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## CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

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

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

#### Financial Highlights

	Change	2018 HK\$'000	2017 HK\$'000
• Revenue	+6.1%	<b>2,573,932</b>	2,426,822
• Core operating profit	+16.0%	<b>81,293</b>	70,096
• Profit attributable to shareholders of the Company	+17.9%	<b>67,352</b>	57,120
• Basic earnings per share (HK cents)	+17.4%	<b>8.83</b>	7.52
• Interim dividend per share (HK cents)	+25.0%	<b>5.00</b>	4.00

## Operation Highlights

- Driven by successful digital and creative marketing strategies, the convenience store and bakery operations achieved total sales of HK\$2,574 million as well as increase in core operating profit and net profit of 16% and 17.9% to HK\$81 million and HK\$67 million respectively
- The robust results were mainly due to effective eCRM programmes for Circle K and Saint Honore as well as encouraging performance in Developing Businesses, particularly the new fast-fashion eyewear business Zoff
- The Group's O2O business model which synergises Circle K's "OK Stamp It" - eCRM app (driving online to offline traffic) and Circle K's bricks-and-mortar store network (driving offline to online traffic), achieved a significant milestone for member recruitment by exceeding 1.1 million and generated a strong increase in comparable store sales
- Renminbi trending downward as at the reporting date, but appreciation during the period under review impacted Saint Honore's cost of goods sold and gross margin
- The Group will continue its marketing and store network expansion programmes, especially for newly established operation Zoff, while exercising caution toward operating costs and remaining mindful of macroeconomic uncertainty
- The Group maintains a healthy financial position with net cash of HK\$391 million and no bank borrowings

## Number of Stores as of 30 June 2018

### Circle K Stores

Hong Kong	<b>332</b>
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### Franchised Circle K Stores

Guangzhou	65
Macau	30
Zhuhai	16

<b>Subtotal</b>	<b>111</b>
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### Total number of Circle K Stores

<b>443</b>
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### Saint Honore Cake Shops

Hong Kong	94
Macau	9
Guangzhou	32
Shenzhen	1

### Total number of Saint Honore Cake Shops

<b>136</b>
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### Zoff Eyewear Stores

Hong Kong	<b>2</b>
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### Total number of Stores under Convenience Retail Asia

<b>581</b>
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## CEO's Statement

During the period under review, the Group's O2O operating model and eCRM initiatives drove healthy growth in the convenience store business and created synergies with Developing Businesses. The Group continued to employ its "Three Plus" strategies to achieve success: focusing on smartphone-savvy "internet+" customers; delivering the "4P's+" of exceptional products, promotions, places and pricing, "plus" a great customer experience; and reinforcing its transformation into a "bricks-and-mortar+" O2O enterprise. The Group also continued to run highly effective marketing promotions, launched unique, in-demand products, enhanced its service and supply chain operations, and controlled costs where possible.

### Operations Review – Circle K

As at 30 June 2018, the total number of Circle K stores in Hong Kong was 332 compared to 331 at the end of the first six months of 2017. The Group opened two new Circle K stores and closed two during the first six months of 2018.

In the first half of the year, Circle K saw comparable store sales rise 4.4%, contributing to total sales of HK\$2,061 million versus HK\$1,962 million in total sales recorded over the same period last year. This was mainly due to effective marketing and category management as well as the on-going success of "OK Stamp It", the Group's proprietary O2O eCRM platform. "OK Stamp It" uses a special app to deliver promotional deals and loyalty programme offers to members. It is a proven tool for marketing the Group's latest products, services, contests and premiums, and a valuable customer loyalty platform that drives online traffic into in-store traffic and repeat purchases. It also enables family members and friends to share their activities on their favourite social media.

In April, the Group launched a three-stage summer promotion for "OK Stamp It" members. First was the return of the hugely popular "Shake Shake Lucky Star" game, which gave members the chance to win one of 100 new Samsung Galaxy S9 smartphones; second was a collaboration with our Developing Business Zoff, which offered free sunglasses for the first 1,000 members who purchased all nine selected items of newly imported ice cream brands from Japan and Korea; and third was a World Cup-themed game with 100 grand prizes of Cathay Holiday coupons valued at HK\$10,000 each.

