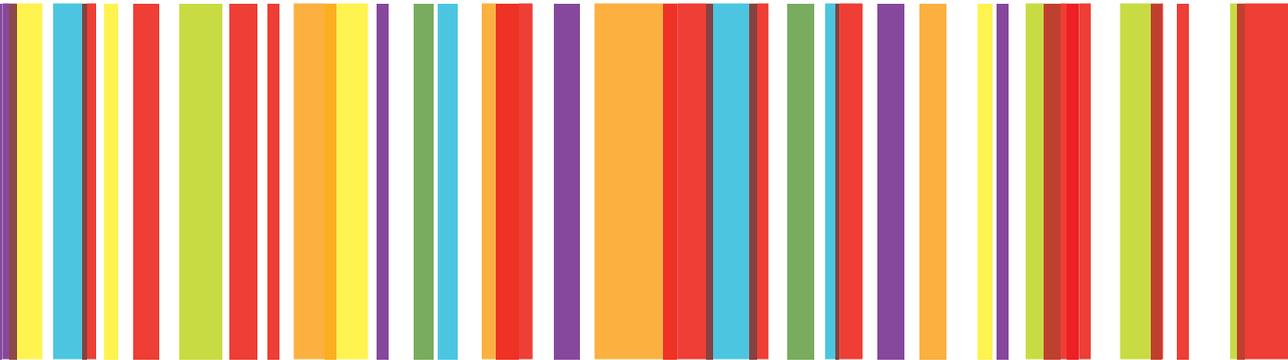




Convenience Retail Asia Limited

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



Contents

Corporate Information	2
Highlights	4
Chairman's Statement	6
Management Discussion and Analysis	10
Corporate Governance	16
Other Information	21
Condensed Consolidated Profit and Loss Account	29
Condensed Consolidated Statement of Comprehensive Income	30
Condensed Consolidated Balance Sheet	31
Condensed Consolidated Statement of Changes in Equity	32
Condensed Consolidated Cash Flow Statement	33
Notes to the Condensed Consolidated Interim Financial Information	34

Corporate Information

Executive Directors	Richard YEUNG Lap Bun (<i>Chief Executive Officer</i>) PAK Chi Kin (<i>Chief Operating Officer</i>)
Non-executive Directors	Victor FUNG Kwok King [#] (<i>Chairman</i>) William FUNG Kwok Lun ⁺ Godfrey Ernest SCOTCHBROOK [*] Jeremy Paul Egerton HOBBS ⁺ Benedict CHANG Yew Teck [*]
Independent Non-executive Directors	Raymond CH' IEN Kuo Fung ^{**} Malcolm AU Man Chung ^{**} Anthony LO Kai Yiu ^{**#} ZHANG Hongyi [#]
Group Chief Compliance Officer	Srinivasan PARTHASARATHY
Company Secretary	Maria LI Sau Ping
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office and Principal Place of Business	5th Floor, LiFung Tower 888 Cheung Sha Wan Road Kowloon Hong Kong
Website	www.cr-asia.com
Legal Advisers	Mayer Brown JSM (as to Hong Kong Law) Conyers Dill & Pearman, Cayman (as to Cayman Islands Law)

* *Audit Committee members*

+ *Remuneration Committee members*

Nomination Committee members

Auditor	PricewaterhouseCoopers <i>Certified Public Accountants</i>
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 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 and Shanghai Banking Corporation Limited
Stock Code	00831

Highlights

Interim Results For the six months ended 30 June 2013

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

Operation Highlights

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

Number of Stores as of 30 June 2013

Circle K Stores

Hong Kong	335
Guangzhou	70
Shenzhen	1

Subtotal	406
-----------------	------------

Franchised Circle K Stores

Guangzhou	10
Macau	24
Zhuhai	12

Subtotal	46
-----------------	-----------

Total number of Circle K Stores	452
--	------------

Saint Honore Cake Shops

Hong Kong	90
Macau	8
Guangzhou	41
Shenzhen	3

Total number of Saint Honore Cake Shops	142
--	------------

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

Chairman's Statement

Financial Overview

I am pleased to report the unaudited interim results of Convenience Retail Asia Limited and its subsidiaries (the "Group") for the period ended 30 June 2013.

During the first six months of 2013, the Group saw a satisfactory increase in turnover of 7.4% to HK\$2,171.6 million. Excluding the one-off gain from the disposal of real estate property in 2012, the operating profit decreased by 7.7% to HK\$60.1 million compared to the same period last year. This is largely attributed to two factors: the continuing escalation of operating costs, especially rental and labour expenses, which outweighed growth in comparable store sales across all markets; and the sizeable number of new stores that were opened in Guangzhou and Shenzhen in the second half of 2012, which are still in the investment period.

