

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

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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement.



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08052)

HALF YEAR RESULTS FOR THE PERIOD ENDED 30 JUNE 2009

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

Operation Highlights

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

NUMBER OF STORES AS OF 30 JUNE 2009

Circle K Convenience Stores

| | |
|-----------|-------|
| Hong Kong | 292 |
| Guangzhou | 66 |
| Shenzhen | 1 |
| | <hr/> |

Subtotal 359

Franchised Circle K Stores

| | |
|-----------|-------|
| Guangzhou | 4 |
| Macau | 18 |
| Zhuhai | 13 |
| | <hr/> |

Subtotal 35

Total number of Circle K Stores 394

Saint Honore Group

| | |
|-----------------------|-------|
| Hong Kong - Cake Shop | 80 |
| - Bread Boutique | 3 |
| | <hr/> |

Subtotal 83

| | |
|-----------------------|-------|
| Macau - Cake Shop | 7 |
| Guangzhou - Cake Shop | 14 |
| | <hr/> |

Subtotal 21

Total number of Saint Honore Stores 104

Total number of Stores under Convenience Retail Asia 498

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

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

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

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

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

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

The Group continued to maintain a strong financial position with net cash of HK\$400.3 million without bank borrowings. The Group's cash balances were mainly deposits in HK dollars with major banks in Hong Kong. Most of the Group's assets, liabilities, revenues and payments were mainly held in either HK dollars or Renminbi. The Group had limited foreign exchange exposure in Renminbi as a result of its business operations on the Chinese Mainland. The Group is liable to interest rate risks on the interest income earned from short-term bank deposits. The Group will continue its policy of placing surplus cash in short-term HK dollars or Renminbi bank deposits in order to be prepared for funding requirements of any future acquisition projects.

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

Operation Review – Hong Kong

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

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

Employees

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

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

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

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

Service Excellence

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

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

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

Marketing and Promotion

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

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

Category Management

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

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

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

Supply Chain Management and Logistics

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

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

Operation Review – Guangzhou

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

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

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

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

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

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

The Saint Honore Operations in Hong Kong

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

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

Future Prospects

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

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

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

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

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

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

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2009**

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2009**

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

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009

(Unaudited)

| | Attributable to shareholders of the Company | | | | | | | Minority interests | Total equity |
|---|---|------------------|-------------------|--------------------|--|---------------------|----------------------|-----------------------|-----------------|
| | Share capital | Share premium | Merger reserve | Capital reserve | Employee share-based compensation reserve | Exchange reserve | Retained earnings | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| At 1 January 2008 | 72,907 | 280,035 | 177,087 | 13,433 | 7,652 | 4,276 | 172,212 | (7,954) | 719,648 |
| Profit attributable to shareholders of the Company | - | - | - | - | - | - | 39,320 | - | 39,320 |
| Exchange differences | - | - | - | - | - | 4,446 | - | (302) | 4,144 |
| Total comprehensive income for the period | - | - | - | - | - | 4,446 | 39,320 | (302) | 43,464 |
| Issue of new shares | 85 | 1,397 | - | - | - | - | - | - | 1,482 |
| Employee share option benefit | - | 182 | - | - | 2,129 | - | 74 | - | 2,385 |
| Dividend | - | - | - | - | - | - | (40,143) | - | (40,143) |
| | 85 | 1,579 | - | - | 2,129 | - | (40,069) | - | (36,276) |
| At 30 June 2008 | 72,992 | 281,614 | 177,087 | 13,433 | 9,781 | 8,722 | 171,463 | (8,256) | 726,836 |
| At 1 July 2008 | 72,992 | 281,614 | 177,087 | 13,433 | 9,781 | 8,722 | 171,463 | (8,256) | 726,836 |
| Profit attributable to shareholders of the Company | - | - | - | - | - | - | 49,553 | - | 49,553 |
| Actuarial losses on post employment benefit | - | - | - | - | - | - | (9,561) | - | (9,561) |
| - gross | - | - | - | - | - | - | (9,561) | - | (9,561) |
| - tax | - | - | - | - | - | - | 1,570 | - | 1,570 |
| Exchange differences | - | - | - | - | - | (44) | - | - | (44) |
| Total comprehensive income for the period | - | - | - | - | - | (44) | 41,562 | - | 41,518 |
| Employee share option benefit | - | - | - | - | 1,948 | - | 185 | - | 2,133 |
| Dividend | - | - | - | - | - | - | (12,409) | - | (12,409) |
| | - | - | - | - | 1,948 | - | (12,224) | - | (10,276) |
| At 31 December 2008 | 72,992 | 281,614 | 177,087 | 13,433 | 11,729 | 8,678 | 200,801 | (8,256) | 758,078 |
| At 1 January 2009 | 72,992 | 281,614 | 177,087 | 13,433 | 11,729 | 8,678 | 200,801 | (8,256) | 758,078 |
| Profit attributable to shareholders of the Company | - | - | - | - | - | - | 35,772 | - | 35,772 |
| Exchange differences | - | - | - | - | - | (38) | - | - | (38) |
| Total comprehensive income for the period | - | - | - | - | - | (38) | 35,772 | - | 35,734 |
| Employee share option benefit | - | - | - | - | 1,158 | - | 640 | - | 1,798 |
| Dividend | - | - | - | - | - | - | (40,145) | - | (40,145) |
| | - | - | - | - | 1,158 | - | (39,505) | - | (38,347) |
| At 30 June 2009 | 72,992 | 281,614 | 177,087 | 13,433 | 12,887 | 8,640 | 197,068 | (8,256) | 755,465 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

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

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31 December 2008. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 January 2009. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies except certain changes on the presentation of the condensed consolidated interim financial information and segment information.