Launched less than two years ago, "OK Stamp It" has already become one of Hong Kong's leading eCRM platforms. It won the Silver Award for "Best Idea – Mobile" at Marketing Magazine's MARKies Awards, which celebrate the Hong Kong marketing industry's most innovative and effective initiatives. It also won three awards for mobile marketing excellence at Marketing's Mob-Ex Awards 2018 and four awards at the Global Awards for Retail Excellence held by Asia Retail Congress and Economic Times.

When considering category management strategies, the Group pays close attention to consumer trends. For example, Circle K introduced new and premium selections of organic tea and natural juice from Europe to meet demand for healthy food and drinks, and both became bestsellers in the beverage category. The Group also seeks to differentiate its brand, products and services in a competitive convenience store market, such as by introducing gourmet snack foods and ice cream imported directly from Japan and Korea, which drove growth with comparatively high margins. After observing that consumers have grown weary of standard cartoon character premiums, we also developed a “Jenga”-style finger block set based on the Japanese character Monchhichi that can be played as a game or used as a desktop calendar, which proved to be a big hit with customers.

Leveraging the fast-rising mobile payment trend, we partnered with HSBC, WeChat Pay and Alipay to offer an attractive discount on a certain amount of net spend using mobile payment. These promotions exponentially increased mobile payment transactions at Circle K stores and provided a solid contribution to our top line. We also introduced “Senior Citizen EasyCash”, which enables seniors to withdraw cash without purchase at certain Circle K locations across Hong Kong.

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

As at 30 June 2018, the Group was operating 103 Saint Honore stores in Hong Kong and Macau compared to 98 at the end of the first half of 2017. The Group opened three stores and closed two for a net gain of one store during the first six months of 2018. The total network in Guangzhou and Shenzhen amounted to 33 locations.

Although our bakery operations saw stagnant growth in comparable store sales in Hong Kong over the first six months of the year, total turnover grew on the back of key contributions from the opening of new stores in Hong Kong and an increase in festive product sales. Gross profit margin eroded due to the appreciation of the renminbi, which caused surges in raw material and labour costs. The Group was able to offset some of these effects through retail price alignment, product category rationalisation, process streamlining, productivity enhancement and procurement management. In addition, the renminbi began to weaken toward the end of the period under review, which could signal a more favourable situation in the second half of 2018.

Saint Honore’s eCRM digital platform “Cake Easy” provides customers with a 24-hour, year-round convenience to order their favourite cakes. It also lets the Group stay more connected with its loyal customers to deliver a better, more relevant customer experience. “Cake Easy” now has more than 400,000 members, providing us with a strong base upon which to achieve further growth.

Second-quarter sales were impacted by hotter-than-usual weather. Packaged bread continued to achieve strong growth due to successful new product launches and enhanced product quality. Popular new products included the luxurious Belgian Chocolate Cake, Euro Party Cups and the Japan Strawberry Cake featuring fresh strawberries imported from Japan.

Saint Honore was named “My Favourite Cake Shop” in U Magazine’s Favourite Food Awards 2018 and won “Manpower Developer 1<sup>st</sup> 2010-2018” in the ERB Manpower Developer Award Scheme. It also continued to be a good corporate citizen, for example by engaging Foodlink Foundation Limited and Feeding Hong Kong to collect unsold bread from participating stores and donate it to people in need.

In Guangzhou, the Group launched an O2O e-coupon campaign for VIP members of our eCRM programme via our official WeChat platform. VIPs are notified that they have a new e-coupon in their WeChat coupon folders, which they can present in-store for discounts and privileges when ordering festive cakes. They may also share coupons with others, potentially widening our future membership base. Another new initiative, 4-Hour Delivery, offers an enhanced service that delivers cakes ordered on Saint Honore’s website within four hours. Another highlight was Saint Honore Guangzhou’s “Love Rose” cake winning “Best Cake Design 2017” for Guangdong Province in the annual “Cake of China” event organised by Anchor and dianping.com.

