Convenience Retail Asia

Convenience Retail Asia Limited
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08052

Half Year Report 2009

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Member of the Li & Fung Group

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report (the "Report"), for which the Directors of Convenience Retail Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Convenience Retail Asia Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this Report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this Report misleading; and (3) all opinions expressed in this Report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Executive Directors	Yeung Lap Bun, Richard *(Chief Executive Officer)* Li Kwok Ho, Bruno *(Chief Financial Officer)* *(resigned on 4 August 2009)*
Non-executive Directors	Dr. Fung Kwok King, Victor+ *(Chairman)* Dr. Fung Kwok Lun, William Godfrey Ernest Scotchbrook* Jeremy Paul Egerton Hobbins* Wong Yuk Nor, Louisa
Independent non-executive Directors	Dr. Ch'ien Kuo Fung, Raymond*+ Au Man Chung, Malcolm*+ Lo Kai Yiu, Anthony*
Group Chief Compliance Officer	Siu Kai Lau, James
Company Secretary	Li Sau Ping, Maria
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands
Head Office and Principal Place of Business	12th Floor, LiFung Centre 2 On Ping Street Siu Lek Yuen Shatin New Territories Hong Kong
Company's Website Address	www.cr-asia.com
Legal Advisers	JSM (as to Hong Kong Law) Conyers Dill & Pearman, Cayman (as to Cayman Islands Law)

* *Audit Committee members*

\+ *Remuneration Committee members*

Auditor	PricewaterhouseCoopers *Certified Public Accountants*
Principal Share Registrar and Transfer Office	Butterfield Fulcrum Group (Cayman) Limited P.O. Box 705 Butterfield House 68 Fort Street George Town Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Tricor Abacus Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
Principal Banker	The Hongkong & Shanghai Banking Corporation Limited
Stock Code	08052

Highlights

Half Year Results
For the period ended 30 June 2009

Three months ended 30 June		2009	2008
Revenue	+0.5%	HK$815,262,000	HK$810,866,000
Profit attributable to shareholders of the Company	-14.6%	HK$21,871,000	HK$25,623,000
Basic earnings per share (HK cents)	-14.5%	3.00	3.51
Six months ended 30 June		**2009**	2008
Revenue	+1.7%	HK$1,616,766,000	HK$1,590,229,000
Profit attributable to shareholders of the Company	-9.0%	HK$35,772,000	HK$39,320,000
Basic earnings per share (HK cents)	-9.1%	4.90	5.39
Interim dividend per share (HK cents)	0%	1.70	1.70

Operation Highlights

- Slight decrease in comparable store sales for Circle K in Hong Kong and Guangzhou due to poor consumer sentiment, adversely affecting earnings per share
- Challenging operating environment expected to continue to impact turnover and profitability during second half of 2009
- Preparing for renewed growth in 2010 with improved effectiveness of all business operations
- Focus on achieving long-term cost savings by consolidating Saint Honore production facilities
- Net cash position of HK$400.3 million without any bank borrowings as of 30 June 2009

Number of Stores as of 30 June 2009

Circle K Convenience Stores		
Hong Kong		292
Guangzhou		66
Shenzhen		1
Subtotal		359
Franchised Circle K Stores		
Guangzhou		4
Macau		18
Zhuhai		13
Subtotal		35
Total number of Circle K Stores		**394**
Saint Honore Group		
Hong Kong	– Cake Shop	80
	– Bread Boutique	3
Subtotal		83
Macau	– Cake Shop	7
Guangzhou	– Cake Shop	14
Subtotal		21
Total number of Saint Honore Stores		**104**
Total number of Stores under Convenience Retail Asia		**498**

Chairman's Statement

Financial Review

I am pleased to report the unaudited half-year results of Convenience Retail Asia Limited and its subsidiaries (the "Group") for the period ended 30 June 2009.

During the second quarter of 2009, the Group's turnover increased by 0.5% to HK$815.3 million compared to the same period last year. Net profit attributable to shareholders dropped by 14.6% to HK$21.9 million.

A slight decrease in comparable convenience store sales in Hong Kong and Guangzhou was registered in the second quarter of 2009. The comparable store sales of the Saint Honore bakery business remained flat in the same period. There was also pressure on gross margin amid the challenging operating environment.

At the end of the second quarter of 2009, the Group had a net cash balance of HK$400.3 million with no bank borrowings.

The Board of Directors has resolved to pay an interim dividend of 1.7 HK cents per share.

Review of the Hong Kong Market

In the second quarter of 2009, total retail sales volume in Hong Kong continued to decline, registering a decrease of 5.6%[1] for the first five months compared with the same period last year.

The impact of the global economic recession was reflected in key economic indicators such as the year-on-year decline in average real wage of 1.4%[2] in March, the unemployment rate of 5.4%[3] in April, followed by the notable drop of 13.4%[4] in visitor arrivals in May due to the outbreak of human swine influenza. These negative factors combined to further dampen consumer sentiment in Hong Kong.

Notes:

1 *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administration Region on 2 July 2009.*

2 *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administration Region on 25 June 2009.*

3 *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administration Region on 20 July 2009.*

4 *Published by the Hong Kong Tourism Board on 23 June 2009.*

Review of the Hong Kong Operations

Even though the Group's operations in Hong Kong were relatively less affected than the higher-end retail sectors including luxury products, discretionary purchases and durables, overall sales performance when compared with the same period last year was inevitably affected.

In an effort to maintain comparable store sales turnover, the Group launched a series of aggressive and innovative promotions to satisfy consumer demand for value proposition, building on the "always something new" brand positioning. These marketing tactics proved to be effective in a recessionary environment when bargain hunting was not only the market norm, but was also the most salient feature of consumer behaviour.

These sustained promotional efforts took a toll on the Group's overall margin. However, when the retail market stabilises, the Group's reliance on promotional offers will reduce, enabling overall profitability levels to return to normal as the basic pricing and cost structure will remain intact and unchanged.

Review of the Retail Market on the Chinese Mainland

The overall economy of the Chinese Mainland has still outperformed others during the global recession. In May 2009, retail sales volume grew by 15.2%[5], although export value decreased by 26.4%[6] year-on-year. The consumer confidence index stood at 86.7[7], registering a drop compared to a high of 94.3[7] in May 2008.

The Government's policies to boost domestic consumption, fuelled by aggressive consumer promotions launched by leading retailers combined with the fact that the Labour Day Golden Week, Mother's Day and Dragon Boat Festival all fell in May, contributed to a mini-boom in the retail market in Guangzhou during the month.

Review of the Guangzhou Operations

After the consolidation exercise that was undertaken in the first quarter of 2009, the Group has a much more effective base of operations in Guangzhou.

Notes:

5 *Published by the National Bureau of Statistics of China on 12 June 2009.*

6 *Published by the General Administration of Customs of the People's Republic of China on 30 June 2009.*

7 *Published by the National Bureau of Statistics of China on 1 July 2009.*

One of the Group's major initiatives in the second quarter of 2009 was the quality upgrade and new product introductions in the "Hot & In" food services, resulting in an instant improvement in sales performances.

A similar initiative was launched for the Saint Honore operations in Guangzhou as part of the Group's continuous product quality improvement programme, and received encouraging feedback from customers. Improvement in sales performance was less noticeable since the hot weather affected consumers' appetite for cakes and bread products. But in the long term, the programme will help reinforce Saint Honore's positioning as the leading bakery brand in the market.

