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 2024

Financial Highlights

	Change	**2024** **HK$'000**	2023 HK$'000
• Revenue	+2.8%	**721,654**	701,832
• Core operating profit	-19.5%	**17,419**	21,632
• Core operating profit (included interest expenses on lease liabilities)	-24.8%	**13,598**	18,072
• Profit attributable to shareholders of the Company	-16.0%	**12,767**	15,199
• Basic earnings per share (HK cents)	-20.0%	**1.6**	2.0
• Interim dividend per share (HK cents)	Nil	**2.0**	2.0

Operation Highlights

- Group revenue increases slightly in a challenging market; sales driven by festive products and bakery B2B performance

- Net profit recorded a drop as a result of weak eyewear performance in Hong Kong and startup costs in Singapore

- Bakery B2B experienced strong growth as clients leveraged the Group's established R&D and production capabilities in a difficult operating environment

- Retail environment expected to remain tough in second half of the year; in response, the Group is rationalising its store network across all regions, enhancing product competitiveness and operational productivity

- The Group maintained a healthy financial position with net cash of HK$176 million and no bank borrowings

- The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share, the same as last year

Number of Stores

	30 June 2024	31 December 2023
Saint Honore Cake Shops		
Hong Kong	**116**	120
Macau	**14**	14
Guangzhou	**18**	21
Subtotal	**148**	155
Pâtisserie Mon cher		
Hong Kong	**6**	6
Total number of Stores under Bakery Group	**154**	161
Zoff Eyewear Stores		
Hong Kong	**16**	15
Singapore	**5**	-
Subtotal	**21**	15
Total number of Stores under Convenience Retail Asia	**175**	176

CEO's Statement

The first six months of 2024 saw a continuation of many of the trends that have impacted the retail market since the pandemic, including the rise of outbound travel by local residents, changing shopping habits among Mainland Chinese tourists to Hong Kong, higher interest rates and generally weak consumer sentiment. As a result, store foot traffic and average basket size have fallen during weekends and public holidays. Adding to these difficulties were the unstable weather conditions that afflicted the city in April and May. Elsewhere, low labour availability is making it more difficult to expand our store network, while rising rental and labour costs are putting pressure on store operating margins.

Despite these challenges, the Group was still able to deliver a reasonable financial performance from its businesses during the period under review, driving revenue with innovative new products, attractive promotions and timely category management while employing prudent cost control measures to protect margins. We were also able to leverage the growing trend by industry players to outsource non-core categories such as bakery products, leading to significant growth for our B2B enterprise. Meanwhile, we made solid progress with our new eyewear business in Singapore and bolstered our manufacturing operations to facilitate future bakery and B2B growth.

Operations Review – Saint Honore Cake Shop

As at 30 June 2024, the Group was operating 130 Saint Honore stores in Hong Kong and Macau compared to 128 at the end of the first half of 2023. The Group opened one store and closed eight during the first six months of 2024. The total network in Guangzhou amounted to 18 locations.

In the first half of the year, the Group was able to maintain revenue on a par with the previous comparable period despite the fact that lower consumer spending and more frequent outbound travel caused same-store sales to decrease. The main reasons were strong double-digit growth in the Group's burgeoning B2B enterprise and satisfactory performance in bread sales, the latter of which was supported by a number of new, higher-margin products such as sourdough, donuts and grab-n-go sandwiches.

Consumer sentiment during the period under review remained weak on account of a variety of factors, including financial and property market concerns, geopolitical tensions, and volatility in the global and Mainland Chinese economies. This contributed to both lighter footfall and lower average basket size. Sales of celebratory cakes also decreased industry-wide due to the trend away from hosting events, particularly on weekends and public holidays.

Gross profit rose slightly due to prudent cost control measures and the depreciation of the renminbi. In Hong Kong, the on-going labour shortage and associated rising costs continued to put pressure on store operating margins, which the Group sought to counter by streamlining work processes, adjusting store hours and adding more flexible shift workers.

