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 2023

A Fung Retailing Company

Contents

Corporate Information

Executive Director	Michael TANG Tsz Kin *(Chief Executive Officer)*
Non-executive Directors	William FUNG Kwok Lun #+ *(Chairman)* Richard YEUNG Lap Bun Godfrey Ernest SCOTCHBROOK * Sabrina FUNG Wing Yee Terence FUNG Yue Ming #
Independent Non-executive Directors	Anthony LO Kai Yiu #* Sarah Mary LIAO Sau Tung #+* Terrence TSANG Diao-Long #+*
Group Chief Compliance and Risk Management Officer	Jason YEUNG Chi Wai
Company Secretary	CHAN Chor Fai
Registered Office	Third Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103 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 (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 *Certified Public Accountants* *Registered Public Interest Entity Auditor*
Principal Share Registrar and Transfer Office	Tricor Services (Cayman Islands) Limited Third Floor, Century Yard Cricket Square, P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Abacus Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Banker	The Hongkong and Shanghai Banking Corporation Limited
Stock Code	00831

Highlights

Financial Highlights

	Change	Six months ended 30 June 2023 HK$'000	2022 HK$'000
Revenue	+4.1%	**701,832**	674,211
Core operating profit	-3.5%	**21,632**	22,417
Core operating profit (included interest expenses on lease liabilities)	-4.8%	**18,072**	18,977
Profit attributable to shareholders of the Company	-8.9%	**15,199**	16,690
Basic earnings per share (HK cents)	-9.1%	**2.0**	2.2
Interim dividend per share (HK cents)	Nil	**2.0**	2.0

Operation Highlights

- The Group achieved top-line year-on-year growth and gross margin improvement
- The Group's venture into B2B OEM business resulted in an increase of revenue growth of more than 16% compared to 1H 2022
- The Group is cautious about the remainder of 2023
- The Group maintained a healthy financial position with net cash of HK$178 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 for the previous year

Number of Stores

	30 June 2023	31 December 2022
Saint Honore Cake Shops		
Hong Kong	**116**	115
Macau	**12**	12
Guangzhou	**24**	26
Subtotal	**152**	153
Pâtisserie Mon cher		
Hong Kong	**7**	7
Total number of stores under Bakery Group	**159**	160
Zoff Eyewear Stores		
Hong Kong	**14**	14
Total number of Stores under Convenience Retail Asia	**173**	174

Chairman's Statement

The post-pandemic era is finally here, and with it have arrived the hopes and expectations that a healthier economy, stronger consumer confidence and resumption of regular daily routines will soon follow. But while most economic indicators show that a recovery is underway, the reality is that we have a long way to go before reaching some semblance of "normality". Three years of COVID-19 have perhaps irrevocably changed the way people work, shop and socialise. Meanwhile, tourism is back, but still at only a fraction of its 2018 peak thus far.

However, we have many reasons to be encouraged by Convenience Retail Asia's performance over the first half of 2023 despite a challenging operating environment, and we feel this will continue in the second half. Our business, powered by effective online-to-offline (O2O) customer relationship management (CRM), is practically tailor-made for the e-commerce, post-COVID age. Our bakery business remains one of the leading players in the market, and the festive seasons of the second half of the year are traditionally some of our strongest sales periods. Meanwhile, our B2B segment continues to grow at a rapid pace, and we continue to increase our store footprint in both our bakery and eyewear businesses.

Turning the Corner

After months of slow improvement, Hong Kong's economic rebound truly began in late December 2022, when the Government started easing anti-pandemic measures and lifting restrictions on international and cross-boundary travellers. This series of events culminated in the full reopening of boundary links with the Chinese Mainland in February and the removal of the mask mandate in March. Since that time, consumer sentiment has gradually grown healthier while the local retail industry has also benefitted from a sharp increase in visitors, particularly those from the Mainland. In the first six months of the year, overall retail sales jumped 20.7% and sales volume rose by 18.9%[note]. However, the bread, pastry, confectionery and biscuit segment, which represents the Group's main area of business, saw sales value and volume drop by 2.7% and 7.3%[note], respectively. Consumer behaviour has changed with discretionary spending during weekends being shifted to the Chinese Mainland.

The Long Road Back

Hong Kong's post-pandemic economic recovery has been somewhat slower than what may have been expected. Demand was relatively soft in the first half of the year as many local consumers sought to travel after years of restrictions. COVID-19 has also reshaped spending patterns, and it is taking time for these habits to revert to normal.

One of the cornerstones of the Group's Three-Year Plan 2023-2025 is store network expansion, and during the period under review, we were able to achieve modest growth in this respect in Hong Kong and Macau. While we are always seeking new locations in high-profile, high-traffic areas, the ultra-low unemployment rate has resulted in a labour shortage in the retail market, creating pressure on staff costs, store operating hours and our ability to add new outlets at pace. At the same time, landlords are seeking higher rentals in a more bullish commercial property market.

Note: Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 1 August 2023

Nevertheless, the foundations remain in place for a relatively successful 2023 and beyond. We saw an uptick in business after the Easter holidays, and we achieved top-line growth across almost all our businesses in the first half of the year while managing high costs and a tight labour market. As at the end of the review period, revenue from our B2B business was up more than 16% year on year. We achieved good progress on the exploration of business opportunities to diversify and expand our activities geographically. We also continued to enhance and grow "Cake Easy", our O2O CRM platform, which now boasts nearly 1.25 million members across Hong Kong and Macau.