As at 30 June 2013, the Group had a net cash balance of HK\$715.9 million with no bank borrowings.

The Board of Directors has resolved to declare an interim dividend of 3.8 HK cents per share. In view of the Group's increasingly sizeable cash reserve, the Board has further resolved to declare a special dividend of 40 HK cents per share. After the interim and special dividends, the Group's net cash balance is HK\$390.6 million with no bank borrowings. The Group will continue its efforts to identify new opportunities for growth through expansion and acquisitions.

Review of the Hong Kong Retail Market

The global economic environment did not show any major improvement in the first half of 2013, contributing to lessened consumer confidence and spending. Meanwhile, the Group's operating costs were influenced by two factors: retail rentals, which remain persistently high; and rising labour expenses, which are related to both the labour shortage reflected in the low unemployment rate of 3.3%¹ recorded from April-June 2013, as well as the recent increases in minimum wage. Labour demand in the retail sector remains strong, making staff recruiting and retention major challenges for management.

Note:

1. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 18 July 2013.*

Company Initiatives in the Hong Kong Operations

The Group recorded satisfactory sales for the first half of the financial year, including comparable stores sales growth of 6.2% for Circle K and 3.9% for Saint Honore. Therefore, the Group's net profit margin remained stable despite the negative impacts of escalating retail rentals and labour expenses. The Group was also able to maintain operating profit at a level similar to 2012. To mitigate escalating operating costs, the Group conducted regular pricing reviews and, where necessary, made reasonable adjustments that did not have a discernible negative impact on sales or the customer experience.

A significant milestone event during the period under review was the launch of FingerShopping.com in June, operated by the Group's subsidiary company FingerShopping Limited. Built on an innovative "bricks and clicks" concept, FingerShopping.com is a distinctive online shopping platform for genuine, quality merchandise, with secure, convenient payment channels and backed by an extensive retail network of over 300 Circle K convenience stores, comprehensive logistics expertise and excellent customer service.

Review of the Retail Market on the Chinese Mainland

China's GDP growth declined from 7.8%² in 2012 to 7.6%³ in the first half of 2013, reflecting weaker global demand and affecting the retail market. Retail sales growth on the Chinese Mainland was 12.7%³ in the first six months of 2013, down from 14.3%⁴ in 2012. The Group expects that economic growth will continue to decelerate in the second half of the year.

Review of the Guangzhou Operations

With the change in leadership on the Chinese Mainland came a general slowdown in the retail market. The new administration's effort to rein in ostentatious spending led to a notable slowdown in overall consumer spending. However, because the measure targets bigger-ticket items, the convenience store sector was less affected. During the period under review, the Group saw reasonable growth of 10.3% in comparable stores sales for Circle K.

The Group's expenses continued to escalate due to rental renewals, the increase in minimum wage and rising electricity costs. The overall decrease in operating profit was primarily due to the large number of new stores opened to support the Group's long-term business goals, many of which were opened in the second half of 2012.

Notes:

2. Published by the National Bureau of Statistics of China on 19 January 2013.
3. Published by the National Bureau of Statistics of China on 15 July 2013.
4. Published by the National Bureau of Statistics of China on 18 January 2013.

Review of the Saint Honore Cake Shop Operations

The Group is expanding Saint Honore Cake Shop's presence in Guangzhou, to the degree that stores which have been opened less than 12 months currently account for almost 50% of the chain's total store number in the market. While this is in line with the Group's long-term business strategy, it will take some time before these new locations can begin contributing to sales and margin. In addition to Guangzhou and the surrounding cities, another new store was opened in Shenzhen in the fourth quarter of 2012.

Corporate Governance and Sustainability

As always, Convenience Retail Asia is dedicated to the highest standards of corporate governance and social responsibility. The Company is proud to have been named "Asia's Most Promising Company on Corporate Governance" at Corporate Governance Asia Magazine's "9th Corporate Governance Asia Recognition Awards 2013 – The Best of Asia", an award that recognises the substantial efforts made over the years in this important area.

The Group remains firmly committed to the United Nations Global Compact, which covers human rights, labour standards, environmental protection and anti-corruption efforts as well as the principles of sustainability. In support of these principles, the Group established an Environmental, Social and Governance ("ESG") steering committee to oversee the Group's ESG related policy and performance. The steering committee also supervises a working committee of Green Managers who represent the different business units and spearhead various initiatives throughout the organisation.

Outlook

The Group expects steady growth to continue in its Hong Kong operations. Although uncertainties remain in the external environment, workers are still enjoying a very low unemployment rate and higher incomes, which should contribute to cautious yet confident spending patterns.

Conversely, the Group anticipates that the slower growth environment of the Chinese Mainland market over the first six months of 2013 will carry into the second half of the year. Because the new leadership has been focused predominantly on making structural adjustments to the economy, any policies and actions to stimulate consumer spending will most likely not happen before 2014.

The Group remains hopeful that rentals will eventually adjust to more reasonable levels, which would decrease expenses for new leases and improve margins. Retaining frontline staff will also continue to be a challenge because of rising labour costs and the current shortage in the market.

Victor FUNG Kwok King

Chairman

Hong Kong, 6 August 2013

Management Discussion and Analysis

Financial Review

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

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

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

As at 30 June 2013, the Group had a net cash balance of HK\$715.9 million with no bank borrowings. Most of the Group's cash and bank deposits were in Hong Kong dollars as well as Renminbi and deposited with major banks in Hong Kong and the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or Renminbi. The Group had limited foreign exchange exposure in Renminbi as a result of its business operations on the Chinese Mainland, except for certain Renminbi bank deposits held in Hong Kong, which are subject to foreign exchange risk. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in Hong Kong dollars or Renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

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

Operation Review – Hong Kong

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

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

Employees

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

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

Marketing and Promotion

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

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

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

Customer Service Excellence

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

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

Category Management

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

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

Supply Chain Management and Logistics

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

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

Operations Review – Guangzhou

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

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

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

Operations Review – Saint Honore Cake Shop

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

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

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

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

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

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

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

FingerShopping.com

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

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

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

Corporate Social Responsibility

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

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

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

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

Future Prospects

The Group has a cautious outlook for the second half of 2013. GDP growth for the Mainland continued to decelerate, from 7.7% in the first quarter to 7.5%⁵ for the second. Purchasing manager index figures also indicate a decline in general economic activities. In view of these economic indicators, it will be quite difficult for comparable store sales growth in the Guangzhou operations to resume the momentum of high double-digit growth as in prior years.

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

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

Richard YEUNG Lap Bun

Chief Executive Officer

Hong Kong, 6 August 2013

Note:

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

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 2013 are in line with those practices set out in the Company's 2012 Annual Report, and are also consistent with the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Board

As at 30 June 2013, the Board comprised the Non-executive Chairman, two Executive Directors, four Independent Non-executive Directors and four Non-executive Directors.

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

The Board held three meetings to date in 2013 (with an average attendance rate of directors of about 97%) to discuss the overall strategies, operational and financial performance of the Group.

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 CG Code:

- Audit Committee
- Remuneration Committee
- Nomination Committee

All the committees comprise a majority of Independent Non-executive Directors and are chaired by Non-executive Directors.

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.

Audit Committee

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

Raymond CH'IEN Kuo Fung* – *Committee Chairman*

Malcolm AU Man Chung*

Anthony LO Kai Yiu*

Godfrey Ernest SCOTCHBROOK⁺

Benedict CHANG Yew Teck⁺

* *Independent Non-executive Director*

+ *Non-executive Director*

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

The Audit Committee met three times to date in 2013 (with an average attendance rate of about 93.3%) to consider and review with senior management, the Company's Corporate Governance Division ("CGD") and external auditor various matters as set out in the committee's terms of reference, which included the following:

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

The Audit Committee has reviewed with the management this unaudited interim report for the six months ended 30 June 2013 before recommending it to the Board for approval.

Remuneration Committee

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

Malcolm AU Man Chung* – *Committee Chairman*

Raymond CH'IEN Kuo Fung*

William FUNG Kwok Lun⁺

Jeremy Paul Egerton HOBBS⁺

ZHANG Hongyi*

* *Independent Non-executive Director*

+ *Non-executive Director*

The Remuneration Committee is responsible for reviewing the Group's remuneration and human resources policy and making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, including allocation of share options to employees under the Company's Share Option Scheme.

The Remuneration Committee met once to date in 2013 (with a 100% attendance rate) to consider the grant of share options to the employees. Written resolutions were also signed by members of the Remuneration Committee in relation to the allotment of shares upon exercise of share options by the employees.