Corporate Governance

The Group has continued to demonstrate its commitment to principles of good corporate governance by exercising prudent management, constantly enhancing shareholder value and upholding principles of transparency, accountability and independence.

Corporate Sustainability

On 7 July 2009, the new HKSAR Government policy of imposing an environmental levy for plastic bags came into effect. The Circle K chain in Hong Kong was among the first to register for the scheme and began collecting a 50-cent levy from customers for every plastic bag used.

In keeping with the spirit behind this move, which is to discourage the use of plastic bags rather than simply to collect the levy, the Group launched a series of educational in-store communications materials and environmentally-related promotions to remind customers of the four "big Rs" in environmental sustainability: Refrain, Reduce, Recycle and Re-use.

Market Recognition of the Circle K Brand

Over the years, the Group has dedicated consistent effort to building the Circle K brand. According to indicative consumer research conducted online, the chain's market recognition has continuously improved.

Circle K Hong Kong was ranked the number two brand, behind 7-Eleven, in a Superbrands online survey conducted by The Nielsen Company in March 2009 among more than 500 Hong Kong consumers.

Circle K Hong Kong also won the Yahoo! Emotive Brand Awards 2008 – 2009 for the Retail Chain Category in June 2009. This award recognises companies with good brand values and strong emotional bonds with their customers. Visitors to the Yahoo! website were invited to vote for the brands with the greatest emotional appeal for them.

Outlook for 2009

The Group anticipates that the challenges posed by the global economic recession and weakened consumer sentiment will continue for some time until more positive economic data are established towards the end of the year.

Consequently, the business performance of the Group's operations in Hong Kong and Guangzhou will be subject to the same pressures on turnover and profitability as they were in the first half of 2009.

During the last quarter of 2008 when the repercussions of the global financial turmoil began to spread, the Group decided to put on hold any aggressive expansion plans and to focus on maintaining healthy comparable store sales growth. The Group anticipates that it will become increasingly challenging to achieve that goal as a number of market factors outside its control will impact on the Group's business performance. These include the 50% increase in cigarette tax and the implementation of the environmental levy on plastic bags in Hong Kong and its negative effect on transaction value as shoppers become less willing to buy more items without a free shopping bag. In addition, the risk of potential further spread of human swine influenza when the flu season peaks in August may also adversely impact on customer traffic.

But the real challenge will be maintaining profitability. As market competition intensifies, the Group will have little choice but to continue engaging in aggressive promotions to protect market share. Assuming such a trend, decreasing profitability over the coming months might result in a reduction in earnings at the end of the fiscal year.

The Group will continue to implement key management initiatives, including stringent overhead cost controls, continuous improvement in margin management and a dedicated effort to upgrade the quality of house brand products and enhanced category management. The strategic direction will generally move towards maintaining a strong competitive edge, improving the effectiveness of all business operations and preparing for renewed growth in 2010.

In conclusion, the Board would like to take this opportunity to express its appreciation for the dedicated efforts of the Group's management and staff to maintain business performance amid the challenging operating environment.

Fung Kwok King, Victor
Chairman

Hong Kong, 4 August 2009

Management Discussion and Analysis

Financial Review

During the three months ended 30 June 2009, the Group's turnover increased by 0.5% to HK$815.3 million compared to the same period last year, while the turnover of the convenience store business increased by 1.4% to HK$669.5 million. This increase was mainly attributable to the opening of new stores and partly offset by the slight decrease in comparable convenience store sales (stores in existence throughout 2008 and 2009). Comparable convenience store sales in Hong Kong and Southern China decreased by 0.6% and 8.4% after adjusting for non-recurrent sales category respectively over the same quarter last year.

The turnover of the bakery business decreased by 2% to HK$160.4 million compared to the same period last year, mainly due to the time variance of the Mid-Autumn Festival which will fall in early October this year rather than September last year. Hence, moon cakes sales will be reflected in the third and fourth quarters of 2009 rather than the second and third quarters as in 2008. Comparable store sales for the bakery business remained flat during the second quarter of 2009 compared to the same quarter last year.

Gross margin and other income as a percentage of turnover decreased to 36.7% during the second quarter of 2009, compared to the 37% achieved in the same period last year. The decrease was mainly due to non-recurrent expenses incurred by the consolidation of the Saint Honore production facilities.

Store expenses as a percentage of turnover increased from 26.6% to 26.7% for the second quarter compared to 2008. The increase was mainly due to increased staff costs and rental expenses.

Distribution costs and administrative expenses were maintained at 2.5% and 4.2% of turnover respectively after adjusting for the one-off disposal gain in properties last year, which were at the same level as in the second quarter of 2008.

Compared to 2008, net profit attributable to shareholders for the six months ended 30 June 2009 and the second quarter of 2009 decreased by 9% and 14.6% to HK$35.8 million and HK$21.9 million. For the six months ended 30 June 2009, basic earnings per share decreased by 9.1% from 5.39 HK cents to 4.9 HK cents.

The Group continued to maintain a strong financial position with net cash of HK$400.3 million without bank borrowings. The Group's cash balances were mainly deposits in HK dollars with major banks in Hong Kong. Most of the Group's assets, liabilities, revenues and payments were mainly 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 liable 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 dollars or Renminbi bank deposits in order to be prepared for funding requirements of any future acquisition projects.

The Board of Directors has resolved to declare an interim dividend of 1.7 HK cents per share.

Operation Review – Hong Kong

During the second quarter of 2009, the Group opened five new Circle K stores in Hong Kong and closed two existing stores, thereby adding a total of three Circle K stores. The Group closed the second quarter with 292 Circle K stores in Hong Kong.

The outbreak of human swine influenza in Hong Kong and the subsequent school closures, including an early summer break for primary school students, adversely affected Circle K's sales performance in Hong Kong. This unexpected development together with the high but stable unemployment rate and the reduced number of visitors from the Chinese Mainland led to a notable drop in average daily transaction, despite an increase in average transaction value as a result of aggressive promotional programmes.

Employees

As of 30 June 2009, the Group had a total of 5,773 employees, of whom 3,826 were based in Hong Kong and 1,947 were based in Macau, Guangzhou and Shenzhen. Regular part-time staff accounted for 42% of the Group's total headcount.

Total staff costs for the six months ended 30 June 2009 were HK$232 million compared with HK$229 million for the same period last year.

The Group continued to implement people development initiatives through specific training programmes. Leadership training for over 350 Circle K store managers in Hong Kong took place in June 2009, using team-building programmes such as Outward Bound to reinforce teamwork, leadership skills and foster a positive mindset to embrace challenges.

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

Service Excellence

A key element of the Group's competitive edge is quality customer service.

Over 2,300 Circle K store operational staff attended a series of regular annual training programmes. The focus of customer service workshops this year was providing individualised service to Circle K customers by helping frontline staff identify different customer needs according to different customer types. This enabled them to adjust to minor nuances in greeting, serving and selling according to individual customers.

To prepare frontline staff for the implementation of the plastic bag levy from 7 July 2009, the Group provided extensive training to ensure that they would not only fully comply with legal requirements, but also be able to explain to customers the spirit behind the environmental levy and to encourage customers to bring their own bags.