Outlook

This is shaping up to be a transitional year. The Group's operating environment is gradually improving, yet it is still a challenging time for retailers in Hong Kong and the Greater Bay Area. According to Government projections, the Hong Kong economy is expected to rebound by 3.5% to 5.5% in 2023. But while these percentages would represent strong growth in normal times, the low bases for comparison cannot be ignored. Meanwhile, daily consumption is expected to remain soft over the second half of 2023, and Hong Kong's retail sector may still be a few years away from returning to pre-pandemic levels. Still, there is little question that the growth trends bode well for the Group and its business development plans in the medium to long terms.

Our Three-Year Plan 2023-2025 is off to a solid start. We weathered the pandemic and emerged as an agile, forward-thinking company whose businesses are on-trend and built for the future. We are ahead of the curve with our O2O digital marketing programmes, and we will continue to enhance these platforms with the features and functionality that our loyal customers have come to expect from us. Our product development, innovative marketing and timely category management initiatives – all of which have long been hallmarks of the Group – will remain key drivers in our mission to be a leader in specialty retailer for Hong Kong and the Greater Bay Area.

I would like to take this opportunity to thank once again Mr Richard Yeung Lap Bun, who stepped down from his role as Chief Executive Officer effective 1 June 2023. For nearly 25 years, Richard helped guide the Group through significant periods of growth and transformation, and I look forward to working with him in his new capacity as Non-executive Director. I would also like to welcome on board Mr Michael Tang Tsz Kin, who was appointed as our new CEO effective 1 June 2023. Mr Tang brings with him a wealth of experience in strategic development, business management and corporate finance, and I have no doubt that his skills and acumen will serve the Group well as we move prudently but confidently into the next six months and beyond.

William FUNG Kwok Lun
Chairman

Hong Kong, 10 August 2023

CEO's Statement

It is a pleasure to present my first report on the performance and activities of Convenience Retail Asia since assuming the role of Group Chief Executive Officer. Over the first six months of 2023, the Group strove to capitalise on the lifting of anti-pandemic measures such as social distancing guidelines and travel restrictions in order to drive growth across its various businesses, enjoying varying degrees of success despite somewhat sluggish recoveries for Hong Kong's retail sector and overall economy. We were particularly encouraged by the upticks in consumer sentiment and sales that followed the long Easter holiday period.

Operating costs remained high, and the on-going labour shortage affected store operating hours as well as our ability to expand our store networks as rapidly as we would have liked. However, prudent management of our staff, finances and manufacturing operations as well as the launches of exciting new products and promotions contributed to a reasonably satisfactory first half of the year.

Operations Review – Saint Honore Cake Shop

As at 30 June 2023, the Group was operating 128 Saint Honore stores in Hong Kong and Macau compared to 119 at the end of the first half of 2022. The total network in Guangzhou amounted to 24 locations. The Group opened three stores and closed four during the first six months of 2023.

During the period under review, the Group achieved modest top-line growth in an operating environment that was still struggling towards normalcy. Sales were bolstered in part by growth of more than 16% in the Group's B2B segment, which secured new customers in the airline catering and food and beverage sectors. Comparable store sales saw a mid-single-digit drop as COVID infections, the resumption of travel and a tight labour market all led to shorter opening hours at certain store locations in the first quarter.

The labour shortage has placed pressure not only on retailers' ability to maintain normal operating schedules, but also to find new staff for store expansion. Over the first half of 2023, Hong Kong's unemployment rate decreased even further, from 3.3% to 2.9%. Meanwhile, recovery in the commercial real estate market has caused landlords to seek higher rents. These factors have had an inevitable effect on the pace of the Group's network expansion.

The gradual lifting of travel restrictions between December 2022 and February 2023 impacted demand as local consumers sought to travel, taking their spending outside Hong Kong at higher than usual rates. The Group has also seen increased competition from the rising number of so-called Instagram bakeries and cake shops, which have gained in popularity ever since quarantine protocols and social distancing measures attracting customers to shop online instead of in-person at stores. However, demand and sales did start to pick up after the long Easter holidays. April also saw the launch of the latest round of the Hong Kong Government's Consumption Voucher Scheme (CVS), which the Group leveraged by launching an e-gift voucher for members of "Cake Easy", its online-to-offline (O2O) customer relationship management (CRM) platform. Elsewhere, the Group enjoyed growth in sales for festive events while bread sales remained relatively stable. Demand for daily bakery products and cakes was weak, which can be attributed to increased competition as well as slow recovery for items catering to social gatherings and celebrations such as birthday parties.

Customers regard Saint Honore as a leader in product quality and innovation, and the Group once again introduced several more delicious and eye-catching new products during the review period. The "World's Selection Campaign", for example, showcased famous gourmet bakery products from around the world, including madeleines from France, focaccia from Italy, bagels from the United States and more. The "Little Palm Cake" series featured cakes that quite literally could fit in the palm of one's hand, which made them well suited for casual enjoyment among smaller groups. We were also proud to launch a show-stopping new item for Mother's Day, a swan-shaped, three-dimensional fresh cream cake. We promoted these and other special marketing offers via Cake Easy, which enables us to drive store visitation and sales conversion through a sophisticated and target online shopping experience. As at the end of June 2023, Cake Easy was closing in on nearly 1.25 million members across Hong Kong and Macau.

To enhance the efficiency of its factory operations and help address the labour shortage issue, the Group embarked upon an HK$8 million capital expenditure project to ramp up automation in its production and packaging. Investing such resources will also help support the Group's growing B2B business. Meanwhile, we continued to invest in our people to enhance our bakery expertise while providing learning and development opportunities for employees. In the first six months of the year, staff members attended a variety of training and development courses in Belgium, Japan and Shanghai as well as Hong Kong in relation to product development and modern production processes.

The events of the past few years underscore the importance of being a good corporate citizen. This year, Saint Honore was once again named a "Trusted E-shop" and "Top 10 Quality E-shop" by the Hong Kong Retail Management Association. The Group also continued to donate unsold products to those in need via organisations such as Foodlink and Food Angel.

In Macau, we launched a lucky draw campaign in April that featured the new iPhone 14 Pro as the top prize. The campaign was conducted via the Cake Easy platform, enabling us to engage with local customers and strengthen their offline-online experience while shopping with Saint Honore.

In Guangzhou, we continued our store modernization programme to upgrade outlets with more premium design features. The Foshan store was re-opened in April, and two more locations are slated for upgrade works in the second half of the year. Our collaborations with leading social media platforms and food delivery services continued; meanwhile, we also began accepting digital RMB in all our Guangzhou stores in May, providing more payment convenience for customers and enabling the Group to capture promotional offers through its business partners. We also remain in discussion with potential partners for franchising opportunities in the Greater Bay Area.

Operations Review – Mon cher

The Group obtained the franchise licence to operate Pâtisserie Mon cher in Hong Kong in 2020. Since then, it has opened seven outlets across the city, all in popular, high-traffic shopping locations. Mon cher is a premium pâtisserie from Japan that enjoys high affinity among local consumers – especially the valuable younger demographics – and fits well within the Group's portfolio of specialty brands that offer strong growth potential in Greater Bay Area markets. It is particularly famous for its signature "Dojima" cream rolls, which come in a variety of flavours using Japanese ingredients. Dojima, Osaka is a small but vibrant city of Japan in which Pâtisserie Mon cher opened its first store 20 years ago.

In the first half of the year, Mon cher introduced several well-received new Dojima rolls, cakes and pastries, including special editions for Valentine's Day, Mother's Day and Father's Day as well as seasonal products for spring and summer. There were also items featuring popular and innovative ingredients, such as the Japanese Strawberry Collection and Earl Grey Dojima Roll.

Operations Review – Zoff

Zoff, our franchise of the trendy fast-fashion eyewear chain from Japan, achieved healthy growth in store sales over the first half of 2023 as the local market started its economic recovery from the pandemic and foot traffic began returning to malls. Since launching Zoff in Hong Kong in 2017, the Group has opened a total of 14 outlets en route to achieving and maintaining market leadership in the segment.

Effective marketing campaigns and eye-catching new product launches are critical to Zoff's success. Leveraging the brand's appeal to younger demographics, the Group partnered with a number of well-known social media influencers and opinion leaders during the review period, reaching tens of thousands of followers across Hong Kong and the Chinese Mainland to drive sales to both domestic customers and tourists. We were also able to leverage the latest round of the Hong Kong Government's CVS in April, working with leading payment gateways on joint promotions to attract customers and maximise marketing exposure.

Zoff carries more than 1,400 SKUs, offering customers a wide and regularly refreshed variety of stylish frames while also creating differentiation from competitors. March saw the promotion of the "Made in Japan" series featuring frames manufactured in Fukui Prefecture's Sabae City, which is renowned for its meticulously crafted eyewear. So far this year, we have collaborated with a number of notable fashion designers – including leading outdoor gear brand DOD, "Stark Industries" from Marvel, the popular manga character Chiikawa and more – on collections that have been enthusiastically received by the market. Zoff is also focused on providing customers with the latest in corrective lenses. In April, we launched a new service, "Lenstar Myopia", which uses biometry to enable early detection of the onset of myopia and powerful software with clear graphics to help track and manage the condition. We also became the first fast-fashion eyewear chain in Hong Kong to offer the MiYOSMART lens, which corrects visual defects and slows down the progression of myopia.

Based on our considerable success with Zoff in Hong Kong, we have been in discussions with the brand owner about bringing the business into other cities in Asia. Such a development would allow the Group to deliver on its growth strategy of geographic expansion and diversification.

Fulfilling its role as a good corporate citizen, Zoff continued to expand the health care voucher payment collection service throughout its network. There are now 10 stores in Hong Kong helping seniors across the city obtain comprehensive eye examinations.

Future Prospects

Consumer demand has been weak due to a smaller local population that has been travelling and spending overseas more. We expect demand in the second half of the year to remain soft. Hong Kong's exceptionally low unemployment rate makes it difficult to find available candidates for vacancies. This will continue to place pressure on our store network expansion plans as well as our ability to staff existing outlets and factories. We also still face high costs for operating expenses, especially in the areas of labour, rental and logistics. To counter these challenges, we will focus even more on our staff recruitment and retention efforts, sparing no effort to safeguard our reputation as an employer of choice, while practising prudent cost control and optimising our operations.