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

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

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

2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores and bakeries. Revenues recognised during the three months and six months ended 30 June 2009 are as follows:

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

Segment information

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

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

The segment information provided to the management for the reportable segments for the three months and six months ended 30 June 2009 is as follows:

| | (Unaudited) | | | | |
|-----------------------------------|---------------------------------|-------------------------|------------------------------|----------|----------|
| | Three months ended 30 June 2009 | | | | |
| | Convenience Store | | Bakery | | Group |
| HK & Others HK\$'000 | Chinese Mainland HK\$'000 | HK & Others HK\$'000 | Chinese Mainland HK\$'000 | HK\$'000 | |
| Total segment revenue | 635,084 | 34,430 | 151,000 | 9,431 | 829,945 |
| Inter-segment revenue | (3) | - | (14,680) | - | (14,683) |
| Revenue from external customers | 635,081 | 34,430 | 136,320 | 9,431 | 815,262 |
| Total segment other income | 58,973 | 3,224 | 621 | 8 | 62,826 |
| Inter-segment other income | (445) | (88) | (540) | - | (1,073) |
| Other income | 58,528 | 3,136 | 81 | 8 | 61,753 |
| | 693,609 | 37,566 | 136,401 | 9,439 | 877,015 |
| Profit/(loss) after tax | 29,866 | (7,904) | 595 | (686) | 21,871 |
| Profit/(loss) after tax includes: | | | | | |
| Depreciation | (7,686) | (2,881) | (7,431) | (614) | (18,612) |
| Amortisation | - | (113) | (931) | - | (1,044) |
| Interest income | 601 | 6 | 18 | 3 | 628 |
| Income tax (expenses)/credit | (6,119) | - | (106) | 228 | (5,997) |
| | 671,448 | 45,589 | 144,081 | 7,251 | 868,369 |
| Profit/(loss) after tax | 31,837 | (11,682) | 6,506 | (1,038) | 25,623 |
| Profit/(loss) after tax includes: | | | | | |
| Depreciation | (7,161) | (3,094) | (6,900) | (1,095) | (18,250) |
| Amortisation | - | (111) | (850) | - | (961) |
| Interest income | 857 | 15 | 39 | 21 | 932 |
| Income tax expenses | (6,090) | - | (863) | - | (6,953) |

Revenues between segments are carried out at arm's length. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of profit after tax.

3. Expenses by nature

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

4. Interest income

| | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|----------------------------------|---|--------------------------------|---|--------------------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 | 2009 HK\$'000 | 2008 HK\$'000 |
| Interest income on bank deposits | <u>628</u> | <u>932</u> | <u>1,359</u> | <u>2,266</u> |

5. Income tax expenses

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

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

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

6. Dividend

| | (Unaudited) | | (Unaudited) | |
|--|---------------------------|-----------------|-------------------------|-----------------|
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2009 | 2008 | 2009 | 2008 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interim dividend, proposed after balance sheet date of 1.7 HK cents (2008: 1.7 HK cents) per share | <u>12,409</u> | <u>12,409</u> | <u>12,409</u> | <u>12,409</u> |

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

7. Earnings per share

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

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

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

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

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

8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 30 June 2009, the aging analysis of trade receivables is as follows:

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

9. Trade payables

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

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

CORPORATE GOVERNANCE

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

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

The Board has established the Audit Committee and Remuneration Committee (all chaired by non-executive Directors) with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

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

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

Audit Committee

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

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

Directors' Securities Transactions

The Group has adopted procedures governing Directors' securities transactions in compliance with Rules 5.48 to 5.67 of the GEM Listing Rules. Specific confirmation of compliance has been obtained from all Directors for the six months ended 30 June 2009. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines which are of no less exacting terms than those set out in the GEM Listing Rules. No incident of non-compliance was noted by the Company for the six months ended 30 June 2009.

Internal Control and Risk Management

The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee.

The Board has delegated to executive management the design, implementation and ongoing monitoring of the system of internal controls covering financial, operational and compliance controls and risk management procedures.

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

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

Compliance with the Code on Corporate Governance Practices of the GEM Listing Rules

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2009.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 24 August 2009 to 28 August 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 August 2009. Dividend warrants will be despatched on 31 August 2009.

On behalf of the Board
Convenience Retail Asia Limited
Yeung Lap Bun, Richard
Executive Director

Hong Kong, 4 August 2009

As at the date of this Announcement, executive Director of the Company is Mr. Yeung Lap Bun, Richard; non-executive Directors are Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Mr. Jeremy Paul Egerton Hobbins, Ms. Wong Yuk Nor, Louisa and Mr. Godfrey Ernest Scotchbrook; independent non-executive Directors are Dr. Ch'ien Kuo Fung, Raymond, Mr. Au Man Chung, Malcolm and Mr. Lo Kai Yiu, Anthony.

This Announcement will be available from the Company's website at www.cr-asia.com and will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting.