



Convenience Retail Asia Limited
利亞零售有限公司

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

INTERIM REPORT 2018



A Fung Retailing Company

馮氏





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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 * Benedict CHANG Yew Teck *
Independent Non-executive Directors	Malcolm AU Man Chung +* Anthony LO Kai Yiu ** ZHANG Hongyi #** Sarah Mary LIAO Sau Tung +
Group Chief Compliance and Risk Management Officer	Jason YEUNG Chi Wai
Company Secretary	Maria LI Sau Ping
Registered Office	P.O. Box 10008 Willow House Cricket Square Grand Cayman KY1-1001 Cayman Islands
Head Office and Principal Place of Business	15th Floor, LiFung Centre 2 On Ping Street Siu Lek Yuen Shatin New Territories 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)

Nomination Committee members

+ *Remuneration Committee members*

* *Audit Committee members*

Auditor	PricewaterhouseCoopers <i>Certified Public Accountants</i>
Principal Share Registrar and Transfer Office	Tricor Services (Cayman Islands) Limited P.O. Box 10008, Willow House Cricket Square, Grand Cayman KY1-1001 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Abacus Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Banker	The Hongkong and Shanghai Banking Corporation Limited
Stock Code	00831

Highlights

Financial Highlights

	Change	Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000
Revenue	+6.1%	2,573,932	2,426,822
Core operating profit	+16.0%	81,293	70,096
Profit attributable to shareholders of the Company	+17.9%	67,352	57,120
Basic earnings per share (HK cents)	+17.4%	8.83	7.52
Interim dividend per share (HK cents)	+25.0%	5.00	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	332
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Franchised Circle K Stores

Guangzhou	65
Macau	30
Zhuhai	16

Subtotal	111
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Total number of Circle K Stores	443
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Saint Honore Cake Shops

Hong Kong	94
Macau	9
Guangzhou	32
Shenzhen	1

Total number of Saint Honore Cake Shops	136
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Zoff Eyewear Stores

Hong Kong	2
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Total number of Stores under Convenience Retail Asia	581
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Chairman's Statement

The Group's convenience store business performed admirably in the first half of 2018. Its Developing Businesses continued to show promise. Most notably, its evolution from a traditional bricks-and-mortar operation into a full-fledged online-to-offline (O2O) business remained the catalyst for strong growth and encouraging results. Unarguably, it was a very rewarding first half of the financial year for Convenience Retail Asia Limited and its subsidiaries. Though there are still macroeconomic challenges to bear in mind, the Group enters the second half of 2018 cautiously optimistic about its prospects.

Riding the Digital Wave

In a lightning-fast world of instant promotions, purchase decisions and transactions, successful retail operators must have sound digital strategies to attract and retain today's customers. The Group recognised this trend years ago when it sought to overhaul its conventional business model by turning it into a more dynamic, nimble, tech-savvy operation, one that combines the best aspects of both traditional retail and online shopping – a truly O2O offering.

Our successful reinvention, centred on a modern, "bricks-and-mortar+" strategic business model, has led to success in favourable and challenging markets alike. We have developed our "OK Stamp It" and "Cake Easy" eCRM (customer relationship management) programmes into market-leading, award-winning digital platforms that drive sales and loyalty by engaging members with attractive promotions delivered via mobile app and encouraging in-store fulfilment. The effectiveness of our O2O business model and eCRM programmes has created an enticing blueprint for the rest of the industry to follow.

We are very proud that less than two years after its launch, Circle K's "OK Stamp It" now boasts more than 1.1 million members. Supported by its digital efforts, the Group was able to increase its sales at a rate higher than the rest of the supermarket and convenience store segment and generate strong comparable store sales at Circle K during the period under review.

Elsewhere, the Group's Developing Businesses delivered encouraging results. Among them, we expect great results from Zoff, our new fast-fashion eyewear business, which has attracted very favourable response from customers and so far generated very strong sales. We also substantially increased Zoff's brand awareness by building synergies with Group companies and collaborating with external brand partners. Zoff holds great appeal for younger generations of consumers, and we believe that it will continue to build on its energetic start in the Hong Kong market.