Marketing and Promotion

Circle K Hong Kong launched an innovative promotion in June with a unique promotional mechanism, which combined a lucky draw and stamp collection. The free premiums and grand prizes were specially designed and custom-made plush toys which featured the popular Disney character Stitch. The promotion became a hot topic on internet websites and helped drive strong incremental sales.

To prepare Circle K customers for the new environmental levy on plastic bags, Circle K Hong Kong launched new reusable shopping bags at the inexpensive price of HK$10 per bag in the second quarter of 2009. Free loans of the same shopping bags were also made available at all Circle K stores following the implementation of the levy. To provide incentives to customers to purchase newspapers without asking for plastic bags, stores offered a one-dollar "Green Bonus" cash coupon to customers that could be used for the next purchase of over HK$10 at any Circle K store.

Category Management

The negative impact of the cigarette duty increase on 25 February lingered in the second quarter, as reflected by a significant drop in customer traffic.

Circle K Hong Kong launched a value promotion at the end of April to attract value shoppers by distributing a coupon booklet with many special value offers covering a wide range of product categories. The objective was to convert non-Circle K customers with very competitive value propositions for daily consumables.

Conducted in two waves, the coupon promotion helped project the image of Circle K as a retailing outlet offering daily bargains with deals and giveaways quite different from those of supermarkets, such as meal-set deals, stamp collections and weekly specials.

Supply Chain Management and Logistics

The Group launched an enhanced warehouse management system in April 2009 to improve logistical support for Circle K stores in Hong Kong. This included an upgrade in the response efficiency of the call centre as well as the Distribution Centre.

Continuous improvements were made on the forecasting model for chilled products, balancing safety stock level with a minimal inventory.

Operation Review – Guangzhou

In the second quarter of 2009, the Group opened one new Circle K stores in Guangzhou. At the close of the quarter, the Group operated 67 Circle K stores in the Pearl River Delta, including Guangzhou and Shenzhen. To enhance overall profitability, one store in Guangzhou and three stores in Shenzhen were closed.

For the Guangzhou operations, the Group conducted a comprehensive review and adjustment exercise covering staff cost, operational productivity, distribution costs, food factory overhead and office headcount. These exercises helped achieve significant saving. By moving the Distribution Centre from Panyu to Nangguang, the Group was able to increase the effectiveness of its distribution process and reduce distribution cost. The energy-saving initiatives in support of corporate sustainability also made considerable progress.

Following the objectives set at the beginning of the year, the Group implemented a programme to upgrade the quality and product range of the "Hot & In" food services. Additional training was provided for frontline "Hot & In" staff to improve food preparation skills and quality control.

Concurrent with the quality upgrade programme, the Group launched "Hot & In" category promotions to increase awareness of "Hot & In" products, including a new range of hot-served meal boxes, freshly ground soya milk and in-store baked bread products, with satisfactory sales results.

The introduction of Spaceman software to improve the planogram for merchandising and to optimise the use of shelf space also enhanced the overall standard of category management.

The franchised stores in Guangzhou delivered satisfactory sales performances, with the operational systems reviewed and fine-tuned regularly during the second quarter of 2009.

The Saint Honore Operations in Hong Kong

In order to consolidate production resources, optimise operational efficiency and improve quality control, the Group decided to expand its production facilities in Shenzhen. A small production centre in Kowloon Bay was closed down and a redeployment scheme was offered to production staff.

With the restructuring of the Saint Honore production facilities, the Group was able to streamline the distribution process, enabling improved delivery efficiency and fresher products at stores.

Future Prospects

Looking ahead to the coming six months, the local market environment and the global economic recession will continue to pose challenges for the Group's operations.

As market competition intensifies and consumer confidence continues to weaken, pressure to maintain sales volume growth and profitability will also increase.

It is anticipated that until the key economic indicators start to reflect a positive turnaround, hopefully by the end of the year or at the beginning of 2010, consumer sentiment will still be soft and the incentive to spend will continue to be affected without any fresh stimulus.

The Group's operations will focus on providing the motivation to spend in the form of new product introduction, innovative promotions and irresistible value propositions to generate incremental sales and protect market share.

The Group will continue to be vigilant in identifying cost reduction opportunities to improve productivity and optimise operational effectiveness.

Through diligent deployment of these initiatives, the Group hopes to mitigate negative market factors as much as possible. However, given the current economic and market trends, the Group anticipates that comparable store sales and group profitability will be unfavourably impacted in the second half of 2009. The Group expects that consumer sentiment might start to turnaround in 2010 and is preparing all business operations for a period of renewed growth in the next year.

Yeung Lap Bun, Richard
Chief Executive Officer

Hong Kong, 4 August 2009

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.

Corporate governance practices adopted by the Company during the six months ended 30 June 2009 are in line with those practices set out in the Company's 2008 Annual Report.

The Board

The Board is composed of the non-executive Chairman, two executive Directors including the Chief Executive Officer, and seven non-executive Directors (of whom three are independent).

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

The Board held three meetings to date in 2009 (with an average attendance rate of about 97%) to discuss the overall strategies as well as operational and financial performance of the Group.

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 GEM Listing Rules.

The Group Chief Compliance Officer, as appointed by the Board, attends all Board and committee meetings to advise on corporate compliance matters covering risk management and compliance issues relating to mergers and acquisitions, secretarial, accounting and financial reporting.

Audit Committee

The Audit Committee was established in January 2001 to review the Group's financial reporting, internal controls, corporate governance and risk management matters and to make recommendations to the Board. The Audit Committee is chaired by an independent non-executive Director and the majority of the committee members are independent non-executive Directors. Its current members include:

Dr. Ch'ien Kuo Fung, Raymond* – *Committee Chairman*
Mr. Au Man Chung, Malcolm*
Mr. Lo Kai Yiu, Anthony*
Mr. Godfrey Ernest Scotchbrook+
Mr. Jeremy Paul Egerton Hobbins+

* *Independent non-executive Director*
\+ *Non-executive Director*

All committee members possess appropriate professional qualifications, accounting and related financial management expertise as required under the GEM Listing Rules.

The Audit Committee met three times to date in 2009 (with a 100% attendance rate) to review with senior management and the Company's internal (Corporate Governance Division ("CGD")) and external auditors the Group's significant internal control and financial matters as set out in the Audit Committee's terms of reference. The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, listing rules and statutory compliance, internal controls, risk management and financial reporting matters.

The Audit Committee has reviewed with the management this unaudited half year report for the six months ended 30 June 2009 before recommending it to the Board for approval.

Remuneration Committee

The Remuneration Committee was established in January 2005 and is chaired by the non-executive Chairman. Its current members include:

Dr. Fung Kwok King, Victor+ – *Committee Chairman*
Dr. Ch'ien Kuo Fung, Raymond*
Mr. Au Man Chung, Malcolm*

\+ *Non-executive Director*
* *Independent non-executive Director*

The Remuneration Committee is responsible for the review of the Group's remuneration and human resources policy and the approval of the remuneration policy for all executive Directors and senior management, including the allocation of share options to employees under the Company's Share Option Scheme.

The Remuneration Committee met once to date in 2009 (with a 100% attendance rate) to review the fees to Directors.

Code of Conduct and Business Ethics

The Group places great emphasis on staff's ethical standards and integrity in all aspects of its operations. Guidelines of the Group's business ethical practices as endorsed by the Board are set out in the Company's Code of Conduct and Business Ethics. All Directors and staff are expected to share the same responsibilities to comply with the Code at all times. For ease of reference and as a constant reminder to all staff, a copy of the guidelines is posted on the Company's internal electronic bulletin board.

