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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)

HALF YEAR RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Change	**2011 HK$'000**	2010 HK$'000
• Revenue	+14.1%	1,886,668	1,653,400
• Financial gain on disposal of property, net of tax	N/A	Nil	17,981
• Profit attributable to shareholders of the Company	+35.3%	78,018	57,683
• Basic earnings per share (HK cents)	+34.9%	10.66	7.90
• Interim dividend per share (HK cents)	+100%	3.80	1.90
• Special dividend per share (HK cents)	N/A	Nil	2.40

Operation Highlights

- Successful transfer from GEM Board to Main Board on 20 June 2011
- Strong growth in profitability and comparable store sales across all operations
- Challenging outlook for the second half of 2011 due to inflationary trend and increasing rental and labour costs
- Strong cash position of HK$649.4 million without any bank borrowings as of 30 June 2011

Number of Stores as of 30 June 2011

Circle K Stores	
Hong Kong	319
Guangzhou	61
Shenzhen	1
Subtotal	**381**
Franchised Circle K Stores	
Guangzhou	6
Macau	22
Zhuhai	13
Subtotal	**41**
Total number of Circle K Stores	**422**
Saint Honore Cake Shops	
Hong Kong	88
Macau	7
Guangzhou	21
Shenzhen	1
Total number of Saint Honore Cake Shops	**117**
Total number of Stores under Convenience Retail Asia	**539**

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2011, the Group's turnover increased by 14.1% to HK$1,886.7 million compared to the same period last year.

The turnover of the Circle K convenience store operation increased by 13.1% year on year to HK$1,516.6 million. This was mainly attributable to the opening of new stores and comparable convenience stores sales growth (stores in existence throughout 2010 and 2011). Comparable convenience stores sales in Hong Kong and Southern China grew by 10.6% and 14.2% respectively over the same period last year.

Turnover at the Saint Honore Cake Shop operations increased by 18.5% to HK$403.4 million compared to the first half of 2010. Comparable store sales experienced double-digit growth.

Gross margin and other income as a percentage of turnover increased to 37%, compared to 36.5% in the first half of 2010. This was mainly due to the higher gross margin achieved across all operations. The increase in tobacco duty in February 2011 also had a favourable impact on the gross margin of a certain amount of inventory that was purchased before the announcement.

Operating expenses decreased from 32.5% of turnover to 32.1% of turnover year on year due to tight operational control and a higher sales base.

In the first half of 2011, the Group recorded a net operating profit of HK$78 million, representing an increase of 96.5% over the corresponding period in 2010 before factoring in the gain on the disposal of a real estate property last year. Including this one-off gain, the Group recorded year-on-year growth in net profit attributable to shareholders of 35.3%.

For the first half of 2011, basic earnings per share increased by 96%, from 5.44 HK cents to 10.66 HK cents, before factoring in the gain on the disposal of a real estate property in 2010. Including the one-off gain, basic earnings per share rose 34.9% from 7.9 HK cents to 10.66 HK cents.

The Group continued to maintain a strong financial position with net cash of HK$649.4 million without bank borrowings. The Group's cash balances were mainly deposits in HK dollars and Renminbi with major banks in Hong Kong. Most of the Group's assets, liabilities, revenues and payments were held in either HK dollars or Renminbi. The Group had limited foreign exchange exposure in Renminbi as a result of its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from short-term bank deposits. The Group will continue its policy of placing surplus cash in short-term HK dollar or Renminbi bank deposits in order to be prepared for funding requirements of any future acquisition projects.

In the first six months of 2011 the Group opened a total of 27 new stores and closed 16 stores, taking the total number of company managed stores to 498, an addition of 11 stores. The number of store closures was higher than the previous years due to some very aggressive demands for rental increases during lease renewal negotiations.

The Board of Directors has resolved to declare an interim dividend of 3.8 HK cents per share.

Operation Review

Circle K Hong Kong

Service Excellence

On 25 March 2011 – Circle K Hong Kong's Service Day – a new theme was introduced to take customer service training to a new level of excellence through strong emphasis on "customised service". This means customer greetings and suggestive selling become target-specific depending on factors such as the profile of the customers, the time of the day, and product availability and seasonality. In order to create a happy working environment in all the stores, the new focus for customer service training is to turn every Circle K store into a home away from home for customers and store staff.

Marketing and Promotion

In support of the "Always Something New" consumer proposition, the Group launched two premium promotions during the first half of 2011 that achieved significant incremental sales results.