Rents continued to rise slightly over the first six months of 2024, leading to greater discrepancy between landlord expectations and tenant affordability. In response, the Group rationalised its store network by reviewing store performance, closing underperforming locations, and employing a more selective store expansion strategy with focus on locations at high-traffic community malls and transit points.

The rise in outbound travel by Hong Kong residents following years of pandemic-related restrictions has had a significantly negative impact on local spending for the entire retail industry. Meanwhile, inbound tourists are spending less on shopping and dining in favour of cultural and outdoor recreational activities. To drive traffic and sales in such a challenging market, the Group employed effective category, pricing and festive product strategies and supported them aggressively with promotional campaigns. Our "Cake Easy" online-to-offline (O2O) customer relationship management (CRM) platform remained an important marketing tool. As at 30 June 2024, Cake Easy had more than 1.3 million members across Hong Kong and Macau – a high percentage of which could be categorised as active – and the Group's primary focus now is on ensuring quality engagement. Key digital marketing initiatives included a red packet promotion and reusable e-coupon offers, all of which served to drive in-store traffic and sales while increasing brand visibility. During the review period, the Hong Kong Retail Management Association awarded Cake Easy with an "O2O Customer Experience Recognition" and named Saint Honore a "Top 10 Quality Eshop", both offering strong testimony to the quality of the Group's digital shopping experience.

To support our bakery operations and meet growing demand from B2B customers seeking bespoke bakery solutions, we continued to upgrade our production facilities through increased digitalisation and modernised equipment. We also sought to develop talent and skills in the areas of production process management, new product development, and baking science and technology to ensure premium products and customer satisfaction. The Group has also been building its capabilities in chilled products, expanding into a growing segment where sales are being driven by demand from younger consumers.

The Group strives to be a good corporate citizen. In March, Saint Honore Hong Kong participated in the Earth Hour campaign held by the World Wide Fund for Nature (WWF), switching off non-essential lights at all stores to show support for environmental awareness. We also continued our bread donation programmes for the needy and gave unredeemed festive products to various NGOs.

In Guangzhou, performance continued to be affected by the tough retail environment, although sales of festive products were once again strong. The Group is currently working to contain losses by rationalising costs and rightsizing its store network. New products introduced in the first half of the year have been well received, and our marketing efforts have ramped up with the launch of our official account in Little Red Book ("RED"), the popular Chinese social media and e-commerce lifestyle platform, which is providing a boost to our online promotions in the Greater Bay Area ("GBA").

Operations Review – Mon cher

The Group has been operating Pâtisserie Mon cher, a Japanese bakery brand famous for its signature "Dojima" cream rolls, in Hong Kong since obtaining the franchise licence in 2020. As at 30 June 2024, there were six Mon cher stores in the market with another scheduled to be opened in Central in early 2025. During the first half of the year, Mon cher launched its first-ever Chinese New Year gift sets, which received a lot of positive comments from consumers. However, weekend sales experienced a dip due to the outbound travel trend and dampened local consumer sentiment towards items such as premium cake products.

Operations Review – Zoff

In Hong Kong, comparable store sales fell due to significantly lower pricing from competitors in the GBA as well as the strong Hong Kong dollar, which is encouraging locals to make big-ticket purchases abroad. However, as the market leader, we must continue to penetrate into new catchment areas to grow our market share. During the period under review, the Group opened two more locations, resulting in a total network size of 16 stores in Hong Kong.

Zoff carries an unparalleled selection of more than 1,400 stylish SKUs that are refreshed regularly to keep pace with the latest fashion trends and customer preferences. Zoff also frequently collaborates with popular IP franchises and characters and enjoys many influencer endorsements, providing the brand with additional advantages in an increasingly competitive market. The highly sought-after "Zoff x Chiikawa" collaborative collection was sold out within weeks of launching, once again cementing Zoff as a leader in fast-fashion eyewear.