Directors' 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. Specific confirmation of compliance has been obtained from all Directors for the six months ended 30 June 2009. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines which are of no less exacting terms than those set out in the GEM Listing Rules. No incident of non-compliance was noted by the Company for the six months ended 30 June 2009.

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. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and that it aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The 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. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis. Details of the Company's internal control and risk management processes are set out in the Corporate Governance Report on pages 26 to 27 of the Company's 2008 Annual Report.

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

The staff of CGD (Internal Audit) independently review the controls and evaluate their adequacy, effectiveness and compliance. The scope of the audit review covers all material controls including financial, operational and compliance controls, as well as risk management policies and procedures. Summary of the scope of reviews and key recommendations is reported to the Audit Committee on a quarterly basis. The implementation of all agreed recommendations is being followed up on a three-month basis.

Based on the assessments made by senior management and CGD (Internal Audit) for the six months ended 30 June 2009, the Audit Committee considered that:

- 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 accounts 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 of the GEM Listing Rules

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 during the six months ended 30 June 2009.

Investor Relations and Communication

The Company continues to pursue a policy of promoting investor relations and communication by conducting analyst briefing via email at each results announcement, participating in investor conferences and making corporate presentations during the conferences, arranging company visits and holding regular meetings with institutional shareholders and analysts.

As a channel to further promote effective communication, the Company maintains a website (www.cr-asia.com) to disseminate announcements, shareholder information and other relevant financial and non-financial information electronically on a timely basis.

Other Information

Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Certain Major Associated Corporations

As at 30 June 2009, the interests and short positions of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and certain of its major associated corporations (Note 1) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the Directors under the GEM Listing Rules and/or the Code of Conduct for dealings in securities adopted by the Company, were as follows:

The Company

Long positions in shares and the underlying shares of equity derivatives

	Number of shares					
Name of Directors	**Personal interests**	**Family interests**	**Corporate/ Trust interests**	**Number of underlying shares (share options)**	**Total interests**	**Approximate percentage of interests**
Dr. Fung Kwok King, Victor	–	–	373,692,000 *(Note 2)*	–	373,692,000	51.19%
Dr. Fung Kwok Lun, William	–	–	373,692,000 *(Note 2)*	–	373,692,000	51.19%
Mr. Yeung Lap Bun, Richard	19,196,000	–	–	1,200,000 *(Note 3)*	20,396,000	2.79%
Mr. Li Kwok Ho, Bruno	2,676,000	–	–	600,000 *(Note 4)*	3,276,000	0.45%
Ms. Wong Yuk Nor, Louisa	1,588,000	–	–	600,000 *(Note 5)*	2,188,000	0.30%
Dr. Ch'ien Kuo Fung, Raymond	1,000,000	–	–	–	1,000,000	0.14%
Mr. Jeremy Paul Egerton Hobbins	180,000	–	–	–	180,000	0.02%

Major associated corporations

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Name of associated corporations	Class of shares	Number of (i) shares	Number of (ii) underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Dr. Fung Kwok King, Victor	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	*(Note 6)*	100%
	LiFung Trinity Limited	Ordinary share	1	–	*(Note 7)*	100%
	Trinity Limited	Ordinary shares	799,673,555	–	*(Note 8)*	66.35%
Dr. Fung Kwok Lun, William	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate interests *(Note 6)*	100%
	LiFung Trinity Limited	Ordinary share	1	–	Corporate interests *(Note 7)*	100%
	Trinity Limited	Ordinary shares	799,673,555	–	Corporate interests *(Note 8)*	66.35%
Mr. Jeremy Paul Egerton Hobbins	Trinity Limited	Ordinary shares	4,234,500	–	Corporate interests *(Note 9)*	0.35%

Notes:

1. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun Holdings Limited ("King Lun") and the Company are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under SFO. A waiver from full compliance from Rule 18.56 of the GEM Listing Rules for the disclosure of Directors' interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 22 July 2009. Accordingly, the companies under this section headed "Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations" are only the major associated corporations of the Company and are not intended to be exhaustive.

2. King Lun through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited ("LFR") (a wholly owned subsidiary of Li & Fung (1937) Limited ("LF (1937)")) held 373,692,000 shares in the Company. 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor, the remaining 50% is owned by Dr. Fung Kwok Lun, William.

3. On 3 May 2007, Mr. Yeung Lap Bun, Richard was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 1,200,000 shares at an exercise price of HK$3.39 per share. The options are to be vested in Mr. Yeung Lap Bun, Richard in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Upon confirmation of vesting, the options in relation to the performance year 2007 became exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.

4. On 3 May 2007, Mr. Li Kwok Ho, Bruno was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 600,000 shares at an exercise price of HK$3.39 per share. The options are to be vested in Mr. Li Kwok Ho, Bruno in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Upon confirmation of vesting, the options in relation to the performance year 2007 became exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.

5. On 3 May 2007, Ms. Wong Yuk Nor, Louisa was granted share options pursuant to the Share Option Scheme of the Company to subscribe for a total of 600,000 shares at an exercise price of HK$3.39 per share. The options are to be vested in Ms. Wong Yuk Nor, Louisa in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Upon confirmation of vesting, the options in relation to the performance year 2007 became exercisable during the period from 3 May 2009 to 2 May 2012. The remaining two lots of options in relation to the performance year 2008 and 2009 would be exercisable during the respective period of 3 May 2010 to 2 May 2013 and 3 May 2011 to 2 May 2014.

6. King Lun through its wholly owned subsidiary, LF (1937) held 13,800,000 shares in Li & Fung (Distribution) Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) as set out in Note 2 above.

7. King Lun through its indirect wholly owned subsidiary, LFR (a wholly owned subsidiary of LF (1937)) held 1 share in LiFung Trinity Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in the share through their respective interests in King Lun and LF (1937) and indirect interests in LFR as set out in Note 2 above.

8. King Lun through its indirect wholly owned subsidiary, LiFung Trinity Limited (a wholly owned subsidiary of LFR) held 799,673,555 shares in Trinity Limited. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun, LF (1937), LFR and LiFung Trinity Limited as set out in Notes 2 and 7 above.

9. 4,234,500 shares in Trinity Limited were held by Martinville Holdings Limited which is owned by Mr. Jeremy Paul Egerton Hobbins.

Save as disclosed above, as at 30 June 2009, none of the Directors, chief executives and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

Interests and Short Positions of Shareholders in the Shares and Underlying Shares of the Company

As at 30 June 2009, the interests and short positions of shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

Long positions in shares

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	373,692,000	Trustee *(Note 1)*	51.19%
King Lun Holdings Limited	373,692,000	Corporate interests *(Note 1)*	51.19%
Commonwealth Bank of Australia	59,520,000	Corporate interests *(Note 2)*	8.15%
Aberdeen Asset Management Plc and its subsidiaries	51,132,000	Other *(Note 3)*	7.00%
Arisaig Greater China Fund Limited (“Arisaig China”)	89,346,000	Other	12.24%
Arisaig Partners (Mauritius) Limited (“Arisaig Partners”)	89,346,000	Other *(Note 4)*	12.24%
Cooper Lindsay William Ernest (“Mr. Cooper”)	89,346,000	Corporate interests *(Note 5)*	12.24%

Notes:

1. These shares were held by LFR. King Lun indirectly owns 100% interests in LFR through its wholly owned subsidiary, LF (1937). All of HSBC Trustee (C.I.) Limited, King Lun, LF (1937) and LFR are taken to be interested in the shares pursuant to SFO. Please refer to Note 2 in the above section headed "Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations".