The Group created a tactical category promotion to generate higher awareness of its food services and position Circle K stores as destinations for 24-hour snacking. This was supported by the microwave facilities as well as comprehensive ranges of chilled dim sum, cup noodle and steam-station products available at select stores.

In addition to employing traditional media to communicate advertising messages, the Group has also allocated considerable resources to internet and mobile marketing, in particular with the deployment of social media and a Circle K mobile site.

The Group was pleased to receive two recognitions reflecting positive market perception of the Circle K brand in Hong Kong: being included as one of the Top 10 Motivating Advertisers; and being ranked the 10^{th} Most Trusted Brand in online customer surveys conducted by TNS and published by Campaign magazine in June and July respectively.

Category Management

The Group launched an exclusive new product concept in the form of a soft-serve ice-cream sundae cup under a private label called "Creamy Cow" in the second quarter of 2011. It is designed to provide the texture and taste of soft-serve ice-cream but with a more hygienic delivery system. During the initial test market stage consumer acceptance was exceptionally positive, and the product is now being rolled out in 168 stores.

In the food service category, nonstop searching for new product ideas is critical to building incremental sales. In the past six months various new products have been introduced, such as chilled soba noodles, to enhance Circle K's food service offerings.

The Group has also strategically expanded the range of convenience services by introducing battery charging for mobile phones, Ta-Q-Bin courier service and e-voucher retailing over the past six months.

Circle K Guangzhou

The Group's operations in Guangzhou enjoyed healthy double-digit sales growth for comparable stores in the first six months of 2011. This was partly due to innovations in the food service product range, plus the launch of a VIP loyalty programme that has generated considerable repeat purchases and proven to be quite effective in expanding the loyal customer base.

Innovative hot drinks such as ginger milk tea and red bean milk tea were added to complement old favourites such as soya bean milk and corn juice. Served over the counter as exclusive private label products, the expanded range of cup drinks is designed to deliver higher gross margin than packaged drinks in other convenience store categories.

A major operational initiative being implemented in Guangzhou since the beginning of the year is the Total Service Management programme. This is based on Circle K Hong Kong's customer service training manual with a similar focus on "Speed, Tidiness and Friendliness".

Saint Honore Cake Shop

The Saint Honore Cake Shops in Hong Kong reported high single-digit comparable store sales growth for the first six months of 2011 as a result of successful premium promotions and new product introductions in the cake and bread categories. The robust performance of festive products during the Chinese New Year and Dragon Boat Festival holidays also contributed to incremental sales, thanks to the excitement generated by new offerings.

In a strategic initiative to upgrade overall product taste, quality and presentation, a new birthday cake catalogue was launched featuring more premium-quality cakes. This also provided an excellent opportunity for upward price adjustments. Tactical cake promotions were created with special themes for Valentine's Day, Mother's Day and Father's Day, and innovative presentations helped project a contemporary, trendy and tasteful image for the brand.

Erratic food costs due to inflation, together with the labour cost adjustments required by the minimum wage implementation on 1 May, posed considerable challenges to the profitability of the Saint Honore operations. However, with healthy comparable store sales growth, and higher sales and profit contributions from festive product sales, the Group is able to report a satisfactory increase in net profit for the Saint Honore operations in Hong Kong.

The Group opened the first Saint Honore Cake Shop with an onsite bakery in Huadu, Guangzhou, in May 2011, an experiment that will test the onsite bakery store model outside of Hong Kong and Macau. In the Saint Honore operations in Guangzhou, the Group launched the "Quality, Taste and Freshness" management programme as a major initiative to further upgrade overall quality standards and improve competitiveness in the market.

The Group opened its first Saint Honore Cake Shop in Shenzhen in June 2011, right next to the Jusco Department Store at Citic City Plaza. This is the first attempt to work with Jusco as a strategic partner and to gauge whether the cake shop can benefit from the department store's customer traffic.

Employees

As of 30 June 2011, the Group had a total of 6,204 employees, of whom 4,184 were based in Hong Kong and 2,020 were based in Macau, Guangzhou and Shenzhen. Regular part-time employees accounted for 34% of the Group's total headcount.

Total staff costs for the six months ended 30 June 2011 were HK$324.3 million, compared with HK$285 million for the same period last year.

The Group offers competitive remuneration packages to our employees, with discretionary bonus and share options granted to eligible individuals based on personal performance and business results.