Nomination Committee

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

Victor FUNG Kwok King⁺ – *Committee Chairman*

Anthony LO Kai Yiu*

ZHANG Hongyi*

+ *Non-executive Director*

* *Independent Non-executive Director*

The Nomination Committee is responsible for reviewing the structure, size and composition (including diversity) of the Board, assessing the independence of Independent Non-executive Directors, making recommendations to the Board on the appointment or re-appointment of Directors, and reviewing and monitoring the training and continuous professional development of Directors and senior management.

The Nomination Committee met twice to date in 2013 (with a 100% attendance rate) to review the aforesaid matters.

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 Code of Conduct and Business Ethics. All Directors and staff are expected to comply with the code at all times. The code is posted on the Company's intranet for ease of reference and as a constant reminder to all staff.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific confirmation of compliance has been obtained from each Director for the six months ended 30 June 2013.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2013.

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

Internal Control and Risk Management

The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and that it aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Audit Committee reports to the Board on any material issues and makes relevant recommendations.

The Board has delegated to executive management the design, implementation and ongoing monitoring of the system of internal controls covering financial, operational and compliance controls and risk management functions. 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 30 to 32 of the Company's 2012 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, compliance with the Listing Rules, public disclosure requirements and our standards of compliance practices.

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

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

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

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code for the six months ended 30 June 2013.

Investor Relations and Communication

The Company continues to pursue a policy of promoting transparency in corporate communication and investor relations. Regular communication programmes include conducting analyst briefing in person and/or via email, participation in investor conferences, conducting road shows, arranging company visits and ad hoc meetings with institutional shareholders and analysts.

The Company maintains a corporate website (www.cr-asia.com) as one of the channels to promote effective corporate communication with the investors and the general public. The website is used to disseminate company announcements, shareholder information and other relevant financial and non-financial information in an electronic format on a timely basis.

Other Information

Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures

As at 30 June 2013, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and/or the Code for Securities Transactions by Directors and Relevant Employees adopted by the Company:

Long positions in shares and the underlying shares of the Company

Name of Directors	Number of shares			Equity derivatives (share options)	Total interests	Approximate percentage of interests
	Personal interests	Family interests	Corporate/ Trust interests			
Victor Fung Kwok King	-	-	311,792,000 <i>(Note 1)</i>	-	311,792,000	42.01%
William Fung Kwok Lun	-	-	311,792,000 <i>(Note 1)</i>	-	311,792,000	42.01%
Richard Yeung Lap Bun	19,996,000	-	-	2,400,000 <i>(Note 2)</i>	22,396,000	3.01%
Pak Chi Kin	1,400,000	-	-	2,000,000 <i>(Note 2)</i>	3,400,000	0.45%
Raymond Ch'ien Kuo Fung	600,000	-	-	-	600,000	0.08%
Jeremy Paul Egerton Hobbins	180,000	-	-	-	180,000	0.02%

Notes:

1. *King Lun Holdings Limited ("King Lun") through its indirect wholly owned subsidiary, Fung Retailing Limited ("FRL") (a wholly owned subsidiary of Fung Holdings (1937) Limited ("FH (1937)")), held 311,792,000 shares in the Company. 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr. Victor Fung Kwok King, the remaining 50% is owned by Dr. William Fung Kwok Lun. Therefore, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, by virtue of their interests in King Lun, are deemed to have interests in 311,792,000 shares of the Company.*
2. *These interests represented the interests in the share options (being regarded as unlisted physically settled equity derivatives) granted by the Company to these Directors as beneficial owners, the details of which are set out in the section headed "Share Options" below.*

Save as disclosed above, as at 30 June 2013, none of the Directors, chief executives and their associates had any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations. Besides, at no time during the period, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

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

As at 30 June 2013, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Interests in shares of the Company

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	311,792,000 (L)	Trustee (Note 1)	42.01%
King Lun Holdings Limited	311,792,000 (L)	Corporate interests (Note 1)	42.01%
Arisaig Asia Consumer Fund Limited ("Arisaig Asia")	92,580,000 (L)	Other	12.47%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	92,580,000 (L)	Other (Note 2)	12.47%
Lindsay William Ernest Cooper ("Mr. Cooper")	92,580,000 (L)	Corporate interests (Note 3)	12.47%
Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group")	87,790,000 (L)	Other (Note 4)	11.82%
JPMorgan Chase & Co.	37,752,000 (L) 26,458,000 (P)	Corporate interests (Note 5)	5.08%
Dempsey Hill Asia Master Fund ("Dempsey Hill Asia")	37,008,000 (L) (Note 6)	Other	4.98%
Dempsey Hill Capital Pte Ltd ("Dempsey Hill Capital")	37,008,000 (L) (Note 6)	Other (Note 7)	4.98%
Lim Thiam Soon ("Mr. Lim")	37,008,000 (L) (Note 6)	Corporate interests (Note 7)	4.98%