This January, the Group made its first foray into Southeast Asia by fully acquiring Zoff Singapore, the exclusive operator of the Zoff eyewear brand in the city, from the brand owner. There are currently four outlets in Singapore. Over the first half of the year, sales experienced a decline due to a hike in GST as well as lighter foot traffic resulting from locals travelling abroad during weekends and public holidays. However, the Group was successful in narrowing losses by streamlining store operations, providing operational support from Hong Kong, introducing store performance incentive schemes and increasing exposure in social media channels. "Simple Pricing", introduced in March, now makes the brand accessible to many more Singaporeans by offering a lower entry price. The Group is also planning for future network expansion in residential catchment areas.

Future Prospects

The local retail industry has undergone profound changes since the pandemic subsided, particularly in terms of consumer shopping patterns. The Group believes Saint Honore is performing reasonably well by maintaining revenue in such a difficult market. The arrival of the Mid-Autumn and Christmas holiday seasons in the second half may also provide a welcome boost. However, a decisive shift towards pre-pandemic shopping patterns may still be some time away. In the meantime, we will continue to expand our offerings with innovative, high-quality, on-trend products to entice customers and increase basket size. We are especially keen to leverage our competitive strength in chilled product categories.

Meanwhile, for the Group's B2B enterprise, we have seen promising results to date, and there are robust opportunities in future, too, as more industry players move to outsource their bakery offerings. Heading into the second half of the year, this business has a healthy developmental pipeline driven by organic growth and new client acquisitions. We look forward to nurturing it further as we seek to diversify and grow our revenue streams.

To support the overall growth of our bakery operations, including Saint Honore, Mon cher and B2B, we are investing in enhancing and upgrading our production facilities. Our extensive efforts in digitalisation, smart manufacturing and semi-automation will also help offset the challenges posed by a difficult labour market, where ultra-low unemployment levels are driving up staffing costs significantly.

Given the state of the current retail property market, the Group will continue to take a prudent approach towards store network expansion as it explores new locations and store formats. We are excited to further develop our eyewear business in Hong Kong and Singapore, the latter of which also offers a golden opportunity to demonstrate our exceptional brand-building capabilities to a whole new market. As always, we will seek expansion opportunities through M&A, joint venture, licensing and franchising deals to create synergies with our existing brands and expand our specialty retail portfolio.

Michael TANG Tsz Kin
Chief Executive Officer

Hong Kong, 16 August 2024

Discussion and Analysis

Financial Review

During the first six months of 2024, the Group's turnover increased by 2.8% to HK$722 million. Turnover for the bakery business increased by 3.1% to HK$649 million. Daily store sales was still adversely affected by outbound travel of local consumers. But strong growth in B2B, together with satisfactory festive sales were able to make up the shortfall. Turnover for the bakery business in Guangzhou decreased by 16.7% which was mainly due to closing of non-performing stores. Turnover for the Zoff eyewear business maintained at HK$73 million after the inclusion of the newly acquired Singapore operation. In Hong Kong market, the much dropped footfall at shopping malls had impacted the revenue.

Gross margin as a percentage of turnover improved by 1.6 percentage points to 53.7%. This was achieved through effective pricing strategy, category management, production efficiency enhancement and favourable foreign exchange rates against the renminbi and Japanese yen.

Operating expenses as a percentage of turnover increased from 49.7% to 51.7%. This was mainly caused by high staff-related costs amidst tight labour market. Despite the weak retail sales environment, rental costs were still on a mild rise. Distribution expenses were maintained at same level as last year after further effort to optimise the supply chain. Including interest expenses on lease liabilities arising from operating leases, operating expenses increased to 52.2% of turnover, up from 50.2% in 2023.