The Group continues to seek expansion through M&A, joint venture, licensing and franchising opportunities that can bring synergistic new brands and businesses into its portfolio. At Saint Honore, we are excited about our experiment to grow by franchising the bakery business on the Chinese Mainland, while our B2B enterprise is working hard to secure new clients and achieve organic growth in order to capitalise on its growing momentum. Plans are in place to innovate our bakery manufacturing capability and uplift not only our capacity, but also its efficiency and quality to cope with demand of the future.

In closing, I would like to express how much I look forward to the opportunity to lead Convenience Retail Asia to build upon its considerable solid foundation and reach even greater heights. I have every confidence that our strong corporate culture and track records of operational excellence, quality customer service and innovation will continue to distinguish us as we pursue our mission to be a specialty leader in high-end and premium brands in the Greater Bay Area.

Michael TANG Tsz Kin
Chief Executive Officer

Hong Kong, 10 August 2023

Discussion and Analysis

Financial Review

During the first six months of 2023, turnover increased by 4.1% to HK$702 million. Turnover for the bakery business grew by 3.4% to HK$629 million. Growth of sales to corporate customers remained robust, increasing by more than 16%. Sales from the retail network were flat with a mid-single-digit percentage drop for comparable stores whose traffic was affected by soft demand. Turnover for the Zoff eyewear business, boosted by higher shopping mall traffic, increased by 10.3% to HK$73 million.

Gross margin as a percentage of turnover rose by 3.5 percentage points to 52.1%. Cost of raw materials decreased as a result of depreciation of the renminbi and Japanese yen. Production costs were driven down further by productivity improvements. During the period, the Group made pricing adjustments to improve the margins of certain product categories while maintaining their competitiveness.

Operating expenses as a percentage of turnover increased by 1.2 percentage points to 49.7%, excluding the one-off subsidy of HK$17 million from the Hong Kong Government's Employment Support Scheme last year. This was mainly due to higher staff cost. In response to the tight labour market, the Group reviewed its salary structure and benefit schemes in order to retain existing staff and attract new employees. The increase in staff cost was partially offset by lower distribution expenses following the easing of cross-border quarantine measures at the beginning of the year. Including interest expenses on lease liabilities, the Group's percentage of operating expenses increased from 46.5% to 50.2% against the same period in 2022.

Core operating profit before interest expenses on lease liabilities decreased by 3.5% to HK$22 million. Including interest expenses on lease liabilities, core operating profit decreased by 4.8% to HK$18 million. Basic and diluted earnings per share were both 2.0 HK cents, compared to 2.2 cents and 2.1 cents, respectively, for the same period last year.

As at 30 June 2023, the Group had a net cash balance of HK$178 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 and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenue and payments were held either in Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi resulting from its business operations on the Chinese Mainland. The Group is also 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 funding requirements.

The Board of Directors has resolved to declare an interim dividend of 2 HK cents per share (2022: 2 HK cents).

Employees

As at 30 June 2023, the Group had a total of 3,212 employees, with 1,615, or 50%, based in Hong Kong and 1,597, or 50%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 24% of total headcount. Total staff cost for the six months ended 30 June 2023 was HK$239 million compared to HK$205 million for the same period last year.

To attract and retain staff in a challenging labour market, 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. The Group promotes advancement and opportunities for its employees by providing comprehensive job-related skill enhancement, and frontline staff receive thorough training on the delivery of high-quality customer service. The Group has been acknowledged as a "Super MD" under the Employees Retraining Board Manpower Developer Award Scheme for the years 2020-2025 for its extensive efforts in providing safe, healthy, stable and secure work environments.

Our people are our most important asset. The HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme, directed by the Activity Organising Board (AOB), supports colleagues and their families by offering career development opportunities and promoting work-life balance while also nurturing a spirit of community and social responsibility.

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. We also emphasise corporate social responsibility (CSR) and sustainability in our strategic planning and daily operations. Over the first half of the year, we took great care as always to practise the three "Rs" of reducing, reusing and recycling while also seeking ways to reduce our carbon emissions throughout the organisation by adopting low-carbon fuels and energy-efficient operations.

We are proud that Saint Honore once again received the "10 Years Plus Caring Company Logo" from the Hong Kong Council of Social Service, while Zoff received the "Caring Company Logo 2022-23". Recognitions such as these reflect the importance placed by the Group on CSR and giving back to its communities. Further information about the Group's environmental, social and governance policies and performance has been provided in a separate report on the Group's website.

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 14 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 2023. Corporate governance practices adopted by the Company during the six months under review were in line with those practices set out in the Company's 2022 Annual Report, and were also consistent with the principles set out in the CG Code.

Corporate Culture

The Group strives to develop a sustainable business with people-oriented culture that nurtures successes of our business units and employees. The Board is responsible for defining the purpose, values and strategic direction of the Group, whilst management oversights the nurturance of the culture and core values over its daily operations.

The Board

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. It is structured to ensure it has a balance of skills, experience, knowledge, diversity and contributed valuable insights appropriate to the businesses and development of the Group. The Board is currently comprised of the Non-executive Chairman, four Non-executive Directors, three Independent Non-executive Directors and one Executive Director. Changes in members of the Board during the reporting period and up to date were announced on 5 May 2023 and 24 May 2023. The names of the Directors are set out in the Corporate Information section on page 2.

In order to enhance independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer are held separately by Dr William FUNG Kwok Lun and Mr Michael TANG Tsz Kin. Their respective responsibilities are clearly established and defined by the Board in writing.