(L) – Long Position

(P) – Lending Pool

Notes:

1. *These shares were held by FRL. King Lun indirectly owns 100% interests in FRL through its wholly owned subsidiary, FH (1937). All of HSBC Trustee (C.I.) Limited, King Lun, FH (1937) and FRL are deemed to have interests in these shares pursuant to the SFO. Please refer to Note 1 in the above section headed "Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures".*
2. *These shares were held by Arisaig Asia of which Arisaig Partners is the fund manager.*
3. *These shares were held by Arisaig Asia of which Arisaig Partners is the fund manager. Arisaig Partners is indirectly owned as to 33.33% by Mr. Cooper through a chain of companies, namely, through Skye Partners Limited (directly owned as to 33.33% by Mr. Cooper), and in turn Skye Partners Limited wholly owns Arisaig Partners (Holdings) Ltd., which in turn wholly owns Arisaig Partners.*
4. *The Aberdeen Group held the shares on behalf of accounts (under discretionary or segregated mandates) managed by the Aberdeen Group.*
5. *These shares were held by JPMorgan Chase & Co. as investment manager.*
6. *The number of shares held was reported in the Disclosure of Interests notices filed on 12 September 2012 and no further notification has been filed by the shareholders.*
7. *These shares were held by Dempsey Hill Asia of which Dempsey Hill Capital is the fund manager. Dempsey Hill Capital is owned as to 70% by Mr. Lim.*

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company being held by any other shareholders as recorded in the register required to be kept under section 336 of the SFO.

Share Options

1. 2001 Share Option Scheme

On 6 January 2001, the 2001 Share Option Scheme was approved by the shareholders of the Company by way of written resolution with certain amendments subsequently adopted on 24 April 2002. On 10 May 2010, shareholders of the Company approved at the annual general meeting the termination of the 2001 Share Option Scheme, pursuant to which, no further options will be granted under the 2001 Share Option Scheme but in all other respects the provisions of the 2001 Share Option Scheme shall remain in full force and effect. All options granted prior to the termination of the 2001 Share Option Scheme and not then exercised shall remain valid.

2. 2010 Share Option Scheme

On 10 May 2010, the 2010 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company in view of the termination of the 2001 Share Option Scheme.

Details of the movement of share options under the abovementioned Share Option Schemes during the six months ended 30 June 2013 are as follows:

(A) Continuous contract employees

As at 1 January 2013	Number of share options				As at 30 June 2013	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Granted (Note 1)	Exercised (Note 2)	Lapsed (Note 3)	Expired (Note 4)					
1,130,000	-	(1,110,000)	-	(20,000)	-	3.39	3 May 2007	3 May 2010	2 May 2013
1,340,000	-	(490,000)	-	-	850,000	3.39	3 May 2007	3 May 2011	2 May 2014
340,000	-	(20,000)	-	-	320,000	3.46	19 November 2007	19 November 2010	18 November 2013
480,000	-	(80,000)	-	-	400,000	3.46	19 November 2007	19 November 2011	18 November 2014
120,000	-	-	-	-	120,000	2.04	21 December 2009	21 December 2010	20 December 2014
60,000	-	(60,000)	-	-	-	2.04	21 December 2009	21 December 2011	20 December 2014
14,325,000	-	-	(156,000)	-	14,169,000	3.22	10 March 2011	1 April 2014	31 March 2017
332,000	-	-	-	-	332,000	3.71	8 March 2012	1 April 2014	31 March 2017
-	508,000	-	-	-	508,000	5.40	28 March 2013	1 April 2014	31 March 2017
18,127,000	508,000	(1,760,000)	(156,000)	(20,000)	16,699,000				

(B) Directors

	Number of share options					As at 30 June 2013	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	As at 1 January 2013	Granted	Exercised (Note 2)	Lapsed	Expired					
Richard Yeung Lap Bun	400,000	-	(400,000)	-	-	-	3.39	3 May 2007	3 May 2010	2 May 2013
	400,000	-	-	-	-	400,000	3.39	3 May 2007	3 May 2011	2 May 2014
	2,000,000	-	-	-	-	2,000,000	3.22	10 March 2011	1 April 2014	31 March 2017
Pak Chi Kin	300,000	-	(300,000)	-	-	-	3.39	3 May 2007	3 May 2010	2 May 2013
	300,000	-	(300,000)	-	-	-	3.39	3 May 2007	3 May 2011	2 May 2014
	2,000,000	-	-	-	-	2,000,000	3.22	10 March 2011	1 April 2014	31 March 2017
	5,400,000	-	(1,000,000)	-	-	4,400,000				