## **Operations Review – Developing Businesses**

### ***FingerShopping.com***

The Group’s O2O digital retailing platform FingerShopping.com recorded stable gross merchandise value (GMV). As at 30 June 2018, the site featured over 1,700 brands and approximately 25,000 stock-keeping units (SKUs). Beauty and Personal Care continued to be the anchor category, representing 64% of total GMV. The team will continue to build variety within the site’s primary categories and seek strategic partners to boost new traffic. FingerShopping.com was recognised as a Quality e-Shop 2018 by the Hong Kong Retail Management Association.

## **Zoff**

The Group continued to build buzz for Zoff, Japan's leading fast-fashion eyewear chain and our newest business. Zoff currently carries a line of more than 1,200 SKUs of frames and plans on increasing this to more than 2,000 SKUs, which will strengthen product variety and differentiate the brand from competitors even more. The Group launched and promoted new frames including a Disney series, a fifth series of frames made in Italy by Augusto Valentini and the Zoff UV Collection with Clear Lenses. There were also a number of successful cross-promotional activities with other companies to help grow brand awareness. On 23 February, we proudly opened Zoff's second location, at Telford Plaza in Kowloon Bay.

## **Future Prospects**

In the coming six months, we anticipate that our robust O2O business model will lead further growth. We will proceed cautiously with store network expansion, seeking high-potential new locations while striving to secure reasonable terms in the current environment of rising rents. The same approach will apply to renewing rental agreements for existing stores. Elsewhere, we will maintain focus on job satisfaction and customer service while monitoring rising operating costs and macroeconomic trends.

The renminbi's appreciation in the first half of 2018 affected labour and material costs – particularly for the Saint Honore factory located on the Chinese Mainland – and impacted Saint Honore's gross margin. However, the currency weakened toward the end of the reporting period, which could lead to improvements in the second half of the year depending on the length of the trend. As always, the Group will continue to do its best to control costs and further streamline its operations. We will also keep introducing exciting new promotions and innovative, in-demand products and services that resonate with today's customers. Besides, cross-promotional synergy will play a key role.

Our success this year in bolstering our position as one of Hong Kong's leading convenience retail groups is the result of strong team effort and unwavering commitment. I would like to dedicate the "Asian Convenience Industry Leader of the Year 2018" award from the National Association of Convenience Stores (NACS) to all our wonderful and talented colleagues, and I look forward to accomplishing even greater achievements with them in the future.

**Richard YEUNG Lap Bun**  
*Chief Executive Officer*

Hong Kong, 16 August 2018

## Discussion and Analysis

### Financial Review

During the first six months of 2018, the Group's turnover increased 6.1% to HK\$2,574 million. Turnover for the convenience store business increased 5.1% to HK\$2,061 million, buoyed by growth in comparable store sales of 4.4% over the same period last year. Turnover for the bakery business saw a modest increase of 6.4% to HK\$523 million, with stagnant growth in comparable store sales in Hong Kong.

Despite keen competition in the retail market and high manufacturing costs, the Group improved its gross margin and other income as a percentage of turnover by 0.8% to 37.1%. Primary contributors were the Group's effective eCRM programmes, especially "OK Stamp It", and the strong sales performances of Circle K's packaged drinks and ice cream, which alleviated the impact of renminbi appreciation on Saint Honore's gross profit. Elsewhere, the new Developing Business, fast-fashion eyewear brand Zoff, also began contributing to gross margin. Operating expenses increased marginally from 33.4% of turnover to 33.9% against the same period in 2017, which was primarily due to high rental and labour costs. Overall, the Group's core operating profit increased 16% to HK\$81 million.

Net profit increased 17.9% to HK\$67 million for the six months ended 30 June 2018. Basic earnings per share increased 17.4% to 8.83 HK cents.

As at 30 June 2018, the Group had a net cash balance of HK\$391 million, which was mainly generated from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held either in Hong Kong dollars or renminbi. The Group had certain foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, 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 5 HK cents per share.

## **Employees**

As at 30 June 2018, the Group had a total of 6,700 employees, with 5,200, or 77%, based in Hong Kong and 1,500, or 23%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 41% of total headcount. Total staff cost for the six months ended 30 June 2018 was HK\$436 million compared to HK\$405 million for the same period last year.