A Circle K "Care" programme was launched at the beginning of the year that scheduled senior management visits to Circle K stores regularly to deliver personal greetings and thank the operations teams for the hard work they put in all year.

Future Prospects

Although the Group is able to report some very encouraging financial performances for the first half of 2011, external conditions make it difficult to expect that such growth momentum will continue in the second half of 2011, especially in terms of net profit performance.

For the Group's operations in Hong Kong, three major market factors are putting very real pressure on operating margins; namely, the aftermath of the minimum wage implementation, the tobacco tax increase and the continuous escalation of retail rental.

The impact of the minimum wage is not limited to one-off salary adjustments in compliance with the new regulation. The real financial repercussion for operating costs can only be measured after the annual salary review in the second half of 2011, which has to take into consideration the ripple effect of the new minimum wage benchmark, requiring a more substantial upward adjustment across the board. The new regulation has also created keener competition in the labour market, which was already being fuelled by the mini-boom of the retail sector.

The tobacco tax increase in February 2011 resulted in a drop in cigarette sales across all legitimate retail channels when smokers started to switch to the grey market for their purchases. The market shrinkage may not seem significant when measured by dollar value as a result of the unit price increase, but all cigarette retailers are suffering erosions in unit sales and profit margin. Despite a gradual recovery in cigarette sales since February this year, the Group anticipates that the worst hit to margin performance for the category will likely occur in the second half of 2011.

With the general retail market boom and rampant speculation in the retail property market, aggressive and irrational demands from landlords for rental increases have become the norm during lease renewal negotiations. This is expected to accelerate the increase in the Group's overall store rental expenditure in the coming years.

To mitigate these negative impacts on margin performance, the Group has devoted major efforts to improving overall productivity and control store expenses. The effectiveness of these efforts was duly reflected in the 0.8% decrease in store expenses to 25.7% over the past six months.

A positive note amid this challenging outlook is that consumer sentiment in markets where the Group operates seems to have remained sanguine for now, despite the inflationary trend. Therefore, the Group has good reason to believe that its continuous efforts to grow comparable stores sales stand a good chance of success in the second half of 2011.

The Group will continue to focus on marketing and brand-building initiatives that position Circle K and Saint Honore as preferred brands for consumers in the major markets in the Pearl River Delta, while actively seeking out acquisition opportunities that will help to improve the Group's position on the Chinese Mainland and expand the business to a wider consumer base.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2011

	Note	(Unaudited) Six months ended 30 June **2011** **HK$'000**	2010 HK$'000
Revenue	*3*	1,886,668	1,653,400
Cost of sales	*4*	(1,227,386)	(1,088,439)
Gross profit		659,282	564,961
Other income	*3*	39,531	37,756
Other gain, net	*5*	4,364	16,748
Store expenses	*4*	(485,513)	(438,615)
Distribution costs	*4*	(44,775)	(40,213)
Administrative expenses	*4*	(80,294)	(74,710)
Operating profit		92,595	65,927
Interest income	*6*	3,432	2,872
Profit before income tax		96,027	68,799
Income tax expenses	*7*	(18,009)	(11,116)
Profit attributable to shareholders of the Company		78,018	57,683
Earnings per share			
Basic (HK cents)	*8*	10.66	7.90
Diluted (HK cents)	*8*	10.65	7.90
Dividends	*9*	27,874	31,386

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	78,018	57,683
Other comprehensive income for the period, net of tax		
Exchange differences	71	194
Total comprehensive income attributable to shareholders of the Company	78,089	57,877

Condensed Consolidated Balance Sheet
As at 30 June 2011

	Note	(Unaudited) 30 June 2011 HK$'000	(Audited) 31 December 2010 HK$'000
Non-current assets			
Fixed assets		306,354	309,196
Lease premium for land		32,662	33,098
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		55,711	47,878
Bank deposits		98,083	97,729
Deferred tax assets		9,267	9,449
		861,437	856,710
Current assets			
Inventories		154,804	147,281
Rental deposits		34,074	34,654
Trade receivables	*10*	32,762	34,170
Other receivables, deposits and prepayments		69,353	62,050
Bank deposits		161,256	70,000
Cash and cash equivalents		390,026	454,227
		842,275	802,382
Current liabilities			
Trade payables	*11*	479,678	468,255
Other payables and accruals		166,894	177,438
Taxation payable		24,876	8,612
Cake coupons		126,788	123,810
		798,236	778,115
Net current assets		44,039	24,267
Total assets less current liabilities		905,476	880,977
Financed by:			
Share capital		73,354	73,157
Reserves		771,591	714,275
Proposed dividend		27,874	62,197
Shareholders' funds		872,819	849,629
Non-current liabilities			
Long service payment liabilities		21,398	20,397
Deferred tax liabilities		11,259	10,951
		905,476	880,977

