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 2012

	Change	**2012 HK$'000**	2011 HK$'000
• Revenue	+7.2%	2,021,931	1,886,668
• Profit attributable to shareholders of the Company	+32.9%	103,647	78,018
• Basic earnings per share (HK cents)	+32.2%	14.09	10.66
• Interim dividend per share (HK cents)	0%	3.80	3.80
• Special dividend per share (HK cents)	N/A	5.20	Nil

Operation Highlights

- Favourable results across all operations despite challenging economic environment
- Robust comparable store sales growth in the Guangzhou operations
- Tapering of food cost inflation reduced margin pressure on the Saint Honore operations
- Cautious outlook for the second half of 2012 due to increasingly uncertain market conditions
- Strong cash position of HK$746.9 million without any bank borrowing
- In view of one-off gain from disposal of real estate, the Board resolved to pay a special dividend of 5.2 HK cents per share

NUMBER OF STORES AS OF 30 JUNE 2012

Circle K Stores	
Hong Kong	331
Guangzhou	61
Shenzhen	1
Subtotal	**393**
Franchised Circle K Stores	
Guangzhou	8
Macau	22
Zhuhai	13
Subtotal	**43**
Total number of Circle K Stores	**436**
Saint Honore Cake Shops	
Hong Kong	90
Macau	8
Guangzhou	22
Shenzhen	1
Total number of Saint Honore Cake Shops	**121**
Total number of Stores under Convenience Retail Asia	**557**

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the first six months of 2012, the Group's turnover increased by 7.2% to HK$2,021.9 million compared to the same period last year.

The turnover of the Circle K convenience store operation increased by 7.1% year on year to HK$1,625 million. This was mainly attributable to the opening of new stores and an increase in comparable convenience stores sales (stores in existence throughout 2011 and 2012). Comparable convenience stores sales in Hong Kong and Southern China increased by 3.5% and 16.8% respectively over the same period last year.

Turnover at the Saint Honore Cake Shop operations increased by 6.6% to HK$429.9 million compared to the first six months of 2011. Comparable store sales in Hong Kong experienced a single digit growth.

Gross margin and other income as a percentage of turnover decreased to 35.8% compared to 37% in the first six months of 2011. The higher gross margin achieved last year was mainly due to the one-off gain as a result of the favourable impact on cigarette margin for a certain amount of inventory after the tobacco tax increase in 2011. Excluding this one-off gain, gross margin as a percentage of turnover maintained a level similar to the same period in 2011.

Operating expenses increased slightly from 32.1% to 32.2% of turnover against the same period in 2011, which was mainly due to escalating rental expenses during the period.

Compared to 2011, net profit – before factoring in the one-off gain on the disposal of real estate in 2012 and the one-off gain on cigarette category margin after the tobacco tax increase in 2011 – increased by 8.4% to HK$65.1 million for the six months ended 30 June 2012. Including the one-off gains, the Group recorded a net profit of HK$103.6 million, representing an increase of 32.9% over the corresponding period in 2011. Basic earnings per share increased by 32.2% from 10.66 HK cents to 14.09 HK cents.

The Group continued to maintain a strong financial position with net cash of HK$746.9 million and no bank borrowings. Most of the Group's cash and bank deposits were in HK 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 HK 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 HK dollars or Renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

In the first six months of 2012 the Group opened a total of 30 new stores and closed 18 stores, taking the total number of company managed stores to 514, an addition of 12 stores.

The Board of Directors has resolved to declare an interim dividend of 3.8 HK cents per share. Due to the one-off gain generated by the disposal of real estate in the second quarter, the Board has further resolved to declare a special dividend of 5.2 HK cents per share.

Operation Review – Hong Kong

As of 30 June 2012, the Group operated a total of 421 company-owned-and-managed stores in Hong Kong under two brands, Circle K Convenience Store and Saint Honore Cake Shop, compared to a total of 407 stores in the previous year.