2. These shares were indirectly held by Commonwealth Bank of Australia through a chain of 100% owned companies, namely Colonial Holding Company Ltd, Commonwealth Insurance Holdings Ltd, Colonial First State Group Ltd, First State Investments (UK Holdings) Ltd, SI Holdings Ltd, First State Investment Management (UK) Ltd and First State Investments International Ltd.

3. Aberdeen Asset Management Plc and its subsidiaries (together "the Aberdeen Group") held the shares on behalf of accounts managed by the Aberdeen Group.

4. These shares were held by Arisaig China of which Arisaig Partners is the fund manager.

5. These shares were held by Arisaig China. Arisaig Partners, which is indirectly owned as to 33.33% by Mr. Cooper through a chain of companies, namely Madelene Ltd. (100%), Arisaig Partners (Holdings) Ltd. (33.33%) and Arisaig Partners (BVI) Limited (100%), is the fund manager of Arisaig China.

Save as disclosed above, as at 30 June 2009, the Company had not been notified of any other shareholders' interests or short positions as recorded in the register kept pursuant to section 336 of SFO.

Share Options

On 6 January 2001, a share option scheme (the "Scheme") was approved by a written resolution of the shareholders of the Company. On 24 April 2002, the Scheme was amended to comply with the changes to Chapter 23 of the GEM Listing Rules which came into effect on 1 October 2001 concerning the share option schemes of listed issuers on the Stock Exchange. A summary of the major terms of the Scheme is as follows:

(i) Purpose of the Scheme

The purpose of the Scheme is to attract and retain the best quality employees for the development of the Company's businesses and to provide additional incentives or rewards to selected qualifying participants of the Scheme for their contribution to the creation of the Company's shareholders value.

(ii) Qualifying participants

Any employee (whether full time or part time employee including any executive or non-executive Directors of the Company or any Affiliate (the "Affiliate") as defined in the Scheme) or any consultant, agent, advisor, business alliance, joint venture partner or supplier of goods or services to the Group or any Affiliate or any employee of the business alliance, joint venture partner or supplier of goods or services to the Group or any Affiliate.

(iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes (including the pre-IPO share option plan) must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme. The total number of shares available for issue, save for those already granted, under all the schemes is 19,996,000, representing approximately 2.74% of the issued share capital of the Company as at the date of this Report.

(iv) Limit for each participant

The total number of shares issued and to be issued upon exercise of the options (whether exercised or outstanding) in any 12-month period granted to each qualifying participant must not exceed 1% of the shares in issue, unless specially approved by the independent shareholders of the Company.

(v) Option period

In respect of any particular option, such period as the Board may in its absolute discretion determine, save that such period shall not expire less than three years nor more than ten years from the commencement date (the "Commencement Date"). The Commencement Date is deemed to have taken effect from the date on which that option was offered to the qualifying participants.

(vi) Amount payable on application or acceptance

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the Commencement Date. An offer of the grant of the option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the relevant option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration of the grant thereof is received by the Company.

(vii) Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but it shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the Commencement Date (ii) the average closing price of the shares for the five business days immediately preceding the Commencement Date on which there were dealings in shares on the Stock Exchange and (iii) the nominal value of a share.

(viii) The remaining life of the Scheme

The Board shall be entitled at any time within ten years commencing on 6 January 2001 to offer the grant of an option to any qualifying participants.

Details of the share options granted and remain outstanding as at 30 June 2009 are as follows:

(A) Continuous contract employees

Grant date	Options held at 1 January 2009	Options granted during the period	Options exercised during the period *(Note 2)*	Options lapsed during the period *(Note 3)*	Options expired during the period *(Note 4)*	Options held at 30 June 2009	Exercise price HK$	Exercisable from	Exercisable until
29 March 2004	294,000	–	–	–	(294,000)	–	2.535	29 March 2005	28 March 2009
29 March 2004	48,000	–	–	–	(48,000)	–	2.535	29 March 2006	28 March 2009
6 August 2004	68,000	–	–	–	–	68,000	2.40	6 August 2005	5 August 2009
6 August 2004	290,000	–	–	(70,000)	–	220,000	2.40	6 August 2006	5 August 2009
4 May 2005	436,000	–	–	(18,000)	–	418,000	2.86	4 May 2006	3 May 2010
4 May 2005	332,000	–	–	–	–	332,000	2.86	4 May 2007	3 May 2010
14 September 2005	1,654,000	–	–	(66,000)	–	1,588,000	2.53	14 September 2006	13 September 2010
14 September 2005	140,000	–	–	–	–	140,000	2.53	14 September 2007	13 September 2010
10 March 2006	756,000	–	–	–	–	756,000	2.905	10 March 2007	9 March 2011
10 March 2006	470,000	–	–	–	–	470,000	2.905	10 March 2008	9 March 2011
29 August 2006	434,000	–	–	(6,000)	–	428,000	2.93	29 August 2007	28 August 2011

Grant date	Options held at 1 January 2009	Options granted during the period	Options exercised during the period *(Note 2)*	Options lapsed during the period *(Note 3)*	Options expired during the period *(Note 4)*	Options held at 30 June 2009	Exercise price HK$	Exercisable from	Exercisable until
29 August 2006	132,000	–	–	–	–	132,000	2.93	29 August 2008	28 August 2011
30 March 2007	1,134,000	–	–	(20,000)	–	1,114,000	3.00	30 March 2008	29 March 2012
30 March 2007	320,000	–	–	(10,000)	–	310,000	3.00	30 March 2009	29 March 2012
3 May 2007	2,640,000	–	–	(100,000)	–	2,540,000	3.39	3 May 2009	2 May 2012
3 May 2007	2,640,000	–	–	(120,000)	–	2,520,000	3.39	3 May 2010	2 May 2013
3 May 2007	2,640,000	–	–	(120,000)	–	2,520,000	3.39	3 May 2011	2 May 2014
19 November 2007	524,000	–	–	–	–	524,000	3.46	19 November 2009	18 November 2012
19 November 2007	720,000	–	–	–	–	720,000	3.46	19 November 2010	18 November 2013
19 November 2007	720,000	–	–	–	–	720,000	3.46	19 November 2011	18 November 2014
	16,392,000	–	–	(530,000)	(342,000)	15,520,000			

(B) Directors

Grant date	Options held at 1 January 2009	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options expired during the period	Options held at 30 June 2009	Exercise price HK$	Exercisable from	Exercisable until
3 May 2007	800,000 *(Note 1)*	–	–	–	–	800,000	3.39	3 May 2009	2 May 2012
3 May 2007	800,000 *(Note 1)*	–	–	–	–	800,000	3.39	3 May 2010	2 May 2013
3 May 2007	800,000 *(Note 1)*	–	–	–	–	800,000	3.39	3 May 2011	2 May 2014
	2,400,000	–	–	–	–	2,400,000			

Notes:

1. Share options to subscribe for 1,200,000, 600,000 and 600,000 shares were respectively granted to the Directors, Messrs. Yeung Lap Bun, Richard and Li Kwok Ho, Bruno and Ms. Wong Yuk Nor, Louisa. Please refer to the section headed "Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations" for details.