Core operating profit before interest expenses on lease liabilities decreased by 19.5% to HK$17 million. Including interest expenses on lease liabilities, core operating profit decreased by 24.8% to HK$14 million. Net profit decreased by 16.0%, from HK$15 million to HK$13 million. Basic earnings per share decreased by 20.0% to 1.6 HK cents from 2.0 HK cents.

As at 30 June 2024, the Group had a net cash balance of HK$176 million, generated mainly 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, Mainland China and Singapore. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars, Singapore dollars, renminbi or Japanese yen. The Group had foreign exchange exposure as the Group's trade suppliers transact in renminbi and Japanese yen. 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 term deposits denominated in its operating currencies, with appropriate maturity periods to meet the operating requirements and capital expenditure requirements in the future. The Group has standby banking facilities of HK$78 million in support of treasury planning and management.

The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share.

Employees

As at 30 June 2024, the Group had a total of 3,150 employees, with 1,554, or 49%, based in Hong Kong and 1,596, or 51%, based in Guangzhou, Macau, Shenzhen and Singapore. Part-time staff accounted for 23% of total headcount. Total staff cost for the six months ended 30 June 2024 was HK$257 million compared with HK$239 million over the same period last year.

The Group offers competitive remuneration schemes for eligible employees, including salary packages supplemented by discretionary bonuses and share options based on individual and company performance. It also strives to create opportunities for staff to further their careers, providing comprehensive job-related skill enhancement programmes as well as customer service training for frontline staff. The Group has been named a “Super MD” in the Employees Retraining Board Manpower Developer Award Scheme for the years 2020-2025 for providing safe, healthy, stable and secure work environments.

At a time of low unemployment and labour availability, it is more crucial than ever to ensure employee satisfaction and retention. Each year, the Activity Organising Board (AOB) coordinates a number of initiatives under the HEARTS (Happy, Energised, Achievements, Respect, Training and Success) employee engagement programme to help colleagues succeed professionally and to foster staff camaraderie. These include career development programmes, events designed to promote work-life balance and social activities. So far this year, the Group and its staff have organised and/ or participated in a variety of food donation drives, outreach engagements for the elderly, recycling and food waste reduction programmes, carbon reduction initiatives, and more.

Sustainability and Corporate Social Responsibility

As a member of the Fung Group, the Group adheres to the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability. The Group is committed to achieving sustainability in its operations wherever possible, striving to protect the environment and conserve natural resources while saving costs through the “three Rs” of reducing, reusing and recycling. It also uses energy-efficient equipment and low-carbon fuels to minimise its carbon footprint.

For the year of 2023-2024, Saint Honore has received the “15 Years Plus Caring Company Logo” continuity award from The Hong Kong Council of Social Service. Meanwhile, Zoff Hong Kong was awarded the “5 Years Plus Caring Company Logo” in the same period. Both of these awards reflect our Group’s emphasis on Corporate Social Responsibility (CSR) and our commitment to giving back to the community. Further information about the Group’s environmental, social and governance policies and performance will be provided in a separate report on the Group’s website.

Condensed Consolidated Profit and Loss Account
For the six months ended 30 June 2024

	Note	**(Unaudited) Six months ended 30 June 2024 HK$'000**	2023 HK$'000
Revenue	*3*	**721,654**	701,832
Cost of sales	*4*	**(334,427)**	(335,965)
Gross profit		**387,227**	365,867
Other income	*3*	**3,333**	4,348
Store expenses	*4*	**(267,269)**	(251,162)
Distribution costs	*4*	**(42,180)**	(41,404)
Administrative expenses	*4*	**(63,692)**	(56,017)
Core operating profit		**17,419**	21,632
Interest expenses, net	*5*	**(672)**	(1,352)
Profit before income tax		**16,747**	20,280
Income tax expenses	*6*	**(3,980)**	(5,081)
Profit attributable to shareholders of the Company		**12,767**	15,199
Earnings per share (HK cents)			
Basic/diluted	*7*	**1.6**	2.0