Under the Circle K brand, there were 331 company-owned-and-managed convenience stores in Hong Kong as of 30 June 2012, compared to 324 stores at the beginning of 2012. Since January 2012, Circle K Hong Kong has opened 15 new stores. However, eight stores were closed during the same period, resulting in a net increase of seven new stores for the first half of the year.

The Group operated a total of 90 company-owned-and-managed Saint Honore Cake Shops in Hong Kong as of 30 June 2012, the same number as of 1 January. This was due to the fact that the Group opened four new stores and closed four stores during the first half of the year. The store closure decisions were made due to unacceptable rental renewal terms as well as other circumstances. Despite the anticipated slowdown in the local economy, any tangible adjustment in retail rental has yet to happen.

Employees

As of 30 June 2012, the Group had a total 6,491 employees, of whom 4,386 were based in Hong Kong and 2,105 were based in Macau, Guangzhou and Shenzhen. Regular part-time staff accounted for 36.2% of the Group's total headcount.

Total staff costs for the six months ended 30 June 2012 were HK$339.2 million compared with HK$324.3 million for the same period last year.

The Group offers competitive remuneration schemes to staff, with discretionary bonus and share options granted to eligible staff based on individual and company performance.

Marketing and Promotion

The Group's continual promotion of innovative marketing activities succeeded in building customer loyalty and sustaining daily store sales. Thematic promotions such as the first Pretz Festival in Hong Kong, the Beer Festival in celebration of Euro 2012, a value meal promotion for private label lunch boxes and a category awareness promotion for convenience services worked effectively towards enhancing the shopping experience at Circle K stores.

The launch in the second quarter of an exclusive product, "Hokkaido-Yo", a packaged soft-frozen (at -12°C) yogurt available in three flavours, was a timely new product introduced just before the start of the hot summer months. Initial customer acceptance of the product was extremely promising. The Group is planning to follow up the successful launch with the introduction of new flavours and multimedia marketing efforts to create awareness and build the product into a destination shopping item for the summer.

At the end of June, a set of popular Japanese licensed characters known as One Piece was introduced in an OK Fun premium promotion. Since Circle K Hong Kong is the first convenience retailer to use these licensed characters as premiums, the consumer appeal and noise level generated by this exclusive promotion was quite favourable.

The Group devoted considerable resources to Internet marketing to communicate consumer promotions, with encouraging response. The fan page for Circle K Hong Kong has attracted over 150,000 fans, representing one of the biggest fan groups for a retailing brand in Hong Kong.

The Circle K iLIKE Visa Paywave co-brand credit card launched in partnership with AEON and Visa in the last quarter of 2011 is gradually growing in terms of popularity and usage frequency with attractive bonus point rewards and shopping incentives.

Customer Service Excellence

The Group has conducted a total of more than 200 customer service training courses year-to-date in order to ensure consistently high service standards at the frontline. These cover the use of English and Putonghua, phone card product knowledge, online product knowledge and convenience services as well as bread baking skills and hot food and beverage preparation.

Category Management

The media category faced keen competition from free newspaper titles, newscasts on the Internet and news apps on mobile phone networks. The category management team spent considerable effort compensating for the sales loss by expanding the range of book titles and introducing magazine pre-order services.

A loyalty programme designed to reward repeat purchases of family-pack dairy products proved to be extremely effective in winning over the housewife shoppers, while efforts to enhance the range of wine on offer and timely beer promotions during events such as Euro 2012 all helped increase sales for these respective categories.

The Group had to discontinue the retailing of e-voucher for taodot.com when the decision was made by Taodot to discontinue the product. The financial implication of such a development was quite insignificant to the Group since it only represented fee-based income for convenience services rendered.

Supply Chain Management and Logistics

In the spirit of continuous improvement, various innovations were implemented at the Distribution Centre in Hong Kong. The “Barcode on Picking List” initiative was introduced to speed up the data-input process and improve the accuracy of order picking. Process automation also resulted in enhanced productivity. Handheld terminal devices operating through WiFi networks provided instant access to information databases at the point of work.