2. No share options were exercised during the period.

3. Share options to subscribe for 530,000 shares lapsed during the period following the cessation of employment of certain grantees.

4. Share options to subscribe for 342,000 shares expired during the period following the expiry of the options.

5. No share options were granted to the participants during the period.

Save as disclosed above, as at 30 June 2009, none of the Directors, chief executives, management shareholders or substantial shareholders of the Company or their respective associates have been granted share options under the Scheme.

Directors' Interest in Competing Business

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.

Changes in Directors' Information

Below are the changes of Directors' information since the 2008 Annual Report required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules:

Dr. Fung Kwok King, Victor, Chairman of the Company, retired as a non-executive director of Hup Soon Global Corporation Limited in Singapore and an independent non-executive director of Orient Overseas (International) Limited in Hong Kong both in April 2009. In March 2009, he was appointed as vice chairman of China Centre for International Economic Exchanges.

Mr. Jeremy Paul Egerton Hobbins, a non-executive Director of the Company, was appointed a director of Li & Fung (1937) Limited (a substantial shareholder of the Company) and became non-executive Deputy Chairman of Trinity Limited in June 2009.

Dr. Ch'ien Kuo Fung, Raymond, an independent non-executive Director of the Company, resigned as a director of Inchcape plc in May 2009.

Mr. Lo Kai Yiu, Anthony, an independent non-executive Director of the Company, ceased to be Chairman and Co-Chief Executive Officer of Shanghai Century Acquisition Corporation (a company formerly listed on the American Stock Exchange) in March 2009.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Interim Dividend

At a meeting held on 4 August 2009, the Board of Directors has resolved to declare an interim dividend of 1.7 HK cents (2008: 1.7 HK cents) per share to the shareholders for the six months ended 30 June 2009.

Closure of Register of Members

The Register of Members will be closed from 24 August 2009 to 28 August 2009, 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 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 2009. Dividend warrants will be despatched on 31 August 2009.

Condensed Consolidated Profit and Loss Account

For the three months and six months ended 30 June 2009

	Note	(Unaudited) Three months ended 30 June 2009 HK$'000	(Unaudited) Three months ended 30 June 2008 HK$'000	(Unaudited) Six months ended 30 June 2009 HK$'000	(Unaudited) Six months ended 30 June 2008 HK$'000
Revenue	*2*	**815,262**	810,866	**1,616,766**	1,590,229
Cost of sales	*3*	**(577,982)**	(568,618)	**(1,139,439)**	(1,116,428)
Gross profit		**237,280**	242,248	**477,327**	473,801
Other income	*2*	**61,753**	57,503	**113,238**	103,192
Store expenses	*3*	**(217,673)**	(215,518)	**(436,406)**	(420,212)
Distribution costs	*3*	**(20,508)**	(20,363)	**(41,045)**	(40,394)
Administrative expenses	*3*	**(33,612)**	(32,226)	**(67,525)**	(67,795)
Operating profit		**27,240**	31,644	**45,589**	48,592
Interest income	*4*	**628**	932	**1,359**	2,266
Profit before income tax		**27,868**	32,576	**46,948**	50,858
Income tax expenses	*5*	**(5,997)**	(6,953)	**(11,176)**	(11,538)
Profit attributable to shareholders of the Company		**21,871**	25,623	**35,772**	39,320
Dividend	*6*	**12,409**	12,409	**12,409**	12,409
Earnings per share					
– Basic (HK cents)	*7*	**3.00**	3.51	**4.90**	5.39
– Diluted (HK cents)	*7*	**3.00**	3.51	**4.90**	5.39

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2009

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit attributable to shareholders of the Company	**21,871**	25,623	**35,772**	39,320
Other comprehensive income for the period, net of tax				
Exchange differences	**42**	1,677	**(38)**	4,144
Total comprehensive income for the period	**21,913**	27,300	**35,734**	43,464
Attributable to:				
Shareholders of the Company	**21,913**	27,300	**35,734**	43,766
Minority interests	**–**	–	**–**	(302)
	21,913	27,300	**35,734**	43,464

Condensed Consolidated Balance Sheet

As at 30 June 2009

	Note	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
Non-current assets			
Fixed assets	*8*	**246,774**	248,632
Lease premium for land		**172,787**	174,874
Intangible assets		**357,465**	357,465
Available-for-sale financial asset		**1,895**	1,895
Rental and other long-term deposits		**45,265**	59,584
Deferred tax assets		**10,007**	8,280
		834,193	850,730
Current assets			
Inventories		**110,107**	118,255
Rental deposits		**26,938**	21,068
Trade receivables	*9*	**27,520**	35,066
Other receivables, deposits and prepayments		**80,538**	74,650
Taxation recoverable		**115**	82
Cash and cash equivalents		**400,329**	418,490
		645,547	667,611
Current liabilities			
Trade payables	*10*	**420,112**	438,442
Other payables and accruals		**121,502**	143,400
Taxation payable		**22,403**	12,848
Cake coupons		**120,581**	125,398
		684,598	720,088
Net current liabilities		**(39,051)**	(52,477)
Total assets less current liabilities		**795,142**	798,253
Financed by:			
Share capital	*11*	**72,992**	72,992
Reserves		**678,320**	653,197
Proposed dividend		**12,409**	40,145
Shareholders' funds		**763,721**	766,334
Minority interests		**(8,256)**	(8,256)
		755,465	758,078
Non-current liabilities			
Long service payment liabilities		**21,863**	22,533
Deferred tax liabilities		**17,814**	17,642
		795,142	798,253

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	(Unaudited)								
	Attributable to shareholders of the Company							Minority interests	Total equity
	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$'000	HK$'000	HK$'000
At 1 January 2008	72,907	280,035	177,087	13,433	7,652	4,276	172,212	(7,954)	719,648
Profit attributable to shareholders of the Company	–	–	–	–	–	–	39,320	–	39,320
Exchange differences	–	–	–	–	–	4,446	–	(302)	4,144
Total comprehensive income for the period	–	–	–	–	–	4,446	39,320	(302)	43,464
Issue of new shares	85	1,397	–	–	–	–	–	–	1,482
Employee share option benefit	–	182	–	–	2,129	–	74	–	2,385
Dividend	–	–	–	–	–	–	(40,143)	–	(40,143)
	85	1,579	–	–	2,129	–	(40,069)	–	(36,276)
At 30 June 2008	72,992	281,614	177,087	13,433	9,781	8,722	171,463	(8,256)	726,836
At 1 July 2008	72,992	281,614	177,087	13,433	9,781	8,722	171,463	(8,256)	726,836
Profit attributable to shareholders of the Company	–	–	–	–	–	–	49,553	–	49,553
Actuarial losses on post employment benefit									
– gross	–	–	–	–	–	–	(9,561)	–	(9,561)
– tax	–	–	–	–	–	–	1,570	–	1,570
Exchange differences	–	–	–	–	–	(44)	–	–	(44)
Total comprehensive income for the period	–	–	–	–	–	(44)	41,562	–	41,518
Employee share option benefit	–	–	–	–	1,948	–	185	–	2,133
Dividend	–	–	–	–	–	–	(12,409)	–	(12,409)
	–	–	–	–	1,948	–	(12,224)	–	(10,276)
At 31 December 2008	72,992	281,614	177,087	13,433	11,729	8,678	200,801	(8,256)	758,078