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2024

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**12,767**	15,199
Other comprehensive (loss)/income:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(101)**	116
Total comprehensive income attributable to shareholders of the Company	**12,666**	15,315

Condensed Consolidated Balance Sheet
As at 30 June 2024

	Note	**(Unaudited) 30 June 2024 HK$'000**	(Audited) 31 December 2023 HK$'000
Assets			
Non-current assets			
Intangible assets		**359,456**	357,465
Fixed assets		**174,621**	181,337
Right-of-use assets		**246,877**	266,323
Investment properties		**5,377**	5,494
Lease premium for land		**65,400**	66,874
Deferred tax assets		**2,885**	1,760
Rental and other long-term deposits		**45,928**	44,087
		900,544	923,340
Current assets			
Inventories		**43,572**	36,509
Rental deposits		**20,353**	19,350
Trade receivables	*9*	**55,455**	57,003
Other receivables, deposits and prepayments		**30,587**	27,920
Taxation recoverable		**675**	77
Restricted bank deposit		**1,211**	1,249
Cash and cash equivalents		**174,437**	220,640
		326,290	362,748
Total assets		**1,226,834**	1,286,088
Equity			
Share capital		**77,742**	77,742
Reserves		**564,173**	582,448
Total equity		**641,915**	660,190
Liabilities			
Non-current liabilities			
Lease liabilities		**118,125**	129,337
Long service payment liabilities		**12,785**	12,125
Deferred tax liabilities		**9,679**	8,728
		140,589	150,190
Current liabilities			
Trade payables	*10*	**70,903**	64,885
Other payables and accruals		**119,963**	135,608
Lease liabilities		**138,346**	145,266
Taxation payable		**6,064**	3,547
Cake coupons		**109,054**	126,402
		444,330	475,708
Total equity and liabilities		**1,226,834**	1,286,088

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2024

	(Unaudited) Attributable to shareholders of the Company						
	Share capital HK$'000	Share premium HK$'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 2024	**77,742**	**888**	**20,002**	**954**	**(274)**	**560,878**	**660,190**
Profit attributable to shareholders of the Company	**-**	**-**	**-**	**-**	**-**	**12,767**	**12,767**
Exchange differences	**-**	**-**	**-**	**-**	**(101)**	**-**	**(101)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(101)**	**12,767**	**12,666**
Employee share option benefit	**-**	**-**	**-**	**156**	**-**	**-**	**156**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(31,097)**	**(31,097)**
	-	**-**	**-**	**156**	**-**	**(31,097)**	**(30,941)**
At 30 June 2024	**77,742**	**888**	**20,002**	**1,110**	**(375)**	**542,548**	**641,915**
At 1 January 2023	77,624	-	20,002	1,142	(325)	557,380	655,823
Profit attributable to shareholders of the Company	-	-	-	-	-	15,199	15,199
Exchange differences	-	-	-	-	116	-	116
Total comprehensive income for the period	-	-	-	-	116	15,199	15,315
Issue of new shares	100	664	-	-	-	-	764
Employee share option benefit	-	94	-	(172)	-	198	120
Dividends paid	-	-	-	-	-	(38,862)	(38,862)
	100	758	-	(172)	-	(38,664)	(37,978)
At 30 June 2023	77,724	758	20,002	970	(209)	533,915	633,160

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) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and Mainland China; (ii) a chain of premium pâtisserie under the brand name of Mon cher in Hong Kong – one of Japan's most popular pâtisserie and cake brands; and (iii) a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong and Singapore.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business of the Company 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 2024.

2. Basis of preparation

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 2023 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 2023 consolidated financial statements, except as described below.

Intangible assets

Licences

Separately acquired licences are shown at historical cost. Licences are recognised at fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and impairment losses. They have a finite useful life, and are amortised on a straight-line basis over the remaining term of the licences.