Notes:

1. During the period, share options to subscribe for a total of 508,000 shares were granted on 28 March 2013. The closing price of the shares immediately before the date on which the options were granted was HK\$5.30.
2. Share options to subscribe for 2,760,000 shares were exercised during the period. The weighted average closing market price per share immediately before the dates on which the options were exercised was approximately HK\$5.43.
3. Share options to subscribe for 156,000 shares lapsed during the period following the cessation of employment of certain grantees.
4. Share options to subscribe for 20,000 shares expired during the period following the expiry of the options.

5. *The value of the options granted during the period is HK\$334,000 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK\$5.40 at the grant date, exercise price shown above, standard deviation of expected share price returns of 25.3%, expected life of options of three years, expected dividend paid out rate of 3.7% and annual risk-free interest rate of 0.5%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years. The Black-Scholes Valuation model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.*

Save as disclosed above, as at 30 June 2013, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates have been granted any other share options.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of Directors' information since the publication of the Company's 2012 Annual Report are set out below:

Name of Directors	Changes
Victor Fung Kwok King	<p>ceased as member of WTO Panel on Defining the Future of Trade (April 2012 – April 2013)</p> <p>completed his term as Honorary Chairman of International Chamber of Commerce on 30 June 2013</p>
Raymond Ch'ien Kuo Fung	<p>resigned as Chairman and director of China.com Inc. on 29 March 2013</p> <p>resigned as director of Hong Kong Mercantile Exchange Limited on 31 March 2013</p>
Zhang Hongyi	<p>resigned as independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. on 17 June 2013</p>

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

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

Dividends

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

Closure of Register of Members

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

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2013

		(Unaudited) Six months ended 30 June	
	Note	2013 HK\$'000	2012 HK\$'000
Revenue	4	2,171,598	2,021,931
Cost of sales	5	(1,427,125)	(1,338,804)
Gross profit		744,473	683,127
Other income	4	42,969	41,485
Other gains, net		2,731	1,469
Store expenses	5	(573,618)	(520,669)
Distribution costs	5	(53,259)	(49,752)
Administrative expenses	5	(94,628)	(81,183)
Gain on disposal of property		–	36,788
Operating profit		68,668	111,265
Interest income	6	4,415	5,887
Profit before income tax		73,083	117,152
Income tax expenses	7	(12,937)	(13,505)
Profit attributable to shareholders of the Company	8	60,146	103,647
Earnings per share (HK cents)			
Basic	9	8.12	14.09
Diluted	9	8.03	14.05
Dividends	10	325,277	66,373

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	(Unaudited)	
	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company	60,146	103,647
Other comprehensive income		
Item that may be reclassified to profit or loss		
Exchange differences	1,126	(287)
Total comprehensive income attributable to shareholders of the Company	61,272	103,360

Condensed Consolidated Balance Sheet

As at 30 June 2013

	<i>Note</i>	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Non-current assets			
Fixed assets	11	359,589	362,250
Lease premium for land		30,717	31,197
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		95,288	65,180
Deferred tax assets		10,183	9,152
		855,137	827,139
Current assets			
Inventories		173,641	180,914
Rental deposits		44,638	41,820
Trade receivables	12	63,176	47,819
Other receivables, deposits and prepayments		80,332	83,872
Bank deposits	13	69,531	203,998
Cash and cash equivalents	13	646,386	539,035
		1,077,704	1,097,458
Current liabilities			
Trade payables	14	591,956	551,015
Other payables and accruals		161,629	184,225
Taxation payable		19,059	5,638
Cake coupons		143,500	142,555
		916,144	883,433
Net current assets		161,560	214,025
Total assets less current liabilities		1,016,697	1,041,164
Financed by:			
Share capital	15	74,214	73,938
Reserves		591,654	845,026
Proposed dividends		325,277	96,217
Shareholders' funds		991,145	1,015,181
Non-current liabilities			
Long service payment liabilities		17,017	16,962
Deferred tax liabilities		8,535	9,021
		1,016,697	1,041,164