	(Unaudited)								
	Attributable to shareholders of the Company							Minority interests	Total equity
	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$'000	HK$'000	HK$'000
At 1 January 2009	72,992	281,614	177,087	13,433	11,729	8,678	200,801	(8,256)	758,078
Profit attributable to shareholders of the Company	–	–	–	–	–	–	35,772	–	35,772
Exchange differences	–	–	–	–	–	(38)	–	–	(38)
Total comprehensive income for the period	–	–	–	–	–	(38)	35,772	–	35,734
Employee share option benefit	–	–	–	–	1,158	–	640	–	1,798
Dividend	–	–	–	–	–	–	(40,145)	–	(40,145)
	–	–	–	–	1,158	–	(39,505)	–	(38,347)
At 30 June 2009	72,992	281,614	177,087	13,433	12,887	8,640	197,068	(8,256)	755,465

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	(Unaudited) Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Net cash generated from operating activities	**59,913**	55,933
Net cash used in investing activities	**(37,917)**	(34,452)
Net cash used in financing activities	**(40,145)**	(38,661)
Decrease in cash and cash equivalents	**(18,149)**	(17,180)
Cash and cash equivalents at 1 January	**418,490**	392,844
Effect of foreign exchange rate changes	**(12)**	1,596
Cash and cash equivalents at 30 June	**400,329**	377,260

Notes to the Condensed Consolidated Interim Financial Information

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information have 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 4 August 2009.

This condensed consolidated interim financial information should be read in conjunction with the 2008 annual accounts.

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 annual accounts for the year ended 31 December 2008. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 January 2009. The adoption of such new or revised standards, amendments to 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 except certain changes on the presentation of the condensed consolidated interim financial information and segment information.

HKAS 1 (Revised), "Presentation of Financial Statements", requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (a statement of comprehensive income) or two statements (a profit and loss account and a statement of comprehensive income). The Group has elected to present two statements: the consolidated profit and loss account and the consolidated statement of comprehensive income.

HKFRS 8, "Operating Segments", requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions. Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to a previous acquisition within Hong Kong bakery segment remains in that segment. There has been no further impact on the measurement of the Group's assets and liabilities.

Certain comparative information in the condensed consolidated interim financial information has been reclassified to conform to the current period's presentation.

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 three months and six months ended 30 June 2009 are as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue				
Merchandise sales revenue	**669,511**	660,096	**1,317,415**	1,287,839
Bakery sales revenue	**145,751**	150,770	**299,351**	302,390
	815,262	810,866	**1,616,766**	1,590,229
Other income				
Supplier rebate and promotion fees	**46,456**	41,784	**86,043**	75,864
Service items and miscellaneous income	**15,297**	15,719	**27,195**	27,328
	61,753	57,503	**113,238**	103,192

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 three months and six months ended 30 June 2009 is as follows:

	(Unaudited) Three months ended 30 June 2009				
	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	635,084	34,430	151,000	9,431	829,945
Inter-segment revenue	(3)	–	(14,680)	–	(14,683)
Revenue from external customers	635,081	34,430	136,320	9,431	815,262
Total segment other income	58,973	3,224	621	8	62,826
Inter-segment other income	(445)	(88)	(540)	–	(1,073)
Other income	58,528	3,136	81	8	61,753
	693,609	37,566	136,401	9,439	877,015
Profit/(loss) after tax	29,866	(7,904)	595	(686)	21,871
Profit/(loss) after tax includes:					
Depreciation	(7,686)	(2,881)	(7,431)	(614)	(18,612)
Amortisation	–	(113)	(931)	–	(1,044)
Interest income	601	6	18	3	628
Income tax (expenses)/credit	(6,119)	–	(106)	228	(5,997)

	(Unaudited)				
	Three months ended 30 June 2008				
	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	616,767	43,329	156,362	7,313	823,771
Inter-segment revenue	–	–	(12,840)	(65)	(12,905)
Revenue from external customers	616,767	43,329	143,522	7,248	810,866
Total segment other income	54,985	2,260	559	3	57,807
Inter-segment other income	(304)	–	–	–	(304)
Other income	54,681	2,260	559	3	57,503
	671,448	45,589	144,081	7,251	868,369
Profit/(loss) after tax	31,837	(11,682)	6,506	(1,038)	25,623
Profit/(loss) after tax includes:					
Depreciation	(7,161)	(3,094)	(6,900)	(1,095)	(18,250)
Amortisation	–	(111)	(850)	–	(961)
Interest income	857	15	39	21	932
Income tax expenses	(6,090)	–	(863)	–	(6,953)

	(Unaudited)				
	Six months ended 30 June 2009				
	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	1,249,662	67,757	307,383	18,595	1,643,397
Inter-segment revenue	(4)	–	(26,627)	–	(26,631)
Revenue from external customers	1,249,658	67,757	280,756	18,595	1,616,766
Total segment other income	107,236	6,822	1,274	13	115,345
Inter-segment other income	(939)	(88)	(1,080)	–	(2,107)
Other income	106,297	6,734	194	13	113,238
	1,355,955	74,491	280,950	18,608	1,730,004
Profit/(loss) after tax	51,429	(16,575)	2,193	(1,275)	35,772
Profit/(loss) after tax includes:					
Depreciation	(15,372)	(6,014)	(14,772)	(1,272)	(37,430)
Amortisation	–	(224)	(1,862)	–	(2,086)
Interest income	1,278	11	56	14	1,359
Income tax (expenses)/credit	(10,608)	–	(1,013)	445	(11,176)

	(Unaudited) Six months ended 30 June 2008				
	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	1,205,100	82,739	310,044	14,712	1,612,595
Inter-segment revenue	–	–	(22,278)	(88)	(22,366)
Revenue from external customers	1,205,100	82,739	287,766	14,624	1,590,229
Total segment other income	98,262	4,597	892	30	103,781
Inter-segment other income	(589)	–	–	–	(589)
Other income	97,673	4,597	892	30	103,192
	1,302,773	87,336	288,658	14,654	1,693,421
Profit/(loss) after tax	54,160	(20,833)	7,017	(1,024)	39,320
Profit/(loss) after tax includes:					
Depreciation	(14,219)	(6,268)	(14,003)	(1,579)	(36,069)
Amortisation	–	(222)	(1,788)	–	(2,010)
Interest income	2,033	44	148	41	2,266
Income tax expenses	(11,138)	–	(400)	–	(11,538)

Revenues between segments are 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 in the consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of profit after tax.