Rising above the Market

Hong Kong's overall retail market continued to grow during the period under review, buoyed by low unemployment, strong local consumption and increased visitor spending, particularly by those from our neighbouring Pearl River Delta (PRD) Region. In the supermarket retail segment, which includes convenience stores, sales were more stagnant, rising by 1.5% in value terms and declining by 1.5% in volume terms over the first half of 2018^{note}. This was partly due to the effect of homogeneity in the convenience store market, where many products and services are necessarily similar. The Group, however, was able to outperform the market with 3% and 1.2% increases in value and volume terms respectively for total store sales over the first six months of the year by focusing on differentiating itself with distinctive products and promotions that capture the interest of internet+ consumers. Importantly, the Group also continued to leverage its powerful digital presence to drive sales and strengthen customer loyalty.

Outlook

The Group's O2O strategies have helped cement its place as a top convenience retail operator in Hong Kong and a leader in digital marketing, which is the new standard for our industry. We are confident that the significant efforts we have spent building our eCRM platforms will continue to produce results that outpace the market and deliver strong financial performance benefitting our shareholders. We expect that the rebound in visitation and spending by PRD customers will also continue to have a positive effect on our business, as well as that of the overall retail industry.

Rising rent, labour and material costs have been factors for some time now, and they continue to require close management. However, the Group has demonstrated its ability to achieve sales and profitability growth in tough operating conditions through effective eCRM, marketing, category management and cost control efforts. We should be able to continue this trend in the second half of 2018.

I would like to take this moment to thank all my colleagues for their dedication and hard work, without which our encouraging results would not have been possible. It is because of good people that the Group remains a leader in its field, and I look forward to celebrating more successes together in the future.

Victor FUNG Kwok King

Chairman

Hong Kong, 16 August 2018

Note:

Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 1 August 2018.

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 1st 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.

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.

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 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").

The Board

The Board currently comprises the Non-executive Chairman, two Executive Directors, four Independent Non-executive Directors and three 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 2018 (with an average attendance rate of directors of about 93%) to discuss the overall strategies, operational and financial performance of the Group.

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 CG Code:

- 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.

Audit Committee

<i>Chairman</i>	Anthony LO Kai Yiu *
<i>Members</i>	Malcolm AU Man Chung * Godfrey Ernest SCOTCHBROOK + Benedict CHANG Yew Teck + ZHANG Hongyi *

* *Independent Non-executive Director*

+ *Non-executive Director*

The Audit Committee is responsible for reviewing the Group's financial reporting, risk management, internal controls and corporate governance matters, and making relevant recommendations to the Board. The committee includes members who possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

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.

Remuneration Committee

<i>Chairman</i>	Malcolm AU Man Chung *
<i>Members</i>	William FUNG Kwok Lun + ZHANG Hongyi * Sarah Mary LIAO Sau Tung *

* *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 regarding remuneration for all Directors and senior management, including allocation of share options to employees under the Company's Share Option Scheme.

The Remuneration Committee met once to date in 2018 (with a 100% attendance rate) to consider grant of share options to Executive Director and employees.

Nomination Committee

<i>Chairman</i>	Victor FUNG Kwok King +
<i>Members</i>	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 once to date in 2018 (with a 100% attendance rate) to review the aforesaid matters and also the evaluation of the performance of the Board and its committees.

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.

The Company handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

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 risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and 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 management the design, implementation and ongoing monitoring of the risk management and internal control systems. Qualified personnel throughout the Group maintain and monitor these systems on an ongoing basis. Details of the Company's risk management and internal control systems are set out in the Corporate Governance Report on pages 32 to 36 of the Company's 2017 Annual Report.

The Corporate Compliance Group comprises CGD and the Corporate Secretarial Division. Under the supervision of the Group Chief Compliance and Risk Management Officer and in conjunction with the Group's external advisors, the team regularly reviews adherence to relevant laws and regulations, compliance with the Listing Rules, public disclosure requirements and the Group's standards of compliance practices.

CGD staff independently review the Group's risk management and internal control systems, and evaluate their effectiveness, adequacy 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 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.

