>Chinese Mainland</b>	<b>HK &amp; Others</b>	<b>Chinese Mainland</b>		
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Total segment revenue	1,641,724	97,301	444,837	43,930	2,227,792
Inter-segment revenue	-	-	(56,184)	(10)	(56,194)
Revenue from external customers	1,641,724	97,301	388,653	43,920	2,171,598
Total segment other income	41,168	803	1,835	359	44,165
Inter-segment other income	-	(58)	(1,138)	-	(1,196)
Other income	41,168	745	697	359	42,969
	<b>1,682,892</b>	<b>98,046</b>	<b>389,350</b>	<b>44,279</b>	<b>2,214,567</b>
Profit/(loss) after tax	62,943	(12,058)	16,938	(7,677)	60,146
Profit/(loss) after tax includes:					
Depreciation	(12,920)	(3,816)	(12,769)	(2,443)	(31,948)
Amortisation	-	(231)	(293)	(32)	(556)
Interest income	4,113	133	48	121	4,415
Income tax (expenses)/credit	(11,769)	-	(2,369)	1,201	(12,937)



	(Unaudited)				
	Six months ended 30 June 2012				
	Convenience Store		Bakery		
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	Group HK\$'000
Total segment revenue	1,544,262	80,750	414,664	29,906	2,069,582
Inter-segment revenue	(5)	-	(47,553)	(93)	(47,651)
Revenue from external customers	1,544,257	80,750	367,111	29,813	2,021,931
Total segment other income	40,083	852	1,607	107	42,649
Inter-segment other income	-	(27)	(1,137)	-	(1,164)
Other income	40,083	825	470	107	41,485
	<u>1,584,340</u>	<u>81,575</u>	<u>367,581</u>	<u>29,920</u>	<u>2,063,416</u>
Profit/(loss) after tax (after gain on disposal of property)	57,580	(8,932)	55,676	(677)	103,647
Profit/(loss) after tax (before gain on disposal of property)	57,580	(8,932)	17,174	(677)	65,145
Profit/(loss) after tax includes:					
Depreciation	(12,582)	(4,044)	(12,344)	(937)	(29,907)
Amortisation	-	(262)	(292)	-	(554)
Interest income	4,459	642	431	355	5,887
Income tax (expenses)/credit	(12,047)	-	(1,871)	413	(13,505)
Gain on disposal of property, net of tax	-	-	38,502	-	38,502

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 profit after tax.

### 3. Expenses by nature

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of lease premium for land	556	554
Depreciation of owned fixed assets	31,948	29,578
Depreciation of investment property	-	329
Other expenses	2,116,126	1,959,947
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs and administrative expenses	2,148,630	1,990,408
	<hr/> <hr/>	<hr/> <hr/>

### 4. Interest income

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income on bank deposits	4,415	5,887
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### 5. 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 2013 and 2012. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2013 and 2012 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>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
Hong Kong profits tax	12,643	13,400
Overseas profits tax	1,798	1,811
Deferred tax credit	(1,504)	(1,706)
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	12,937	13,505
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## 6. Profit attributable to shareholders of the Company

For the six months ended 30 June 2013, the unaudited profit attributable to shareholders of the Company amounted to HK\$60,146,000 (2012: HK\$103,647,000). Excluding the gain on disposal of property, net of tax of HK\$38,502,000 in 2012, the Group recorded an unaudited profit attributable to shareholders amounting to HK\$65,145,000 for the six months ended 30 June 2012.

## 7. Earnings per share

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	60,146	103,647
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Weighted average number of ordinary shares in issue	740,794,681	735,398,173
Adjustment for:		
Share options	8,200,671	2,279,397
Weighted average number of ordinary shares for diluted earnings per share	748,995,352	737,677,570

## 8. Dividends

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend, proposed of 3.8 HK cents (2012: 3.8 HK cents) per share	28,220	28,024
Special dividend, proposed of 40 HK cents (2012: 5.2 HK cents) per share	297,057	38,349
	<u>325,277</u>	<u>66,373</u>

These proposed dividends have not been reflected as a dividend payable in the condensed consolidated balance sheet.

## 9. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers 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 2013, the aging analysis of trade receivables is as follows:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0-30 days	51,014	34,728
31-60 days	4,191	4,308
61-90 days	2,090	2,582
Over 90 days	5,881	6,201
	<u>63,176</u>	<u>47,819</u>

## 10. Trade payables

At 30 June 2013, the aging analysis of the trade payables is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2013</b> <b>HK\$'000</b>	(Audited) 31 December 2012 HK\$'000
0-30 days	354,449	299,803
31-60 days	145,956	142,399
61-90 days	55,605	53,214
Over 90 days	35,946	55,599
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	591,956	551,015
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## **CORPORATE GOVERNANCE**

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

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 has established the following committees with defined terms of reference, which are of no less exacting terms than those 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”):

- Audit Committee
- Remuneration Committee
- Nomination Committee

The Group Chief Compliance 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 2013 are in line with those practices set out in the Company’s 2012 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 2013 (with an average attendance rate of about 93.3%) to consider and review with senior management, the Company’s Corporate Governance Division (“CGD”) and external auditor various matters as set out in the committee’s terms of reference, which included the following:

- Audit plans, findings and reports of CGD and external auditor;
- 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; and
- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

The Audit Committee has reviewed with the management the unaudited interim report for the six months ended 30 June 2013 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"). Specific confirmation of compliance has been obtained from each Director for the six months ended 30 June 2013.

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. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2013.

The Group is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules, including the overriding principle that information which is expected to be price-sensitive (inside information) should be announced promptly and to prevent selective or inadvertent disclosure of inside information. Therefore, the Company conducts the handling and dissemination of such inside information in accordance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012 and adopted the Policy on Inside Information on 1 January 2013.

### **Internal Control and Risk Management**

The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee.

The Board has delegated to executive management the design, implementation and ongoing monitoring of the system of internal controls covering financial, operational and compliance controls and risk management functions.

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2013:

- The internal controls and accounting systems 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 2013.

### **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.

### **DIVIDENDS**

The Board of Directors has resolved to declare an interim dividend of 3.8 HK cents (2012: 3.8 HK cents) per share and a special dividend of 40 HK cents (2012: 5.2 HK cents) per share respectively to the shareholders of the Company for the six months ended 30 June 2013.



## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 22 August 2013 to 23 August 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 August 2013. Dividend warrants will be despatched on 28 August 2013.

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

Hong Kong, 6 August 2013

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. Jeremy Paul Egerton Hobbins, Mr. Godfrey Ernest Scotchbrook and Mr. Benedict Chang Yew Teck; Independent Non-executive Directors are Dr. Raymond Ch'ien Kuo Fung, Mr. Malcolm Au Man Chung, Mr. Anthony Lo Kai Yiu and Mr. Zhang Hongyi.