Operations Review – Guangzhou

In Guangzhou, management initiatives were focused on building customer traffic and generating store sales with innovative food service offerings and a VIP card loyalty programme. A range of hot and cold beverages with distinctive Hong Kong flavour, including milk tea and the milk tea-cum-coffee mixed drink, were launched at the end of last year and became instant hits. They have continued to grow in popularity and added to the range of signature beverages under the Hot & In house brand. With the coming of summer, variations on the theme such as the Vanilla Float Milk Tea were introduced, and they were welcomed by customers due to their unique taste and premium quality.

In order to draw traffic and stimulate sales, special promotions were designed to promote convenience shopping at different parts of the day, from morning, lunch, and afternoon tea to late-night snacking. One example was a hot chocolate drink specially created to be the perfect late-night beverage before going home.

Due to the high penetration of Internet usage on the Chinese Mainland, an official "weibo" website (the equivalent of a Twitter fan page) was launched by Circle K Guangzhou last year. Through the new website, http://weibo.com/circlekchina, promotional messages could be communicated efficiently and effectively, with instant feedback from target customers. So far it has proven to be a cost-effective channel for marketing communications and has greatly enhanced the image of the Circle K brand among target customers who are mostly Internet users.

The Hot & In VIP card loyalty programme is another highlight of Circle K Guangzhou's marketing activities. Regular bonus point offers and special deals for privileged VIP card holders are communicated by text via mobile phone. Bonus points accumulated through regular purchases could be used to redeem free premium or cash coupons.

Operations Review – Saint Honore Cake Shop

The Saint Honore Cake Shop operations were able to report a favourable increase in turnover with 6.6% growth for the first six months of 2012. Consequently, profitability improved significantly, aided by vigorous control of operating expenses and the launches of new products delivering better margins. The star performer was Saint Honore Cake Shop Guangzhou, whose operations reporting double-digit growth in comparable store sales as well as improvement in gross profit.

The rather robust business performances of various Saint Honore Cake Shop operations were due to a combination of factors: a continuous effort to upgrade product quality and range; improved efficiency in the logistics of product distribution from the manufacturing centres to the cake shops to ensure product availability, freshness and appearance; vigilant pricing review; and most importantly, the tapering-off of food cost inflation.

Saint Honore Cake Shop's Guangzhou operations organised two milestone events at the end of June. The first was a mooncake marketing presentation to wholesalers and distributors from various provinces to introduce the history of the Saint Honore brand and its full credentials as a mooncake manufacturer, and to present its range of mooncakes, the prestigious new packaging for gifting and the competitive pricing structure. The presentation was extremely well received because the targeted trade audience was given the option of selling quality mooncakes under a trusted brand from Hong Kong for the upcoming peak sales season.

The second event was the grand opening of the flagship store in Tianhe district, a new commercial/residential neighbourhood frequented by shoppers with high levels of disposable income. The new store was designed to be the pioneer of the cake shop-cum-café store model, one of the hot trends in the bakery market on the Chinese Mainland. The new store design, with the inclusion of a seating area, a beverage bar and a made-to-order dessert menu, projects a store image that is superior to any other existing Saint Honore Cake Shop. The spacious store interior also allows for a full display of the various cake and bread product ranges, hence fulfilling the role of a product showcase while enhancing Saint Honore's brand positioning as a market leader in product innovation.

Corporate Social Responsibility

For the past six years, Circle K Hong Kong has partnered with Heifer International Hong Kong to sponsor their various charity projects, including its annual fundraising event "Race to Feed", which was actively participated in by the employees of Circle K Hong Kong on a voluntary basis. Over the years the company has won many awards at the race, which has become a tradition attracting more young participants every year.

Valentine's Day celebrations presented another opportunity to fulfil corporate social responsibility, with all Circle K stores in Hong Kong participating in a pre-order service for rose bouquets and knitted glove flowers made by social enterprises.

For the past year, Circle K Hong Kong has also partnered with the World Wide Fund for Nature Hong Kong to conduct various green promotions across the chain to foster environmental consciousness.