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	(Unaudited) Attributable to shareholders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2013	73,938	317,977	177,087	17,222	11,317	10,710	406,930	1,015,181
Profit attributable to shareholders of the Company	-	-	-	-	-	-	60,146	60,146
Exchange differences	-	-	-	-	-	1,126	-	1,126
Total comprehensive income for the period	-	-	-	-	-	1,126	60,146	61,272
Issue of new shares	276	9,006	-	-	-	-	-	9,282
Employee share option benefit	-	2,699	-	-	(895)	-	74	1,878
Dividend paid	-	-	-	-	-	-	(96,468)	(96,468)
	276	11,705	-	-	(895)	-	(96,394)	(85,308)
At 30 June 2013	74,214	329,682	177,087	17,222	10,422	11,836	370,682	991,145
At 1 January 2012	73,391	295,490	177,087	16,472	13,268	9,765	354,599	940,072
Profit attributable to shareholders of the Company	-	-	-	-	-	-	103,647	103,647
Exchange differences	-	-	-	-	-	(287)	-	(287)
Total comprehensive income for the period	-	-	-	-	-	(287)	103,647	103,360
Issue of new shares	347	11,139	-	-	-	-	-	11,486
Employee share option benefit	-	3,029	-	-	(1,763)	-	572	1,838
Dividend paid	-	-	-	-	-	-	(81,085)	(81,085)
	347	14,168	-	-	(1,763)	-	(80,513)	(67,761)
At 30 June 2012	73,738	309,658	177,087	16,472	11,505	9,478	377,733	975,671

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013

	(Unaudited)	
	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash generated from operating activities	81,845	69,406
Net cash generated from investing activities	110,191	157,490
Net cash used in financing activities	(87,186)	(69,599)
Increase in cash and cash equivalents	104,850	157,297
Cash and cash equivalents at 1 January	539,035	394,283
Effect of foreign exchange rate changes	2,501	(4,098)
Cash and cash equivalents at 30 June	646,386	547,482

Notes to the Condensed Consolidated Interim Financial Information

1. General information

Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the operation of chains of convenience stores and bakeries under the brand name of Circle K and Saint Honore respectively in Hong Kong, Macau and the Chinese Mainland.

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

The Company’s shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange.

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

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

Except as described below, the accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used and described in the 2012 consolidated financial statements.

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

HKFRS 13	Fair Value Measurement
----------	------------------------

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

3. Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the 2012 consolidated financial statements, and should be read in conjunction with the 2012 consolidated financial statements.

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

(b) Fair value estimation

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

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

The Group's financial asset that is measured at fair value as at 30 June 2013 is as follows:

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Available-for-sale financial asset (level 3)	1,895	1,895

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3.

(c) Group's valuation processes

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

4. Revenue, other income and segment information

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

	(Unaudited)	
	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Revenue		
Merchandise sales revenue	1,739,025	1,625,007
Bakery sales revenue	432,573	396,924
	2,171,598	2,021,931
Other income		
Service items and miscellaneous income	42,969	41,485

Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The management considers the business from both a product and geographic perspective. From a product perspective, management assesses the performance of convenience store and bakery business. For convenience store segment, revenues are mainly derived from a broad range of merchandise sales. For bakery segment, revenues are mainly comprised of bakery and festival products. Geographically, the management considers the performance of retailing business in Hong Kong and others, and the Chinese Mainland.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2013 and 2012 are as follows:

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

	(Unaudited)				
	Six months ended 30 June 2012				
	Convenience Store		Bakery		Group HK\$'000
HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland 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, net of tax	–	–	38,502	–	38,502

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that of the condensed consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of profit after tax.

The segment assets and liabilities as at 30 June 2013 and 31 December 2012 are as follows:

(Unaudited)					
As at 30 June 2013					
	Convenience Store		Bakery		Group HK\$'000
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	
Total segment assets	577,982	77,443	733,121	66,792	1,455,338
Total segment assets include:					
Additions to segment non-current assets	15,087	3,119	8,627	32,294	59,127
Total segment liabilities	593,960	40,753	265,343	14,046	914,102

(Audited)					
As at 31 December 2012					
	Convenience Store		Bakery		Group HK\$'000
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	
Total segment assets	545,154	99,217	728,380	49,308	1,422,059
Total segment assets include:					
Additions to segment non-current assets	42,911	11,435	36,742	15,122	106,210
Total segment liabilities	578,113	39,507	262,167	14,970	894,757

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

Reportable segment assets are reconciled to total assets as follows:

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Segment assets for reportable segments	1,455,338	1,422,059
Unallocated:		
Deferred tax assets	10,183	9,152
Corporate bank deposits	467,320	493,386
Total assets per condensed consolidated balance sheet	1,932,841	1,924,597

Reportable segment liabilities are reconciled to total liabilities as follows:

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Segment liabilities for reportable segments	914,102	894,757
Unallocated:		
Deferred tax liabilities	8,535	9,021
Taxation payable	19,059	5,638
Total liabilities per condensed consolidated balance sheet	941,696	909,416

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK\$1,978,576,000 (2012: HK\$1,863,891,000) and the total of revenue from external customers from other countries is HK\$193,022,000 (2012: HK\$158,040,000) for the six months ended 30 June 2013.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK\$722,334,000 (as at 31 December 2012: HK\$721,798,000) and the total of these non-current assets located in other countries is HK\$120,725,000 (as at 31 December 2012: HK\$94,294,000) as at 30 June 2013.