The segment assets and liabilities as at 30 June 2009 and 31 December 2008 are as follows:

	(Unaudited) As at 30 June 2009				
	Convenience Store		**Bakery**		
	HK & Others	**Chinese Mainland**	**HK & Others**	**Chinese Mainland**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total segment assets	**386,386**	**87,430**	**757,046**	**15,750**	**1,246,612**
Total segment assets include:					
Additions to segment non-current assets	**11,239**	**1,843**	**26,762**	**241**	**40,085**
Total segment liabilities	**449,957**	**28,697**	**200,798**	**4,606**	**684,058**

	(Audited) As at 31 December 2008				
	Convenience Store		Bakery		
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment assets	382,967	93,092	772,971	30,349	1,279,379
Total segment assets include:					
Additions to segment non-current assets	39,879	14,775	47,373	5,444	107,471
Total segment liabilities	477,936	36,713	209,076	6,048	729,773

The amounts provided to the management with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Reportable segment assets are reconciled to total assets as follows:

	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
Segment assets for reportable segments	**1,246,612**	1,279,379
Unallocated:		
Deferred tax assets	**10,007**	8,280
Taxation recoverable	**115**	82
Corporate bank deposits	**223,006**	230,600
Total assets per consolidated balance sheet	**1,479,740**	1,518,341

Reportable segment liabilities are reconciled to total liabilities as follows:

	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
Segment liabilities for reportable segments	**684,058**	729,773
Unallocated:		
Deferred tax liabilities	**17,814**	17,642
Taxation payable	**22,403**	12,848
Total liabilities per consolidated balance sheet	**724,275**	760,263

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$758,395,000 (2008: HK$747,436,000) and HK$1,502,921,000 (2008: HK$1,466,963,000) for the three months and six months ended 30 June 2009 respectively. The total of revenue from external customers from other countries is HK$56,867,000 (2008: HK$63,430,000) and HK$113,845,000 (2008: HK$123,266,000) for the three months and six months ended 30 June 2009 respectively.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$739,834,000 (As at 31 December 2008: HK$746,847,000), and the total of these non-current assets located in other countries is HK$82,457,000 (As at 31 December 2008: HK$93,708,000) as at 30 June 2009.

3. Expenses by nature

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amortisation of lease premium for land	**1,044**	961	**2,086**	2,010
Depreciation of owned fixed assets	**18,612**	18,250	**37,430**	36,069
Loss/(gain) on disposal of fixed assets	**1,263**	(958)	**3,652**	(305)
Other expenses	**828,856**	818,472	**1,641,247**	1,607,055
Total cost of sales, store expenses, distribution costs and administrative expenses	**849,775**	836,725	**1,684,415**	1,644,829

4. Interest income

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest income on bank deposits	**628**	932	**1,359**	2,266

5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the three months and six months ended 30 June 2009. Taxation on overseas profits has been calculated on the estimated assessable profits for the three months and six months ended 30 June 2009 and 2008 at the rates prevailing in the countries in which the Group operates.

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

	(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current income tax				
Hong Kong profits tax	**7,895**	8,473	**12,157**	13,146
Overseas profits tax	**416**	25	**572**	270
Deferred income tax	**(2,314)**	(1,545)	**(1,553)**	(1,878)
	5,997	6,953	**11,176**	11,538

6. Dividend

	(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interim dividend, proposed after balance sheet date of 1.7 HK cents (2008: 1.7 HK cents) per share	**12,409**	12,409	**12,409**	12,409

This proposed dividend is not reflected as a dividend payable in the condensed consolidated balance sheet.

7. Earnings per share

The calculation of the Group's basic and diluted earnings per share for the three months and six months ended 30 June 2009 is based on the unaudited profit attributable to shareholders of the Company of HK$21,871,000 (2008: HK$25,623,000) and HK$35,772,000 (2008: HK$39,320,000) respectively.

The basic earnings per share is based on the weighted average number of 729,915,974 (2008: 729,882,656) and 729,915,974 (2008: 729,579,006) shares in issue during the three months and six months ended 30 June 2009 respectively.

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) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Profit attributable to shareholders of the Company	**21,871**	25,623	**35,772**	39,320
	Number of shares	Number of shares	**Number of shares**	Number of shares
Weighted average number of ordinary shares in issue	**729,915,974**	729,882,656	**729,915,974**	729,579,006
Adjustments for:				
Share options	**–**	18,129	**–**	212,654
Weighted average number of ordinary shares for diluted earnings per share	**729,915,974**	729,900,785	**729,915,974**	729,791,660

Diluted earnings per share for the three months and six months ended 30 June 2009 equal to the basic earnings per share as the potential ordinary shares outstanding during the respective periods have an anti-dilutive effect on the basic earnings per share for the corresponding periods.

8. Fixed assets

	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
Opening net book amount	**248,632**	241,355
Additions	**40,085**	85,131
Disposals	**(4,462)**	(7,655)
Depreciation	**(37,430)**	(72,612)
Exchange differences	**(51)**	2,413
Closing net book amount	**246,774**	248,632

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 2009, the aging analysis of trade receivables is as follows:

	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
0–30 days	**21,887**	27,179
31–60 days	**1,573**	4,112
61–90 days	**1,146**	1,510
Over 90 days	**2,914**	2,265
	27,520	35,066

10. Trade payables

At 30 June 2009, the aging analysis of the trade payables is as follows:

	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
0–30 days	**230,429**	227,519
31–60 days	**107,187**	122,619
61–90 days	**48,993**	53,761
Over 90 days	**33,503**	34,543
	420,112	438,442

11. Share capital

	(Unaudited) 30 June 2009 Shares of HK$0.10 each		(Audited) 31 December 2008 Shares of HK$0.10 each	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At end of the period	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At beginning of the period	**729,915,974**	**72,992**	729,071,974	72,907
Issue of shares on exercise of share options *(note)*	**–**	**–**	844,000	85
At end of the period	**729,915,974**	**72,992**	729,915,974	72,992

Note:

During the year ended 31 December 2008, 844,000 shares were allotted and issued pursuant to the exercise of share options by the employees of the Company.

12. Capital commitments

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

	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
Contracted but not provided for	**2,727**	7,109
Authorised but not contracted for	**4,688**	12,761
	7,415	19,870

13. Related party transactions

The Group is controlled by Li & Fung (Retailing) Limited (incorporated in Hong Kong), which owns 51.2% of the Company's shares. The remaining 48.8% of the shares are widely held. The ultimate holding company of the Group is King Lun Holdings Limited (incorporated in British Virgin Islands).

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the period:

(a) Immediate holding company

		(Unaudited) Six months ended 30 June	
	Note	**2009 HK$'000**	2008 HK$'000
Management fee and reimbursement of office and administrative expenses	*(i)*	**–**	3,533
Rental payable	*(ii)*	**–**	267

(b) Fellow subsidiaries

	Note	(Unaudited) Six months ended 30 June 2009 HK$'000	2008 HK$'000
Management fee and reimbursement of office and administrative expenses	*(i)*	**10,439**	8,130
Rental payable	*(ii)*	**2,834**	2,719
Net purchases	*(iii)*	**5,292**	3,885

(c) Key management personnel compensation

	(Unaudited) Six months ended 30 June 2009 HK$'000	2008 HK$'000
Fees	**350**	350
Discretionary bonuses	**2,742**	2,477
Salaries, share options and other allowances	**6,485**	5,843
Pension costs – defined contribution scheme	**42**	42
	9,619	8,712

(d) Period-end balances with related parties

	(Unaudited) 30 June 2009 HK$'000	(Audited) 31 December 2008 HK$'000
Amounts due to fellow subsidiaries	**4,754**	3,556

The balances with the related parties are unsecured, interest free and repayable on demand.

Notes:

(i) Management fee and reimbursements payable to the immediate holding company and fellow subsidiary in respect of office and administrative expenses incurred, including certain Directors' emolument paid by the immediate holding company and the fellow subsidiary, are charged on an actual cost recovery basis.

(ii) Rentals are payable to the immediate holding company and fellow subsidiaries in accordance with the terms of agreements.

(iii) Purchases from fellow subsidiaries were carried out in ordinary course of business and on terms mutually agreed between the Group and fellow subsidiaries.