Future Prospects

Even though the Group was pleased to be able to deliver some rather favourable results for the first half of 2012, the second half of 2012 remains challenging. External factors such as the economic uncertainty of the Eurozone and the weak recovery of the United States market show little sign of improving. In fact, the slowdown in retail market sales growth in Hong Kong and on the Chinese Mainland has already reflected these global developments. It is possible that the impact on consumer sentiment might be more pronounced in the coming months, since some of the contractions in growth trends are just starting to show up in the economic indicators.

In Hong Kong maintaining robust comparable store sales growth will become even more challenging, especially with the enlarged sales base achieved by the significant incremental sales last year. However, there are other market factors that will also affect profitability; namely, the tight labour market and continuously escalating retail rental. Unfortunately, recent economic adjustments have yet to impact labour costs or retail rental. Hence, the pressure on operating expenses will become more severe, especially if comparable store sales grow less favourably compared to last year.

In preparation for any further downturn in economic growth, the Group will exercise extreme caution to control expenses and maintain product margin across all operations. In view of increasingly keen competition in the labour market, employee retention will become another key initiative in the coming months. The Group has just launched an internal programme to boost employee morale, raise the level of engagement and offer a career path instead of just a job proposition. The programme will include company-sponsored recreational activities to help maintain work/life balance, in order to inspire a sense of belonging and enhance job satisfaction.

With the local economy cooling, the Group hopes it will create opportunities to acquire suitable store sites at reasonable rental terms, thus enabling it to press ahead with the store opening programme and move faster towards the target store opening number set for this year.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2012

	Note	(Unaudited) Six months ended 30 June **2012** **HK$'000**	2011 HK$'000
Revenue	*2*	2,021,931	1,886,668
Cost of sales	*3*	(1,338,804)	(1,227,386)
Gross profit		683,127	659,282
Other income	*2*	41,485	39,531
Other gains, net	*4*	38,257	4,364
Store expenses	*3*	(520,669)	(485,513)
Distribution costs	*3*	(49,752)	(44,775)
Administrative expenses	*3*	(81,183)	(80,294)
Operating profit		111,265	92,595
Interest income	*5*	5,887	3,432
Profit before income tax		117,152	96,027
Income tax expenses	*6*	(13,505)	(18,009)
Profit attributable to shareholders of the Company		103,647	78,018
Earnings per share (HK cents)			
Basic	*7*	14.09	10.66
Diluted	*7*	14.05	10.65
Dividends	*8*	66,373	27,874

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2012

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	103,647	78,018
Other comprehensive (loss)/income for the period, net of tax		
Exchange differences	(287)	71
Total comprehensive income attributable to shareholders of the Company	103,360	78,089

Condensed Consolidated Balance Sheet
As at 30 June 2012

	Note	**(Unaudited) 30 June 2012 HK$'000**	(Audited) 31 December 2011 HK$'000
Non-current assets			
Fixed assets		320,927	306,645
Investment property		-	35,031
Lease premium for land		31,638	32,252
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		74,093	63,254
Bank deposit		18,339	18,534
Deferred tax assets		7,954	7,949
		812,311	823,025
Current assets			
Inventories		158,147	179,426
Rental deposits		33,523	34,120
Trade receivables	*9*	45,141	46,791
Other receivables, deposits and prepayments		77,011	76,377
Taxation recoverable		-	6
Bank deposits		181,034	305,933
Cash and cash equivalents		547,482	394,283
		1,042,338	1,036,936
Current liabilities			
Trade payables	*10*	532,871	536,020
Other payables and accruals		158,050	208,247
Taxation payable		25,868	11,967
Cake coupons		135,588	134,522
		852,377	890,756
Net current assets		189,961	146,180
Total assets less current liabilities		1,002,272	969,205
Financed by:			
Share capital		73,738	73,391
Reserves		835,560	785,950
Proposed dividends		66,373	80,731
Shareholders' funds		975,671	940,072
Non-current liabilities			
Long service payment liabilities		16,849	17,699
Deferred tax liabilities		9,752	11,434
		1,002,272	969,205

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2012

	(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 2012	73,391	295,490	177,087	13,433	13,268	9,765	357,638	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	-	-	-	-	-	-	(81,085)	(81,085)
	347	14,168	-	-	(1,763)	-	(80,513)	(67,761)
At 30 June 2012	73,738	309,658	177,087	13,433	11,505	9,478	380,772	975,671
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

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 ("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 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 2012.