5. Expenses by nature

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

6. Interest income

	(Unaudited)	
	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Interest income on bank deposits	4,415	5,887

7. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2013 and 2012. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2013 and 2012 at the rates prevailing in the countries in which the Group operates.

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

	(Unaudited)	
	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	12,643	13,400
Overseas profits tax	1,798	1,811
Deferred tax credit	(1,504)	(1,706)
	12,937	13,505

8. Profit attributable to shareholders of the Company

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

9. Earnings per share

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

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

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

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

10. Dividends

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

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

11. Fixed assets

	(Unaudited) 30 June 2013 HK\$'000	(Unaudited) 30 June 2012 HK\$'000
	Opening net book amount	362,250
Additions	30,102	34,234
Transfer from investment property	–	34,702
Disposals	(1,262)	(24,908)
Depreciation	(31,948)	(29,578)
Exchange differences	447	(168)
Closing net book amount	359,589	320,927

12. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 30 June 2013, the aging analysis of trade receivables is as follows:

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

13. Cash and bank balances

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Cash and cash equivalents	646,386	539,035
Current bank deposits	69,531	203,998
	715,917	743,033

14. Trade payables

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

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

15. Share capital

	(Unaudited) 30 June 2013		(Audited) 31 December 2012	
	Shares of HK\$0.10 each		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	739,381,974	73,938	733,909,974	73,391
Issue of shares on exercise of share options <i>(note)</i>	2,760,000	276	5,472,000	547
At end of the period	742,141,974	74,214	739,381,974	73,938

Note:

During the period, 2,760,000 (year ended 31 December 2012: 5,472,000) shares were allotted and issued pursuant to the exercise of share options.

16. Capital commitments

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

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Contracted but not provided for	2,970	2,651
Authorised but not contracted for	920	2,667
	3,890	5,318

17. Related party transactions

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 42.01% of the Company's shares. All of the related party transactions of the Group are entered into with Fung Holdings (1937) Limited (the holding company of FRL and a substantial shareholder of the Company), its subsidiaries and associates.

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

(a) Related party transactions

		(Unaudited)	
		Six months ended	
		30 June	
	<i>Note</i>	2013	2012
		HK\$'000	HK\$'000
Income			
Service income and reimbursement of office and administrative expenses	<i>(i)</i>		
Subsidiaries/fellow subsidiaries of a substantial shareholder		2,105	2,072
Associates of a substantial shareholder		700	439
Service income	<i>(ii)</i>		
Associate of a substantial shareholder		8	–
Expenses			
Reimbursement of office and administrative expenses	<i>(iii)</i>		
Subsidiaries/fellow subsidiaries of a substantial shareholder		999	1,346
Associates of a substantial shareholder		388	411
Rental payable	<i>(iv)</i>		
Fellow subsidiaries of a substantial shareholder		4,159	4,005
Associates of a substantial shareholder		215	149
Net purchases	<i>(v)</i>		
Associates of a substantial shareholder		5,029	4,593

(b) **Key management personnel compensation**

	(Unaudited)	
	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Fees	1,060	850
Discretionary bonuses	7,224	6,269
Salaries and other allowances	6,183	5,538
Share option benefit	745	652
Pension costs – defined contribution scheme	45	31
	15,257	13,340

(c) **Period-end balances with related parties**

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Amounts due from:		
Subsidiaries/fellow subsidiaries of a substantial shareholder	218	75
Associates of a substantial shareholder	69	12
Amounts due to:		
Subsidiaries of a substantial shareholder	(173)	(691)
Associates of a substantial shareholder	(2,438)	(2,889)

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

- (d) The Company provides corporate guarantee to certain banks for the banking facilities of subsidiaries of HK\$32,888,000 (2012: HK\$32,888,000). As of 30 June 2013, the banking facilities of the subsidiaries amounting to HK\$2,393,000 (as of 31 December 2012: HK\$996,000) were utilised.

Notes:

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