Board Committees

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

Chairman Anthony LO Kai Yiu *
Members Godfrey Ernest SCOTCHBROOK +
Sarah Mary LIAO Sau Tung *
Terrence TSANG Diao-Long *
Benedict CHANG Yew Teck + *(retired with effect from 24 May 2023)*

* *Independent Non-executive Director*
\+ *Non-executive Director*

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 2023 before recommending it to the Board for approval.

Remuneration Committee

Chairman Sarah Mary LIAO Sau Tung *
Members William FUNG Kwok Lun +
Terrence TSANG Diao-Long *

* *Independent Non-executive Director*
\+ *Non-executive Director*

The Remuneration Committee is primarily responsible for:

- 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;
- Making recommendations to the Board on the remuneration packages of Executive Director and senior management;
- Making recommendations to the Board on the remuneration of Non-executive Directors; and
- Reviewing the Group's remuneration and human resources policy.

Nomination Committee

Chairman	William FUNG Kwok Lun +
Members	Anthony LO Kai Yiu *
	Sarah Mary LIAO Sau Tung *
	Terence FUNG Yue Ming +
	Terrence TSANG Diao-Long *

* *Independent Non-executive Director*
\+ *Non-executive Director*

The Nomination Committee is primary 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.

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 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 2023. No incident of non-compliance by Directors and relevant employees was noted by the Company for the period under review.

Compliance with Inside Information Requirements

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. The Group's risk management and internal control processes during the six months ended 30 June 2023 were in line with the practices set out in the Corporate Governance Report on pages 39 to 43 of the Company's 2022 Annual Report.

Based on the respective assessments made by senior management and CGD, the Board and the Audit Committee considered that for the six months ended 30 June 2023:

- 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.

Investor Relations and Communication

A Shareholders Communication Policy has been adopted by the Board, with the objective of ensuring that the shareholders are provided with information about the Group to enable them to exercise their rights in an informed manner, and to engage actively with the Group.

The Shareholders Communication Policy pursues 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 2023, 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 Issuers 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

	Number of shares			
Name of Directors	**Personal interests**	**Corporate/ Trust interests**	**Total interests**	**Approximate percentage of interests**
William Fung Kwok Lun	44,000,000	311,792,000 *(Note)*	355,792,000	45.78%
Anthony Lo Kai Yiu	2,276,000	–	2,276,000	0.29%
Sabrina Fung Wing Yee	–	311,792,000 *(Note)*	311,792,000	40.12%
Richard Yeung Lap Bun	24,396,000	–	24,396,000	3.14%

Note:

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. Ms Sabrina Fung Wing Yee is the daughter of Dr Victor Fung Kwok King. Therefore, Dr William Fung Kwok Lun (by virtue of his interests in King Lun) and Ms Sabrina Fung Wing Yee (as family member of Dr Victor Fung Kwok King) are deemed to have interests in 311,792,000 shares of the Company.

Save as disclosed above, as at 30 June 2023, none of the Directors, chief executives of the Company 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 of the Company (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 2023, 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)*	40.12%
King Lun Holdings Limited	311,792,000	Interest of controlled corporation *(Note 1)*	40.12%
Aggregate of Standard Life Aberdeen plc affiliated investment management entities (together "SL & Aberdeen plc")	93,020,000	Investment manager *(Note 2)*	11.97%
FIL Limited	59,420,000	Interest of controlled corporation *(Note 3)*	7.64%
Pandanus Associates Inc.	59,420,000	Interest of controlled corporation *(Note 3)*	7.64%
Pandanus Partners L.P.	59,420,000	Interest of controlled corporation *(Note 3)*	7.64%
Aberdeen Standard Asia Focus PLC	46,826,000	Beneficial owner	6.02%
Aberdeen Asian Income Fund Limited	39,556,000	Beneficial owner	5.09%
Fidelity China Special Situations plc	39,120,000	Beneficial owner	5.03%

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 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.*

3. *Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., who owns or control one-third or more of voting rights in FIL Limited.*

Save as disclosed above, as at 30 June 2023, 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. On 29 April 2020, shareholders of the Company approved at the annual general meeting the termination of the 2010 Share Option Scheme, pursuant to which, no further options will be granted under the 2010 Share Option Scheme but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect. All options granted prior to the termination of the 2010 Share Option Scheme and not then exercised shall remain valid.

On 29 April 2020, the 2020 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company in view of the termination of the 2010 Share Option Scheme.

Details of the movements of share options under the 2010 Share Option Scheme and the 2020 Share Option Scheme during the six months ended 30 June 2023 are as follows:

Grantees	Number of share options							
	As at 1/1/2023	Exercised *(Note 2)*	Expired *(Note 3)*	As at 30/6/2023	Exercise price HK$	Grant date	Vesting period	Exercisable period
2010 Share Option Scheme								
Continuous contract employees	100,000	–	(100,000)	–	4.19	29/3/2017	29/3/2017-31/3/2020	1/4/2020–31/3/2023
	350,000	–	(350,000)	–	3.88	8/3/2018	8/3/2018-31/3/2020	1/4/2020-31/3/2023
	70,000	–	(70,000)	–	3.87	14/3/2019	14/3/2019-31/3/2020	1/4/2020-31/3/2023
	520,000	–	(520,000)	–				
2020 Share Option Scheme								
Continuous contract employees	11,166,000	(1,000,000)	–	10,166,000	0.764	11/11/2021	11/11/2021-31/3/2023	1/4/2023–31/3/2026
Other participant *(Note 1)*	172,000	–	–	172,000	0.764	11/11/2021	11/11/2021-31/3/2023	1/4/2023–31/3/2026
	11,338,000	(1,000,000)	–	10,338,000				