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2011

	(Unaudited) Attributable to shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2011	73,157	286,940	177,087	13,433	12,894	9,065	277,053	849,629
Profit attributable to shareholders of the Company	-	-	-	-	-	-	78,018	78,018
Exchange differences	-	-	-	-	-	71	-	71
Total comprehensive income for the period	-	-	-	-	-	71	78,018	78,089
Issue of new shares	197	5,637	-	-	-	-	-	5,834
Employee share option benefit	-	1,529	-	-	(1,056)	-	1,044	1,517
Dividend	-	-	-	-	-	-	(62,250)	(62,250)
	197	7,166	-	-	(1,056)	-	(61,206)	(54,899)
At 30 June 2011	73,354	294,106	177,087	13,433	11,838	9,136	293,865	872,819
At 1 January 2010	72,992	281,614	177,087	13,433	13,761	8,662	214,457	782,006
Profit attributable to shareholders of the Company	-	-	-	-	-	-	57,683	57,683
Exchange differences	-	-	-	-	-	194	-	194
Total comprehensive income for the period	-	-	-	-	-	194	57,683	57,877
Employee share option benefit	-	-	-	-	45	-	1,072	1,117
Dividend	-	-	-	-	-	-	(43,795)	(43,795)
	-	-	-	-	45	-	(42,723)	(42,678)
At 30 June 2010	72,992	281,614	177,087	13,433	13,806	8,856	229,417	797,205

Notes to the Condensed Consolidated Interim Financial Information

1. General information

The Company's shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dealings in the shares on the Main Board commenced on 20 June 2011 pursuant to the approval granted by the Stock Exchange for the transfer of listing of the shares from the Growth Enterprise Market to the Main Board of the Stock Exchange.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 27 July 2011.

This condensed consolidated interim financial information should be read in conjunction with the 2010 consolidated financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the consolidated financial statements for the year ended 31 December 2010.

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 2011 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. 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 2011 are as follows:

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Revenue		
Merchandise sales revenue	1,516,636	1,341,475
Bakery sales revenue	370,032	311,925
	1,886,668	1,653,400
Other income		
Service items and miscellaneous income	39,531	37,756

Segment information

Management has determined the operating segments based on the reports reviewed by the board of 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 2011 is as follows:

	(Unaudited) Six months ended 30 June 2011				
	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	1,455,039	61,602	390,792	24,994	1,932,427
Inter-segment revenue	(5)	-	(45,263)	(491)	(45,759)
Revenue from external customers	1,455,034	61,602	345,529	24,503	1,886,668
Total segment other income	38,001	1,145	1,455	76	40,677
Inter-segment other income	-	(13)	(1,133)	-	(1,146)
Other income	38,001	1,132	322	76	39,531
	1,493,035	62,734	345,851	24,579	1,926,199
Profit/(loss) after tax	76,607	(10,267)	12,024	(346)	78,018
Profit/(loss) after tax includes:					
Depreciation	(12,923)	(3,820)	(12,902)	(902)	(30,547)
Amortisation	-	(258)	(292)	-	(550)
Interest income	3,098	28	211	95	3,432
Income tax expenses	(14,795)	-	(3,130)	(84)	(18,009)

	(Unaudited) Six months ended 30 June 2010				
	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	1,287,477	54,000	330,694	18,299	1,690,470
Inter-segment revenue	(2)	-	(36,884)	(184)	(37,070)
Revenue from external customers	1,287,475	54,000	293,810	18,115	1,653,400
Total segment other income	36,839	518	1,530	57	38,944
Inter-segment other income	-	(59)	(1,129)	-	(1,188)
Other income	36,839	459	401	57	37,756
	1,324,314	54,459	294,211	18,172	1,691,156
Profit/(loss) after tax	47,979	(13,461)	22,936	229	57,683
Profit/(loss) after tax includes:					
Depreciation	(14,556)	(3,858)	(15,403)	(879)	(34,696)
Amortisation	-	(244)	(292)	-	(536)
Interest income	2,694	21	134	23	2,872
Income tax expenses	(10,344)	-	(697)	(75)	(11,116)

Revenue between segments is carried out at arm's length. 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.