This condensed consolidated interim financial information should be read in conjunction with the 2011 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 2011.

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 2012 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group's accounting policies.

2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores and bakeries. Revenues recognised during the six months ended 30 June 2012 are as follows:

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Revenue		
Merchandise sales revenue	1,625,007	1,516,636
Bakery sales revenue	396,924	370,032
	2,021,931	1,886,668
Other income		
Service items and miscellaneous income	41,485	39,531

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 2012 and 2011 are as follows:

	(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
	1,584,340	81,575	367,581	29,920	2,063,416
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	-	-	38,502	-	38,502

	(Unaudited) Six months ended 30 June 2011				
	Convenience Store		Bakery		
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	Group
	HK$'000	HK$'000	HK$'000	HK$'000	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)

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

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Amortisation of lease premium for land	554	550
Depreciation of owned fixed assets	29,578	30,547
Depreciation of investment property	329	-
Other expenses	1,959,947	1,806,871
Total cost of sales, store expenses, distribution costs and administrative expenses	1,990,408	1,837,968

4. Other gains, net

For the six months ended 30 June 2012, other gains, net mainly included gain on disposal of a real estate property amounting to HK$36,788,000 (2011: nil) and net exchange losses amounting to HK$3,341,000 (2011: net exchange gains of HK$4,618,000).

5. Interest income

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Interest income on bank deposits	5,887	3,432

6. 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 2012 and 2011. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2012 and 2011 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	
	2012	2011
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	13,400	15,994
Overseas profits tax	1,811	1,502
Deferred income tax	(1,706)	513
	13,505	18,009

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.

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	103,647	78,018
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	735,398,173	732,187,698
Adjustment for:		
Share options	2,279,397	399,052
Weighted average number of ordinary shares for diluted earnings per share	737,677,570	732,586,750

8. Dividends

	(Unaudited) Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Interim dividend, proposed of 3.8 HK cents (2011: 3.8 HK cents) per share	28,024	27,874
Special dividend, proposed of 5.2 HK cents (2011: nil) per share	38,349	-
	66,373	27,874

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 2012, the aging analysis of trade receivables is as follows:

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
0-30 days	38,003	37,856
31-60 days	1,779	3,606
61-90 days	1,501	1,495
Over 90 days	3,858	3,834
	45,141	46,791

10. Trade payables

At 30 June 2012, the aging analysis of the trade payables is as follows:

	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
0-30 days	302,763	293,215
31-60 days	137,387	145,728
61-90 days	45,871	49,133
Over 90 days	46,850	47,944
	532,871	536,020

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 former and revised Corporate Governance Code (collectively referred to as the "CG Code", the revised Code came into effect on 1 April 2012) 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 2012 are in line with those practices set out in the Company's 2011 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 2012 (with an average attendance rate of about 87%) 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, corporate governance, risk management and financial reporting matters; and

- 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 interim report for the six months ended 30 June 2012 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 2012.

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 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 2012.

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 assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2012:

- 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 2012.

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 2012 of 3.8 HK cents (2011: 3.8 HK cents) per share to the shareholders of the Company.

SPECIAL DIVIDEND

Due to the one-off gain generated by the disposal of real estate in Hong Kong during the period, the Board of Directors has further resolved to pay a special dividend of 5.2 HK cents per share to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 August 2012 to 24 August 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim and special 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 2012. Dividend warrants will be despatched on 28 August 2012.

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

Hong Kong, 6 August 2012

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.