2. **Basis of preparation (continued)**

The Group has adopted new and amended standards and interpretation of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2024 and relevant to its operations. The adoption of such new and amended standards and interpretation 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. **Revenue, other income and segment information**

The Group is principally engaged in the operation of chains of bakeries and eyewear business. Revenues recognised during the period are as follows:

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Revenue		
Bakery sales revenue	**648,658**	629,093
Eyewear sales revenue	**72,996**	72,739
	721,654	701,832
Other income		
Service items and miscellaneous income	**3,333**	4,348

3. Revenue, other income and segment information (continued)

Segment information

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

The management considers the business principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of bakery and eyewear businesses. For bakery segment, revenues are mainly comprised of sale of bakery and festival products under the brand names of Saint Honore and Mon cher. For eyewear segment, revenues are mainly derived from the sale of eyewear products under the brand name of Zoff. Geographically, the management considers the performance of retailing business in Hong Kong and others, and Mainland China.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2024 and 2023 are as follows:

	(Unaudited) Six months ended 30 June 2024			
	Bakery		Eyewear	
	HK & Others HK$'000	Mainland China HK$'000	HK & Others HK$'000	Group HK$'000
Total segment revenue	627,396	29,618	72,996	730,010
Inter-segment revenue	(8,308)	(48)	-	(8,356)
Revenue from external customers	619,088	29,570	72,996	721,654
Other income	2,400	166	767	3,333
	621,488	29,736	73,763	724,987
Core operating profit/(loss)	24,964	(3,594)	(3,951)	17,419
Core operating profit/(loss) (included interest expenses on lease liabilities)	22,532	(4,340)	(4,594)	13,598
Depreciation	(87,901)	(5,911)	(19,634)	(113,446)
Depreciation (excluded depreciation on right-of-use assets)	(22,329)	(542)	(3,092)	(25,963)

3. Revenue, other income and segment information (continued)

Segment information (continued)

	(Unaudited) Six months ended 30 June 2023			
	Bakery		Eyewear	
	HK & Others HK$'000	Mainland China HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	605,374	35,551	72,739	713,664
Inter-segment revenue	(11,803)	(29)	-	(11,832)
Revenue from external customers	593,571	35,522	72,739	701,832
Other income	3,734	61	553	4,348
	597,305	35,583	73,292	706,180
Core operating profit/(loss)	13,413	(3,303)	11,522	21,632
Core operating profit/(loss) (included interest expenses on lease liabilities)	11,051	(4,107)	11,128	18,072
Depreciation	(82,261)	(7,762)	(13,410)	(103,433)
Depreciation (excluded depreciation on right-of-use assets)	(21,346)	(643)	(1,826)	(23,815)

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 (included interest expenses on lease liabilities).

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the condensed consolidated profit and loss account and interest expenses, in note 5, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue of HK$8,356,000 (2023: HK$11,832,000) represents internal sales within Bakery segment.

4. Expenses by nature

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Cost of inventories sold	**190,795**	197,198
Delivery charges	**21,414**	25,411
Depreciation of owned fixed assets	**24,372**	22,225
Depreciation of right-of-use assets	**87,483**	79,618
Depreciation of investment properties	**117**	116
Depreciation of lease premium for land	**1,474**	1,474
Employee benefit expense	**257,410**	239,137
Short-term and variable lease payments	**7,932**	7,661
Utilities	**22,064**	22,377
Other expenses	**94,507**	89,331
Total cost of sales, store expenses, distribution costs and administrative expenses	**707,568**	684,548

5. Interest expenses, net

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Interest income on bank deposits	**3,149**	2,208
Interest expenses on lease liabilities	**(3,821)**	(3,560)
	(672)	(1,352)

6. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2024 and 2023. 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 to the condensed consolidated profit and loss account represents:

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**2,947**	3,019
Overseas profits tax	**1,208**	1,188
Deferred income tax	**(175)**	874
	3,980	5,081

7. Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the unaudited profit attributable to shareholders of the Company for the corresponding 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	
	2024	2023
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**12,767**	15,199
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**777,416,974**	776,622,875
Adjustment for:		
Share options	**170,508**	1,274,135
Weighted average number of ordinary shares for diluted earnings per share	**777,587,482**	777,897,010

8. Dividend

	(Unaudited) Six months ended 30 June 2024 HK$'000	2023 HK$'000
Interim dividend, proposed of 2 HK cents (2023: 2 HK cents) per share	**15,548**	15,545

At a meeting held on 16 August 2024, the Directors proposed an interim dividend and it is not reflected as dividend payable in this condensed consolidated interim financial information.

9. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from corporation 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 2024, the aging analysis by invoice date of trade receivables is as follows:

	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
0-30 days	**29,085**	31,431
31-60 days	**24,278**	21,928
61-90 days	**437**	1,808
Over 90 days	**1,655**	1,836
	55,455	57,003

10. Trade payables

At 30 June 2024, the aging analysis by invoice date of the trade payables is as follows:

	(Unaudited) 30 June 2024 HK$'000	(Audited) 31 December 2023 HK$'000
0-30 days	**38,005**	39,713
31-60 days	**30,141**	22,812
61-90 days	**1,030**	757
Over 90 days	**1,727**	1,603
	70,903	64,885

Corporate Governance

The Board 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.

The Company has been in full compliance with all of the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2024. Corporate governance structure and practices adopted by the Company during the six months under review were in line with those practices set out in the Company's 2023 Annual Report, and were also consistent with the principles set out in the CG Code.

The Board is responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters as well as investments. In order to enhance independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer are held separately. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board has established three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, each of which has its own defined terms of reference (available on the Company's corporate website). These terms of reference are in line with the CG Code.

All the committees comprise a majority of Independent Non-executive Directors to ensure independent views and input are available to the Board. 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. Such committees are provided with sufficient resources to discharge their duties and have access to independent professional advice if considered necessary at the Company's expense.

Audit Committee

The Audit Committee is primary 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 has authority to investigate any activity within its terms of reference and has full access to and the cooperation of management. It has direct access to Corporate Governance Division ("CGD") and the external auditor, and full discretion to invite any management to attend its meetings.

The Audit Committee has reviewed with senior management the unaudited interim financial information for the six months ended 30 June 2024 before recommending it to the Board for approval.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted a Code for Securities Transactions by Directors and Relevant Employees (the "Securities Code") governing Directors' securities transactions on terms no less exacting than those of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 2024. No incident of non-compliance by Directors and relevant employees was noted by the Company for the period under review.

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. Based on the respective assessments made by CGD, the Board and the Audit Committee considered that for the six months ended 30 June 2024:

- 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 (including ESG risks) attributable to the Group were identified and monitored, material transactions were executed in accordance with the Group's policies under management's authorisation, and the financial statements were reliable for publication;

- there were ongoing processes for identifying, evaluating and managing the significant risks faced by the Group.

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 2024 of 2 HK cents (2023: 2 HK cents) per share to the shareholders of the Company.

Closure of Register of Members

The Register of Members of the Company will be closed from 2 September 2024 to 3 September 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 30 August 2024. Dividend warrants will be despatched on 12 September 2024.

On behalf of the Board
Convenience Retail Asia Limited
Michael TANG Tsz Kin
Executive Director
& Chief Executive Officer

Hong Kong, 16 August 2024

As at the date of this announcement, Executive Director of the Company is Mr Michael Tang Tsz Kin; Non-executive Directors are Dr William Fung Kwok Lun, Mr Richard Yeung Lap Bun, Ms Sabrina Fung Wing Yee, Mr Terence Fung Yue Ming and Ms Tiffany Daisy Lee Pei Ming; Independent Non-executive Directors are Mr Anthony Lo Kai Yiu, Dr Sarah Mary Liao Sau Tung and Mr Terrence Tsang Diao-Long.