4. Expenses by nature

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Amortisation of lease premium for land	550	536
Depreciation of owned fixed assets	30,547	34,696
Other expenses	1,806,871	1,606,745
Total cost of sales, store expenses, distribution costs and administrative expenses	1,837,968	1,641,977

5. Other gain, net

Other gain, net represents the net gain or loss on disposal of fixed assets and exchange gain or loss. For the six months ended 30 June 2010, other gain, net mainly included gain on disposal of a real estate property amounting to HK$17,633,000.

6. Interest income

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Interest income on bank deposits	3,432	2,872

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 2011 and 2010. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2011 and 2010 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	
	2011	2010
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	15,994	12,528
Overseas profits tax	1,502	733
Deferred income tax	513	(2,145)
	18,009	11,116

8. 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	
	2011	2010
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	78,018	57,683
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	732,187,698	729,915,974
Adjustment for:		
Share options	399,052	-
Weighted average number of ordinary shares for diluted earnings per share	732,586,750	729,915,974

9. Dividends

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Interim dividend, proposed of 3.8 HK cents (2010: 1.9 HK cents) per share	27,874	13,868
Special dividend, proposed of nil (2010: 2.4 HK cents) per share	-	17,518
	27,874	31,386

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

10. 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 2011, the aging analysis of trade receivables is as follows:

	(Unaudited) 30 June 2011 HK$'000	(Audited) 31 December 2010 HK$'000
0-30 days	27,476	28,265
31-60 days	1,862	2,624
61-90 days	840	1,514
Over 90 days	2,584	1,767
	32,762	34,170

11. Trade payables

At 30 June 2011, the aging analysis of the trade payables is as follows:

	(Unaudited) 30 June 2011 HK$'000	(Audited) 31 December 2010 HK$'000
0-30 days	271,884	246,858
31-60 days	117,195	127,358
61-90 days	48,998	46,912
Over 90 days	41,601	47,127
	479,678	468,255

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 reinforce 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 Audit Committee and Remuneration Committee (all chaired by non-executive Directors) with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules") and, where appropriate, the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") subsequent to the transfer of listing of the Company's shares from GEM to the Main Board on 20 June 2011.

The Group Chief Compliance Officer, as appointed by the Board, attends 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 2011 are in line with those practices set out in the Company's 2010 Annual Report.

Audit Committee

The Audit Committee met three times to date in 2011 (with an average attendance rate of about 87%) to consider and review with senior management and the Company's internal (Corporate Governance Division ("CGD")) and external auditors various matters as set out in the Committee's terms of reference, which included the following:

- the audit plans, findings and reports of CGD and external auditor;

- the independence of external auditor, their related terms of engagement and fees;

- the Group's accounting principles and practices, compliance with the Listing Rules and statutory requirements, connected transactions, internal controls, risk management and financial reporting matters; and

- the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, as well as their training programmes and budget.

The Audit Committee has reviewed with the management the unaudited half year report for the six months ended 30 June 2011 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 Rules 5.48 to 5.67 of the GEM Listing Rules and, where appropriate, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") subsequent to the transfer of listing of the Company's shares from GEM to the Main Board on 20 June 2011. Specific confirmation of compliance has been obtained from each Director for the six months ended 30 June 2011.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than those set out in the GEM Listing Rules and, where appropriate, the Model Code subsequent to the transfer of listing of the Company's shares. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2011.

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 procedures.

Based on the assessments made by senior management and CGD (Internal Audit), the Audit Committee considered that for the six months ended 30 June 2011:

- 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 Code on Corporate Governance Practices

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 Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules and, where appropriate, the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules subsequent to the transfer of listing of the Company's shares on 20 June 2011, throughout the six months ended 30 June 2011.

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 2011 of 3.8 HK cents (2010: 1.9 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 15 August 2011 to 17 August 2011, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 12 August 2011. Dividend warrants will be despatched on 19 August 2011.

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

Hong Kong, 27 July 2011

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 and Mr. Godfrey Ernest Scotchbrook; independent non-executive Directors are Dr. Raymond Ch'ien Kuo Fung, Mr. Malcolm Au Man Chung and Mr. Anthony Lo Kai Yiu.