Notes:

1. *An employee of a subsidiary of the Company's substantial shareholder was originally granted 200,000 share options in 2021 in respect of provision of secretarial services that were instrumental for the Company to achieve its business plan. The granting of share options was on similar basis as the Company's employees and the terms of share options were also the same.*

2. *Share options to subscribe for 1,000,000 shares were exercised by continuous contract employees during the period. The weighted average closing market price per share immediately before the date on which the said options were exercised was approximately HK$0.91.*

3. *Share options to subscribe for 520,000 shares expired during the period following the expiry of the options.*

4. *No share options under the 2010 Share Option Scheme and the 2020 Share Option Scheme were granted, cancelled or lapsed during the period.*

The number of shares that may be issued in respect of share options granted under all share option schemes during the period divided by the weighted average number of ordinary shares in issue of the Company for the period is approximately 1.33%.

Number of share options available for grant under the 2020 Share Option Scheme as at 1 January 2023 and 30 June 2023 are as follows:

	30 June 2023	1 January 2023
Share options under the mandate limit	**64,921,897**	64,921,897

Save as disclosed above, as at 30 June 2023, 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 Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, change of Director's information since the publication of the Company's 2022 Annual Report are set out below:

Name of Director	**Change**
Richard Yeung Lap Bun	He retired as Chief Executive Officer of the Group and re-designated as a Non-executive Director on 1 June 2023

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 2023 of 2 HK cents (2022: 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 28 August 2023 to 29 August 2023, 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 25 August 2023. Dividend warrants will be despatched on 7 September 2023.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2023

		(Unaudited) Six months ended 30 June	
		2023	2022
	Note	**HK$'000**	HK$'000
Revenue	*4*	**701,832**	674,211
Cost of sales	*5*	**(335,965)**	(346,869)
Gross profit		**365,867**	327,342
Other income	*4*	**4,348**	4,820
Store expenses	*5*	**(251,162)**	(212,065)
Distribution costs	*5*	**(41,404)**	(44,133)
Administrative expenses	*5*	**(56,017)**	(53,547)
Core operating profit		**21,632**	22,417
Interest expenses, net	*6*	**(1,352)**	(2,628)
Profit before income tax		**20,280**	19,789
Income tax expenses	*7*	**(5,081)**	(3,099)
Profit attributable to shareholders of the Company		**15,199**	16,690
Earnings per share (HK cents)	*8*		
Basic		**2.0**	2.2
Diluted		**2.0**	2.1

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**15,199**	16,690
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**116**	(322)
Total comprehensive income attributable to shareholders of the Company	**15,315**	16,368

Condensed Consolidated Balance Sheet

As at 30 June 2023

	Note	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
Assets			
Non-current assets			
Fixed assets	*10*	**183,320**	190,976
Right-of-use assets	*11*	**254,376**	252,169
Investment properties	*13*	**5,611**	5,727
Lease premium for land		**68,347**	69,821
Intangible assets	*12*	**357,465**	357,465
Rental and other long-term deposits		**47,843**	43,739
Deferred tax assets		**6,691**	6,747
		923,653	926,644
Current assets			
Inventories		**39,413**	43,098
Rental deposits		**14,319**	13,739
Trade receivables	*14*	**47,608**	48,282
Other receivables, deposits and prepayments		**32,847**	34,412
Taxation recoverable		**61**	278
Restricted bank deposit		**1,224**	1,268
Cash and cash equivalents		**177,069**	256,125
		312,541	397,202
Total assets		**1,236,194**	1,323,846
Equity			
Share capital	*17*	**77,724**	77,624
Reserves		**555,436**	578,199
Total equity		**633,160**	655,823
Liabilities			
Non-current liabilities			
Lease liabilities	*16*	**124,098**	127,656
Long service payment liabilities		**12,019**	11,710
Deferred tax liabilities		**9,270**	9,332
		145,387	148,698
Current liabilities			
Trade payables	*15*	**66,884**	75,398
Other payables and accruals		**122,230**	158,965
Lease liabilities	*16*	**136,090**	129,353
Taxation payable		**6,866**	4,367
Cake coupons		**125,577**	151,242
		457,647	519,325
Total equity and liabilities		**1,236,194**	1,323,846

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	(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 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**
At 1 January 2022	77,624	–	20,002	360	317	546,045	644,348
Profit attributable to shareholders of the Company	–	–	–	–	–	16,690	16,690
Exchange differences	–	–	–	–	(322)	–	(322)
Total comprehensive income for the period	–	–	–	–	(322)	16,690	16,368
Employee share option benefit	–	–	–	436	–	–	436
Dividends paid	–	–	–	–	–	(38,812)	(38,812)
	–	–	–	436	–	(38,812)	(38,376)
At 30 June 2022	77,624	–	20,002	796	(5)	523,923	622,340