Investor Relations and Communication

The Company pursues 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 Shares, Underlying Shares and Debentures

As at 30 June 2018, the Directors and chief executives of the Company and their associates had the following interests in 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 underlying shares of the Company

Name of Directors	Number of shares				Total interests	Approximate percentage of interests
	Personal interests	Family interests	Corporate/ Trust interests	Equity derivatives (share options)		
Victor Fung Kwok King	-	-	311,792,000 <i>(Note 1)</i>	-	311,792,000	40.89%
William Fung Kwok Lun	-	-	311,792,000 <i>(Note 1)</i>	-	311,792,000	40.89%
Richard Yeung Lap Bun	22,396,000	-	-	4,000,000 <i>(Note 2)</i>	26,396,000	3.46%
Pak Chi Kin	1,134,000	-	-	4,000,000 <i>(Note 2)</i>	5,134,000	0.67%

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 2018, none of the Directors, chief executives and their associates had any other interests or short positions in 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 Shares and Underlying Shares

As at 30 June 2018, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had notified the Company of their interests in 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	Trustee (Note 1)	40.89%
King Lun Holdings Limited	311,792,000	Interest of controlled corporation (Note 1)	40.89%
Aggregate of Standard Life Aberdeen plc affiliated investment management (together "SL & Aberdeen plc")	98,840,000	Investment manager (Note 2)	12.96%
Aberdeen Global	60,882,000	Investment manager (Note 2)	7.98%
The Capital Group Companies, Inc.	51,330,000	Interest of controlled corporation	6.73%

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 Shares, Underlying Shares and Debentures".
2. SL & Aberdeen plc held the shares on behalf of accounts (under discretionary or segregated mandates) managed by SL & Aberdeen plc. 60,882,000 shares were held by Aberdeen Global of which SL & Aberdeen plc is the investment manager and investment advisers.

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any other interests or short positions in 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

On 10 May 2010, the 2010 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company for the purpose of providing incentives and/or rewards to eligible persons as defined in the Scheme.

Details of the movements of share options under the 2010 Share Option Scheme during the six months ended 30 June 2018 are as follows:

Grantees	Number of share options					As at 30/6/2018	Exercise price HK\$	Grant date	Exercisable period
	As at 1/1/2018	Granted (Note 1)	Exercised (Note 2)	Lapsed (Note 3)	Expired (Note 4)				
Directors									
Richard Yeung Lap Bun	2,000,000	-	-	-	-	2,000,000	5.53	28/2/2014	1/4/2017–31/3/2020
	2,000,000	-	-	-	-	2,000,000	4.19	29/3/2017	1/4/2020–31/3/2023
Pak Chi Kin	2,000,000	-	-	-	-	2,000,000	5.53	28/2/2014	1/4/2017–31/3/2020
	1,222,000	-	-	-	-	1,222,000	4.19	29/3/2017	1/4/2020–31/3/2023
	-	778,000	-	-	-	778,000	3.88	8/3/2018	1/4/2020–31/3/2023
Continuous contract employees	10,570,000	-	-	(200,000)	-	10,370,000	5.53	28/2/2014	1/4/2017–31/3/2020
	396,000	-	-	-	-	396,000	5.10	19/3/2015	1/4/2017–31/3/2020
	168,000	-	(66,000)	-	-	102,000	2.86	16/3/2016	1/4/2017–31/3/2020
	7,882,000	-	-	(600,000)	-	7,282,000	4.19	29/3/2017	1/4/2020–31/3/2023
	-	4,240,000	-	(166,000)	-	4,074,000	3.88	8/3/2018	1/4/2020–31/3/2023
Other participants	1,734,000	-	-	(90,000)	-	1,644,000	5.53	28/2/2014	1/4/2017–31/3/2020
	22,000	-	-	-	-	22,000	5.10	19/3/2015	1/4/2017–31/3/2020
	100,000	-	-	-	-	100,000	4.19	29/3/2017	1/4/2020–31/3/2023
	28,094,000	5,018,000	(66,000)	(1,056,000)	-	31,990,000			

Notes:

1. *During the period, share options to subscribe for a total of 5,018,000 shares were granted on 8 March 2018. The closing price of the share immediately before the date on which the options were granted was HK\$3.9.*
2. *Share options to subscribe for 66,000 shares were exercised by a continuous contract employee during the period. The closing price of the share immediately before the date on which the said options were exercised was HK\$3.7.*
3. *Share options to subscribe for 1,056,000 shares lapsed during the period following the cessation of employment of certain grantees.*
4. *No share options under the 2010 Share Option Scheme were expired during the period.*
5. *No share options under the 2010 Share Option Scheme were cancelled during the period.*
6. *The above options granted are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in the annual audited financial statements for the year ended 31 December 2017.*
7. *The value of the options granted during the period is HK\$2,502,000 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK\$3.88 at the grant date, exercise price shown above, standard deviation of expected share price returns of 27.4%, expected life of options of four years, expected dividend paid out rate of 5.5% and annual risk-free interest rate of 1.7%. 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 2018, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates had been granted any other share options.

Change in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, change of Directors' information since the publication of the Company's 2017 Annual Report is set out below:

Name of Directors	Changes
Victor Fung Kwok King	<ul style="list-style-type: none">– Appointed as member of the Chief Executive's Council of Advisers on Innovation and Strategic Development on 21 March 2018– Resigned as non-executive director of Trinity Limited on 6 August 2018
William Fung Kwok Lun	<ul style="list-style-type: none">– Resigned as non-executive director of Trinity Limited on 18 April 2018
Anthony Lo Kai Yiu	<ul style="list-style-type: none">– Retired as independent non-executive director of The Taiwan Fund, Inc., a company listed on the New York Stock Exchange, on 17 April 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.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2018

		(Unaudited)	
		Six months ended	
		30 June	
	Note	2018 HK\$'000	2017 HK\$'000
Revenue	4	2,573,932	2,426,822
Cost of sales	5	(1,674,991)	(1,599,326)
Gross profit		898,941	827,496
Other income	4	56,754	53,193
Store expenses	5	(687,267)	(639,144)
Distribution costs	5	(81,101)	(71,514)
Administrative expenses	5	(106,034)	(99,935)
Core operating profit		81,293	70,096
Interest income	6	765	1,045
Profit before income tax		82,058	71,141
Income tax expenses	7	(14,706)	(14,021)
Profit attributable to shareholders of the Company		67,352	57,120
Basic earnings per share (HK cents)	8	8.83	7.52

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

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

Condensed Consolidated Balance Sheet

As at 30 June 2018

	Note	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Assets			
Non-current assets			
Fixed assets	10	352,435	357,173
Investment properties	11	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
		891,303	891,652
Current assets			
Inventories		194,536	192,603
Rental deposits		52,272	47,705
Trade receivables	12	85,678	82,017
Other receivables, deposits and prepayments		91,190	91,075
Restricted bank deposit	13	–	963
Cash and cash equivalents	13	391,389	450,776
		815,065	865,139
Total assets		1,706,368	1,756,791
Equity			
Share capital	15	76,253	76,246
Reserves		536,822	574,429
Total equity		613,075	650,675
Liabilities			
Non-current liabilities			
Long service payment liabilities		15,885	16,084
Deferred tax liabilities		8,794	10,067
		24,679	26,151
Current liabilities			
Trade payables	14	678,203	669,710
Other payables and accruals		199,106	219,927
Taxation payable		23,890	10,426
Cake coupons		167,415	179,902
		1,068,614	1,079,965
Total equity and liabilities		1,706,368	1,756,791

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	(Unaudited)							Total equity HK\$'000
	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	
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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	79,157	104,574
Overseas income tax paid	(1,792)	(1,528)
Net cash generated from operating activities	77,365	103,046
Cash flows from investing activities		
Purchase of fixed assets	(31,633)	(39,379)
Proceeds from disposal of fixed assets	86	515
Decrease in restricted bank deposit	963	–
Interest received	414	409
Net cash used in investing activities	(30,170)	(38,455)
Cash flows from financing activities		
Proceeds from issuance of shares	189	22,979
Dividends paid	(106,754)	(295,943)
Net cash used in financing activities	(106,565)	(272,964)
Decrease in cash and cash equivalents	(59,370)	(208,373)
Cash and cash equivalents at 1 January	450,776	541,942
Effect of foreign exchange rate changes	(17)	407
Cash and cash equivalents at 30 June	391,389	333,976

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 (i) chain of convenience stores in Hong Kong under the brand name of Circle K; (ii) chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; and (iii) developing businesses including e-commerce business through an online retailing platform of Fingershopping.com and an eyewear business under the brand name of Zoff.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and its principal place of business is 15th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information have been approved for issue by the Board of Directors on 16 August 2018.

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 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.

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 2017 consolidated financial statements, and should be read in conjunction with the 2017 consolidated financial statements.

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

(b) Fair value estimation

Financial instruments are measured in the condensed consolidated balance sheet at fair value 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 2018 and 31 December 2017 are as follows:

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Financial asset at fair value through other comprehensive income (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. For financial assets where 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 performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held 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, and developing businesses including e-commerce and eyewear businesses. Revenues recognised during the period are as follows:

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

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 segment information provided to the management for the reportable segments for the six months ended 30 June 2018 and 2017 are as follows:

	(Unaudited)				
	Six months ended 30 June 2018				
	Convenience Store	Bakery		Developing Businesses	Group
	HK HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	
Total segment revenue	2,061,358	488,606	57,818	30,839	2,638,621
Inter-segment revenue	-	(64,689)	-	-	(64,689)
Revenue from external customers	2,061,358	423,917	57,818	30,839	2,573,932
Total segment other income	54,661	4,325	1,033	76	60,095
Inter-segment other income	(2,228)	(1,103)	-	(10)	(3,341)
Other income	52,433	3,222	1,033	66	56,754
	2,113,791	427,139	58,851	30,905	2,630,686
Core operating profit/(loss)	75,026	11,842	(5,283)	(292)	81,293
Depreciation and amortisation	(14,166)	(19,128)	(3,848)	(632)	(37,774)

	(Unaudited)				
	Six months ended 30 June 2017				
	Convenience Store	Bakery		Developing Businesses	Group
	HK	HK & Others	Chinese Mainland	HK	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment revenue	1,962,150	458,941	57,204	8,134	2,486,429
Inter-segment revenue	-	(59,607)	-	-	(59,607)
Revenue from external customers	1,962,150	399,334	57,204	8,134	2,426,822
Total segment other income	49,807	3,410	1,805	69	55,091
Inter-segment other income	(791)	(1,107)	-	-	(1,898)
Other income	49,016	2,303	1,805	69	53,193
	2,011,166	401,637	59,009	8,203	2,480,015
Core operating profit/(loss)	67,125	14,372	(3,094)	(8,307)	70,096
Depreciation and amortisation	(14,370)	(17,679)	(3,652)	(398)	(36,099)

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).

The segment assets and liabilities as at 30 June 2018 and 31 December 2017 are as follows:

(Unaudited)					
As at 30 June 2018					
	Convenience Store	Bakery		Developing Businesses	Group HK\$'000
	HK HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	
	Total segment assets	651,783	765,372	60,140	
Total segment assets include:					
Additions to segment non-current assets	14,145	19,005	860	4,470	38,480
Total segment liabilities	735,209	293,516	16,852	15,032	1,060,609

(Audited)					
As at 31 December 2017					
	Convenience Store	Bakery		Developing Businesses	Group HK\$'000
	HK HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	
	Total segment assets	679,005	751,258	66,445	
Total segment assets include:					
Additions to segment non-current assets	34,876	51,159	7,667	2,198	95,900
Total segment liabilities	741,996	314,873	17,099	11,655	1,085,623

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 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Segment assets for reportable segments	1,497,612	1,508,312
Unallocated:		
Deferred tax assets	15,523	16,385
Corporate bank deposits	193,233	232,094
Total assets per condensed consolidated balance sheet	1,706,368	1,756,791

Reportable segment liabilities are reconciled to total liabilities as follows:

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Segment liabilities for reportable segments	1,060,609	1,085,623
Unallocated:		
Deferred tax liabilities	8,794	10,067
Taxation payable	23,890	10,426
Total liabilities per condensed consolidated balance sheet	1,093,293	1,106,116

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK\$2,450,979,000 (2017: HK\$2,306,807,000), and the total of its revenue from other countries is HK\$122,953,000 (2017: HK\$120,015,000) for the six months ended 30 June 2018.