The Group offers competitive remuneration schemes for eligible employees, including salary packages supplemented by discretionary bonuses as well as share options based on individual and company performance. It also provides incentives such as career advancement opportunities, comprehensive job-related skill enhancement and quality customer service training for frontline staff.

The Group remains firmly committed to its long-standing HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme, which is designed to enhance workplace satisfaction and, in turn, build a loyal customer base through excellent service. During the period under review, the Activity Organising Board (AOB) continued to focus on key staff activity areas including creating a happy working environment, caring for employees' families and ensuring work-life balance.

## **Sustainability and Corporate Social Responsibility**

As a member of the Fung Group, Convenience Retail Asia Limited adheres to the principles of the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability.

In April, the Group published its second Environmental, Social and Governance Report detailing the Group's policies, measures and performance in sustainability. Key areas covered in the Report are stakeholder engagement; environmental awareness and protection, including the Group's carbon footprint reduction measures; employee health and safety, training and development; management of production and supply chains; and investing in social and community projects.

**Condensed Consolidated Profit and Loss Account**  
**For the six months ended 30 June 2018**

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000
Revenue	2	<b>2,573,932</b>	2,426,822
Cost of sales	3	<b>(1,674,991)</b>	(1,599,326)
Gross profit		<b>898,941</b>	827,496
Other income	2	<b>56,754</b>	53,193
Store expenses	3	<b>(687,267)</b>	(639,144)
Distribution costs	3	<b>(81,101)</b>	(71,514)
Administrative expenses	3	<b>(106,034)</b>	(99,935)
Core operating profit		<b>81,293</b>	70,096
Interest income	4	<b>765</b>	1,045
Profit before income tax		<b>82,058</b>	71,141
Income tax expenses	5	<b>(14,706)</b>	(14,021)
Profit attributable to shareholders of the Company		<b>67,352</b>	57,120
Basic earnings per share (HK cents)	6	<b>8.83</b>	7.52

**Condensed Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2018**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to shareholders of the Company	<b>67,352</b>	57,120
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	<b>128</b>	1,327
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	<b>67,480</b>	58,447
	<hr/>	<hr/>

**Condensed Consolidated Balance Sheet**  
As at 30 June 2018

		(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
<b>Assets</b>			
Non-current assets			
Fixed assets		352,435	357,173
Investment properties		26,067	26,561
Lease premium for land		34,538	35,180
Intangible assets		357,465	357,465
Financial asset at fair value through other comprehensive income		1,895	1,895
Rental and other long-term deposits		103,380	96,993
Deferred tax assets		15,523	16,385
		<b>891,303</b>	<b>891,652</b>
Current assets			
Inventories		194,536	192,603
Rental deposits		52,272	47,705
Trade receivables	8	85,678	82,017
Other receivables, deposits and prepayments		91,190	91,075
Restricted bank deposit		-	963
Cash and cash equivalents		391,389	450,776
		<b>815,065</b>	<b>865,139</b>
Total assets		<b>1,706,368</b>	<b>1,756,791</b>
<b>Equity</b>			
Share capital		76,253	76,246
Reserves		536,822	574,429
Total equity		<b>613,075</b>	<b>650,675</b>
<b>Liabilities</b>			
Non-current liabilities			
Long service payment liabilities		15,885	16,084
Deferred tax liabilities		8,794	10,067
		<b>24,679</b>	<b>26,151</b>
Current liabilities			
Trade payables	9	678,203	669,710
Other payables and accruals		199,106	219,927
Taxation payable		23,890	10,426
Cake coupons		167,415	179,902
		<b>1,068,614</b>	<b>1,079,965</b>
Total equity and liabilities		<b>1,706,368</b>	<b>1,756,791</b>