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Cash flows from operating activities		
Cash generated from operations	**57,080**	27,880
Hong Kong profits tax paid	**–**	(874)
Overseas income tax paid	**(1,708)**	(1,067)
Net cash generated from operating activities	**55,372**	25,939
Cash flows from investing activities		
Purchase of fixed assets	**(15,172)**	(21,135)
Proceeds from disposal of fixed assets	**91**	42
Increase in restricted bank deposit	**–**	(576)
Interest received	**2,421**	983
Net cash used in investing activities	**(12,660)**	(20,686)
Cash flows from financing activities		
Proceeds from issuance of shares	**764**	–
Payment of lease liabilities	**(81,794)**	(73,627)
Increase in rental deposits	**(947)**	(826)
Dividends paid	**(38,862)**	(38,812)
Drawdown of bank loan	**–**	30,000
Repayment of bank loan	**–**	(30,000)
Interest paid	**–**	(6)
Net cash used in financing activities	**(120,839)**	(113,271)
Decrease in cash and cash equivalents	**(78,127)**	(108,018)
Cash and cash equivalents at 1 January	**256,125**	290,285
Effect of foreign exchange rate changes	**(929)**	(1,885)
Cash and cash equivalents at 30 June	**177,069**	180,382

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 on the Chinese Mainland; (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.

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 10 August 2023.

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 2022 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 2022 consolidated financial statements.

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 2023 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. Financial risk management

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 2022 consolidated financial statements, and should be read in conjunction with the 2022 consolidated financial statements.

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

4. Revenue, other income and segment information

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

	(Unaudited) Six months ended 30 June 2023 HK$'000	2022 HK$'000
Revenue		
Bakery sales revenue	**629,093**	608,240
Eyewear sales revenue	**72,739**	65,971
	701,832	674,211
Other income		
Service items and miscellaneous income	**4,348**	4,820

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 on the Chinese Mainland.

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

Segment information (continued)

The segment information provided to the management for the reportable segments for the six months ended 30 June 2023 and 2022 are as follows:

	(Unaudited) Six months ended 30 June 2023			
	Bakery		Eyewear	
	HK & Others HK$'000	Chinese Mainland HK$'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)

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

Segment information (continued)

	(Unaudited) Six months ended 30 June 2022			
	Bakery		Eyewear	
	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	580,444	41,617	65,971	688,032
Inter-segment revenue	(13,788)	(33)	–	(13,821)
Revenue from external customers	566,656	41,584	65,971	674,211
Other income	4,492	10	318	4,820
	571,148	41,594	66,289	679,031
Core operating profit/(loss)	14,118	(2,766)	11,065	22,417
Core operating profit/(loss) (included interest expenses on lease liabilities)	11,848	(3,569)	10,698	18,977
Depreciation	(72,110)	(7,972)	(12,005)	(92,087)
Depreciation (excluded depreciation on right-of-use assets)	(20,041)	(873)	(1,975)	(22,889)

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).

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

Segment information (continued)

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, net in note 6, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue of HK$11,832,000 (2022: HK$13,821,000) represents internal sales within Bakery segment.

The segment assets and liabilities as at 30 June 2023 and 31 December 2022 are as follows:

	(Unaudited) As at 30 June 2023			
	Bakery		Eyewear	
	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment assets	**1,057,027**	**47,106**	**69,454**	**1,173,587**
Total segment assets include:				
Additions to segment non-current assets	**77,592**	**8,686**	**16,221**	**102,499**
Total segment liabilities	**491,747**	**48,209**	**46,942**	**586,898**

	(Audited) As at 31 December 2022			
	Bakery		Eyewear	
	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment assets	1,099,948	54,491	79,881	1,234,320
Total segment assets include:				
Additions to segment non-current assets	201,404	14,775	19,482	235,661
Total segment liabilities	581,676	26,427	46,221	654,324

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.

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

Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
Segment assets for reportable segments	**1,173,587**	1,234,320
Unallocated:		
Deferred tax assets	**6,691**	6,747
Taxation recoverable	**61**	278
Corporate bank deposits	**55,855**	82,501
Total assets per condensed consolidated balance sheet	**1,236,194**	1,323,846

Reportable segment liabilities are reconciled to total liabilities as follows:

	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
Segment liabilities for reportable segments	**586,898**	654,324
Unallocated:		
Deferred tax liabilities	**9,270**	9,332
Taxation payable	**6,866**	4,367
Total liabilities per condensed consolidated balance sheet	**603,034**	668,023

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$598,999,000 (2022: HK$565,083,000), and the total of its revenue from other regions is HK$102,833,000 (2022: HK$109,128,000) for the six months ended 30 June 2023.

The total of non-current assets other than deferred tax assets located in Hong Kong is HK$818,869,000 (as at 31 December 2022: HK$780,017,000), and the total of these non-current assets located in other regions is HK$98,093,000 (as at 31 December 2022: HK$139,880,000) as at 30 June 2023.

5. Expenses by nature

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Cost of inventories sold	**197,198**	206,260
Delivery Charges	**25,411**	32,621
Depreciation of owned fixed assets	**22,225**	21,299
Depreciation of right-of-use assets	**79,618**	69,198
Depreciation of investment properties	**116**	117
Depreciation of lease premium for land	**1,474**	1,473
Employee benefit expense *(note a)*	**239,137**	205,299
Short-term and variable lease payments *(note b)*	**7,661**	9,313
Utilities	**22,377**	19,688
Other expenses	**89,331**	91,346
Total cost of sales, store expenses, distribution costs and administrative expenses	**684,548**	656,614

Notes:

(a) For the six months ended 30 June 2022, government subsidies of HK$16,964,000 from the Employment Support Scheme has been credited to employee benefit expense.