The total of non-current assets other than financial asset at fair value through other comprehensive income and deferred tax assets located in Hong Kong is HK\$788,885,000 (as at 31 December 2017: HK\$784,820,000), and the total of these non-current assets located in other countries is HK\$85,000,000 (as at 31 December 2017: HK\$88,552,000) as at 30 June 2018.

5. Expenses by nature

	(Unaudited)	
	Six months ended	
	30 June	
	2018	2017
	HK\$'000	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
Total cost of sales, store expenses, distribution costs and administrative expenses	2,549,393	2,409,919

6. Interest income

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

7. 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:

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

8. Earnings per share

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

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

9. Dividend

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

10. Fixed assets

	(Unaudited) 30 June 2018 HK\$'000	(Unaudited) 30 June 2017 HK\$'000
Opening net book amount	357,173	337,476
Additions	32,273	40,897
Disposals	(449)	(2,110)
Depreciation	(36,649)	(35,010)
Exchange differences	87	430
Closing net book amount	352,435	341,683

11. Investment properties

	(Unaudited) 30 June 2018 HK\$'000	(Unaudited) 30 June 2017 HK\$'000
Opening net book amount	26,561	27,174
Depreciation	(493)	(482)
Exchange differences	(1)	136
Closing net book amount	26,067	26,828

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/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:

	(Unaudited) 30 June 2018 HK\$'000	(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
	85,678	82,017

13. Cash and cash equivalents

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Cash and cash equivalents	391,389	450,776
Restricted bank deposit	–	963
Total cash and bank balances	391,389	451,739

14. Trade payables

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

	(Unaudited) 30 June 2018 HK\$'000	(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
	678,203	669,710

15. Share capital

	(Unaudited) 30 June 2018		(Audited) 31 December 2017	
	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	762,464,974	76,246	755,300,974	75,530
Issue of shares on exercise of share options	66,000	7	7,164,000	716
At end of the period	762,530,974	76,253	762,464,974	76,246

16. Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets. Capital expenditure contracted but not yet provided as at 30 June 2018 is HK\$2,844,000 (as at 31 December 2017: HK\$2,609,000).

17. Related party transactions

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 40.89% 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) and 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>	2018 HK\$'000	2017 HK\$'000
Income			
Service income and reimbursement of office and administrative expenses Subsidiaries/fellow subsidiary of a substantial shareholder	<i>(i)</i>	1,307	1,289
Associate of a substantial shareholder		16	23
Rental and service income Subsidiary/fellow subsidiary of a substantial shareholder	<i>(ii)</i>	680	622
Sales of food products Subsidiaries of a substantial shareholder	<i>(iii)</i>	531	855
Associates of a substantial shareholder		12	31
Expenses			
Reimbursement of office and administrative expenses Subsidiaries of a substantial shareholder	<i>(iv)</i>	1,848	1,202
Associates of a substantial shareholder		718	856
Rental payable Subsidiary/fellow subsidiaries of a substantial shareholder	<i>(v)</i>	1,092	1,731
Associate of a substantial shareholder		5,207	4,826
Net purchases Subsidiaries of a substantial shareholder	<i>(vi)</i>	–	274

(b) Key management personnel compensation

	(Unaudited)	
	Six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Fees	1,445	1,570
Bonuses	6,155	5,711
Salaries and other allowances	5,939	6,143
Employee share option benefit	592	682
Pension costs – defined contribution scheme	45	45
	14,176	14,151

(c) Period-end balances with related parties

	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Amounts due from:		
Subsidiaries of a substantial shareholder	638	716
Associate of a substantial shareholder	4	6
Amounts due to:		
Subsidiaries/fellow subsidiary of a substantial shareholder	(1,118)	(1,144)
Associate of a substantial shareholder	(255)	(290)

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

Notes:

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