## Condensed Consolidated Statement of Changes in Equity

### For the six months ended 30 June 2018

(Unaudited)  
Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2018	76,246	200,445	177,087	20,002	15,445	36	161,414	650,675
Profit attributable to shareholders of the Company	-	-	-	-	-	-	67,352	67,352
Exchange differences	-	-	-	-	-	128	-	128
Total comprehensive income for the period	-	-	-	-	-	128	67,352	67,480
Issue of new shares	7	182	-	-	-	-	-	189
Employee share option benefit	-	23	-	-	1,128	-	334	1,485
Dividend paid	-	-	-	-	-	-	(106,754)	(106,754)
	7	205	-	-	1,128	-	(106,420)	(105,080)
At 30 June 2018	76,253	200,650	177,087	20,002	16,573	164	122,346	613,075
At 1 January 2017	75,530	379,697	177,087	19,316	17,173	(3,109)	144,028	809,722
Profit attributable to shareholders of the Company	-	-	-	-	-	-	57,120	57,120
Exchange differences	-	-	-	-	-	1,327	-	1,327
Total comprehensive income for the period	-	-	-	-	-	1,327	57,120	58,447
Issue of new shares	713	22,266	-	-	-	-	-	22,979
Employee share option benefit	-	4,224	-	-	(2,910)	-	417	1,731
Dividends paid	-	(205,847)	-	-	-	-	(99,112)	(304,959)
	713	(179,357)	-	-	(2,910)	-	(98,695)	(280,249)
At 30 June 2017	76,243	200,340	177,087	19,316	14,263	(1,782)	102,453	587,920

## Notes to the Condensed Consolidated Interim Financial Information

### 1. Basis of preparation and accounting policies

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

This condensed consolidated interim financial information should be read in conjunction with the 2017 consolidated financial statements which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2017 consolidated financial statements.

The Group has adopted new and amended standards and interpretations of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2018 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies.

## 2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores and bakeries, and developing businesses including e-commerce and eyewear businesses. Revenues recognised during the period are as follows:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Revenue		
Merchandise sales revenue	<b>2,061,358</b>	1,962,150
Bakery sales revenue	<b>481,735</b>	456,538
Developing businesses revenue	<b>30,839</b>	8,134
	<hr/> <b>2,573,932</b> <hr/>	<hr/> 2,426,822 <hr/>
Other income		
Service items and miscellaneous income	<b>56,754</b>	53,193
	<hr/> <b>56,754</b> <hr/>	<hr/> 53,193 <hr/>

### Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions and has undergone transformation of its reporting structures during the period.

The management considers the business principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of convenience store, bakery and developing businesses. For convenience store segment, revenues are mainly derived from a broad range of merchandise sales. For bakery segment, revenues are mainly comprised of sale of bakery and festival products. For developing businesses segment, revenues are mainly derived from the provision of online trading platform and sale of eyewear products. Geographically, the management considers the performance of retailing business in Hong Kong and others, and on the Chinese Mainland.



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 core operating profit.

The reconciliation of the total reportable segments' core operating profit to the profit before income tax can be referred to the condensed consolidated profit and loss account, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue includes inter-product segment revenue of HK\$40,857,000 (2017: HK\$34,766,000) and inter-geographic segment revenue of HK\$23,832,000 (2017: HK\$24,841,000).

### 3. Expenses by nature

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Amortisation of lease premium for land	632	607
Cost of inventories sold	1,556,446	1,490,076
Depreciation of owned fixed assets	36,649	35,010
Depreciation of investment properties	493	482
Employee benefit expense	436,197	404,628
Operating leases rental for land and buildings	268,436	255,845
Other expenses	250,540	223,271
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs and administrative expenses	<b>2,549,393</b>	2,409,919
	<hr/> <hr/>	<hr/> <hr/>

### 4. Interest income

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interest income on bank deposits	765	1,045
	<hr/>	<hr/>

## 5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2018 and 2017. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates prevailing in the countries in which the Group operates.

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Current income tax		
Hong Kong profits tax	<b>12,628</b>	10,274
Overseas profits tax	<b>2,568</b>	2,892
Deferred income tax	<b>(490)</b>	855
	<hr/>	<hr/>
	<b>14,706</b>	14,021
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## 6. 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 period.