(b) Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$1,828,000 (2022: HK$2,472,000) for the six months ended 30 June 2023.

6. Interest expenses, net

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Interest income on bank deposits	**2,208**	818
Interest expense on bank loan	**–**	(6)
Interest expenses on lease liabilities	**(3,560)**	(3,440)
	(1,352)	(2,628)

7. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2023 and 2022. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates prevailing in the regions 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	
	2023	2022
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**3,019**	2,245
Overseas profits tax	**1,188**	242
Deferred income tax	**874**	612
	5,081	3,099

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	
	2023	2022
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**15,199**	16,690
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**776,622,875**	776,244,974
Adjustment for:		
Share options	**1,274,135**	1,072,894
Weighted average number of ordinary shares for diluted earnings per share	**777,897,010**	777,317,868

9. Dividend

	(Unaudited) Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Interim dividend, proposed of 2 HK cents (2022: 2 HK cents) per share	**15,545**	15,525

At a meeting held on 10 August 2023, 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)	(Unaudited)
	30 June	30 June
	2023	2022
	HK$'000	HK$'000
Opening net book amount	**190,976**	173,577
Additions	**15,172**	21,135
Disposals	**(511)**	(426)
Depreciation	**(22,225)**	(21,299)
Exchange differences	**(92)**	(135)
Closing net book amount	**183,320**	172,852

11. Right-of-use assets

	(Unaudited) 30 June 2023 HK$'000	(Unaudited) 30 June 2022 HK$'000
Opening net book amount	**252,169**	228,231
Additions	**83,584**	73,797
Disposal	**(787)**	–
Remeasurement	**191**	–
Depreciation	**(79,618)**	(69,198)
Exchange differences	**(1,163)**	(1,624)
Closing net book amount	**254,376**	231,206

12. Intangible assets

Intangible assets are comprised of goodwill of HK$247,465,000 and trademarks of HK$110,000,000 as at 30 June 2023 and 31 December 2022.

13. Investment properties

	(Unaudited) 30 June 2023 HK$'000	(Unaudited) 30 June 2022 HK$'000
Opening net book amount	**5,727**	5,961
Depreciation	**(116)**	(117)
Closing net book amount	**5,611**	5,844

14. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from corporate 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 2023, the aging analysis by invoice date of trade receivables is as follows:

	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
0-30 days	**26,400**	26,825
31-60 days	**19,044**	17,811
61-90 days	**694**	1,855
Over 90 days	**1,470**	1,791
	47,608	48,282

15. Trade payables

At 30 June 2023, the aging analysis by invoice date of the trade payables is as follows:

	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
0-30 days	**37,251**	44,813
31-60 days	**27,943**	29,602
61-90 days	**503**	79
Over 90 days	**1,187**	904
	66,884	75,398

16. Lease liabilities

	(Unaudited) 30 June 2023 HK$'000	(Unaudited) 30 June 2022 HK$'000
As at 1 January	**257,009**	234,760
Additions	**83,264**	72,197
Disposal	**(831)**	–
Remeasurement	**191**	–
Payments	**(81,794)**	(73,627)
Interest expenses	**3,560**	3,440
Exchange differences	**(1,211)**	(1,696)
Rent concessions	**–**	(1,094)
Closing net book amount	**260,188**	233,980
Current lease liabilities	**136,090**	120,554
Non-current lease liabilities	**124,098**	113,426
	260,188	233,980

17. Share capital

	(Unaudited) 30 June 2023 Shares of HK$0.10 each		(Audited) 31 December 2022 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	**776,244,974**	**77,624**	776,244,974	77,624
Issue of shares on exercise of share options	**1,000,000**	**100**	–	–
At end of the period	**777,244,974**	**77,724**	776,244,974	77,624

18. 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 2023 is HK$5,226,000 (as at 31 December 2022: HK$6,754,000).

19. Related party transactions

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 40.12% 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	
		2023	2022
	Note	**HK$'000**	HK$'000
Income			
Service income and reimbursement of office and administrative expenses	*(i)*		
Subsidiary of a substantial shareholder		**–**	61
Associate of a substantial shareholder		**–**	14
Charges			
Reimbursement of office and administrative expenses	*(ii)*		
Subsidiaries of a substantial shareholder		**1**	982
Associate of a substantial shareholder		**682**	358
Rental	*(iii)*		
Subsidiary of a substantial shareholder		**675**	–
Associate of a substantial shareholder		**1,501**	1,301

19. Related party transactions (continued)

(b) Key management personnel compensation

	(Unaudited) Six months ended 30 June 2023 HK$'000	2022 HK$'000
Fees	**1,358**	1,369
Bonuses	**1,480**	3,263
Salaries and other allowances	**4,575**	4,684
Employee share option benefit	**83**	168
Pension costs – defined contribution scheme	**28**	27
	7,524	9,511

(c) Period-end balances with related parties

	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
Amount due from:		
Associate of a substantial shareholder	**5**	–
Amounts due to:		
Subsidiaries of a substantial shareholder	**(1)**	(192)
Associate of a substantial shareholder	**(724)**	(664)

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

19. Related party transactions (continued)

Notes:

(i) Service income and reimbursements receivable from subsidiaries/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) Reimbursements payable to subsidiaries/associate of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.

(iii) Rentals are payable to subsidiary/associate of a substantial shareholder in accordance with the terms of agreements.

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