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

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	<b>67,352</b>	57,120
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Weighted average number of ordinary shares in issue	<b>762,486,487</b>	759,520,522
Adjustment for:		
Share options	<b>32,641</b>	64,243
Weighted average number of ordinary shares for diluted earnings per share	<b>762,519,128</b>	759,584,765

## 7. Dividend

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interim dividend, proposed of 5 HK cents (2017: 4 HK cents) per share	<b>38,127</b>	30,497

At a meeting held on 16 August 2018, the Directors proposed an interim dividend and it is not reflected as dividend payable in this condensed consolidated interim financial information.

## 8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers 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 2018, the aging analysis by invoice date of trade receivables is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2018</b> <b>HK\$'000</b>	(Audited) 31 December 2017 HK\$'000
0-30 days	64,265	59,460
31-60 days	9,669	7,829
61-90 days	1,466	6,972
Over 90 days	10,278	7,756
	<hr/> <b>85,678</b> <hr/>	<hr/> 82,017 <hr/>

## 9. Trade payables

At 30 June 2018, the aging analysis by invoice date of the trade payables is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2018</b> <b>HK\$'000</b>	(Audited) 31 December 2017 HK\$'000
0-30 days	419,144	424,391
31-60 days	166,134	151,636
61-90 days	59,643	60,740
Over 90 days	33,282	32,943
	<hr/> <b>678,203</b> <hr/>	<hr/> 669,710 <hr/>

## Corporate Governance

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

In order to enhance 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 has established the following committees with defined terms of reference (available on the Company's corporate website), which are in line with the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

- Audit Committee
- Remuneration Committee
- Nomination Committee

All the committees comprise a majority of Independent Non-executive Directors. Each of the Audit Committee and Remuneration Committee is chaired by an Independent Non-executive Director, and the Nomination Committee is chaired by the Non-executive Chairman.

The Group Chief Compliance and Risk Management Officer is invited to attend all Board and committee meetings to advise on corporate governance matters covering risk management, internal controls and compliance issues relating to business operations, mergers and acquisitions, accounting and financial reporting.

Corporate governance practices adopted by the Company during the six months ended 30 June 2018 are in line with those practices set out in the Company's 2017 Annual Report, and are also consistent with the principles set out in the CG Code.

## **Audit Committee**

The Audit Committee met three times to date in 2018 (with an average attendance rate of about 87%) to consider and review with senior management, the Company's internal auditor under the Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

- 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, risk management and internal control systems, policies and practices on corporate governance, treasury and financial reporting matters;
- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions; and
- Audit plans, findings and reports of external auditor and CGD, as well as their effectiveness.

The Audit Committee has reviewed with senior management the unaudited interim financial information for the six months ended 30 June 2018 before recommending it to the Board for approval.

## **Directors' and Relevant Employees' Securities Transactions**

The Group has adopted a Code for Securities Transactions (the "Securities Code") 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. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the Securities Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee for the six months ended 30 June 2018. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2018.

## **Risk Management and Internal Control**

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness and adequacy with the assistance of the Audit Committee.

The Board has delegated to management the design, implementation and ongoing monitoring of the risk management and internal control systems.

Based on the respective assessments made by senior management and CGD, the Audit Committee considered that for the six months ended 30 June 2018:

- The risk management and internal control systems, as well as accounting systems of the Group remained in place and were functioning effectively and adequately, 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 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 2018.

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

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

## Interim Dividend

The Board of Directors has resolved to declare an interim dividend for the six months ended 30 June 2018 of 5 HK cents (2017: 4 HK cents) per share to the shareholders of the Company.

## Closure of Register of Members

The Register of Members of the Company will be closed from 3 September 2018 to 4 September 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 31 August 2018. Dividend warrants will be despatched on 13 September 2018.

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

Hong Kong, 16 August 2018

*As at the date of this announcement, Executive Directors of the Company are Mr Richard Yeung Lap Bun and Mr Pak Chi Kin; Non-executive Directors are Dr Victor Fung Kwok King, Dr William Fung Kwok Lun, Mr Godfrey Ernest Scotchbrook and Mr Benedict Chang Yew Teck; Independent Non-executive Directors are Mr Malcolm Au Man Chung, Mr Anthony Lo Kai Yiu, Mr Zhang Hongyi and Dr Sarah Mary Liao Sau Tung.*