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## CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

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

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Change	2014 HK\$'000	2013 HK\$'000
• Revenue	+4.8%	4,736,444	4,521,289
• Core operating profit	-9.0%	152,787	167,923
• Profit attributable to shareholders of the Company	-19.5%	121,032	150,353
• Basic earnings per share (HK cents)	-20.2%	16.18	20.27
• Interim dividend per share (HK cents) - paid	-18.4%	3.10	3.80
• Special dividend per share (HK cents) - paid	N/A	Nil	40.00
• Final dividend per share (HK cents)	Nil	13.00	13.00

#### Operation Highlights

- Market sentiment remains weak, while rental and labour costs stay high
- Core operating profit declined by 9% while net profit dropped by 19.5% due to non-operating items (exchange loss and reduced interest income), investments in e-Commerce platform FingerShopping.com and pilot programme with Sinopec Marketing
- 2015 is expected to be another challenging year, due to a tough operating environment and the impact of certain projects currently in investment phase
- Group maintains a strong financial position with net cash of HK\$537 million without any bank borrowings

## NUMBER OF STORES AS OF 31 DECEMBER 2014

### Circle K Stores

Hong Kong	329
Guangzhou	79

**Subtotal** 408

### Franchised Circle K Stores

Guangzhou	10
Macau	26
Zhuhai	12

**Subtotal** 48

**Total number of Circle K Stores** 456

### Saint Honore Cake Shops

Hong Kong	93
Macau	9
Guangzhou	43
Shenzhen	3

**Total number of Saint Honore Cake Shops** 148

**Total number of Stores under Convenience Retail Asia** 604

## **CHAIRMAN'S STATEMENT**

### **Financial Overview**

I am pleased to report that Convenience Retail Asia Limited, together with its subsidiaries (the "Group"), achieved turnover of HK\$4,736 million, core operating profit of HK\$153 million and net profit of HK\$121 million for 2014. This represents satisfactory sales growth of 4.8% but a decline in core operating profit and net profit, when compared to 2013.

Core operating profit declined by 9% to HK\$153 million compared to last year. The Group's net profit declined by 19.5% to HK\$121 million. This was largely attributed to rising cost pressures, which outweighed growth in comparable store sales across all markets. Lower income from interest (as a result of lower bank deposits after a special dividend payout in 2013) and an exchange loss from the depreciation of the renminbi also contributed to the profit decline. In addition, the Group made investments in its e-Commerce platform FingerShopping.com and a pilot programme with Sinopec Marketing Co., Ltd. ("Sinopec Marketing") to manage 10 petrol stations and Easy Joy convenience stores in Guangzhou.

As a result of the lower profit, earnings per share decreased by 20.2%, from 20.27 HK cents to 16.18 HK cents. As at 31 December 2014, the Group had a net cash balance of HK\$537 million with no bank borrowings.

### **Review of the Hong Kong Retail Market**

The past year saw a slowdown in the Hong Kong retail sector, with overall retail sales increasing by 0.6% in volume but declining by 0.2% in value<sup>1</sup>. However, demand from local consumers for value-for-money purchases remained stable. This aided the Group's sales efforts, which are based on product quality and uniqueness over competition on price. In contrast, high rents as well as labour shortage due to generally low unemployment continued to pose challenges for the Group's business in Hong Kong.

### **Company Initiatives in the Hong Kong Operations**

During the year, the Group continued to emphasise timely, trendy category management, promotions and marketing to drive sales, build brand loyalty and encourage repeat purchases.

The Group was encouraged by the progress of its O2O (online to offline) retailing platform FingerShopping.com, which leverages an e-platform to encourage online sales and drive customers to Circle K stores for payment and pick-up. This new venture shows promise for building revenue and loyalty for the Circle K brand.

To address the shortage in the retail labour market, the Group expanded HEARTS, its comprehensive employee engagement initiative that aims to improve staff retention, recruitment and job satisfaction. This year also marked the fifth consecutive time Circle K Hong Kong was elected “Service Retailer of the Year” in the Convenience Stores category of the Hong Kong Retail Management Association’s Mystery Shoppers Programme.

### **Review of the Retail Market on the Chinese Mainland**

Consumer confidence on the Chinese Mainland dropped from 111 on the index in the fourth quarter of 2013<sup>2</sup> to 107 in 2014<sup>3</sup> (both compared to a baseline score of 100). Year-on-year growth of total retail sales declined slightly, from 13.1% in 2013<sup>4</sup> to 12% in 2014<sup>5</sup>.

Offline FMCG sales growth continued to soften, falling from 17% in 2011 to 6% in August 2014<sup>6</sup> due to the impact of online retail on bricks-and-mortar hypermarket and department store businesses. While labour costs are on the rise, rental increases have become more reasonable.

### **Review of the Guangzhou Operations**

The Circle K and Saint Honore operations in Guangzhou reported increases in comparable store sales of 5.8% and 12.2% respectively compared to 2013.

The Group benefits from a steady flow of repeat purchases, and results of our own mystery shopper programme demonstrate that our standards of customer service are rising in tandem.

On 8 October 2014, the Company entered into a preliminary agreement with Sinopec Marketing on a pilot programme to operate 10 petrol stations and Easy Joy convenience stores in Guangzhou. Following a period of cooperation, the two parties will review the results and determine whether their agreement should be formalised and enlarged. This project represents a promising step into new and potentially lucrative channels.

### **Review of the Saint Honore Cake Shop Operations**

Saint Honore Cake Shop saw low-single-digit revenue growth in Hong Kong, which was achieved mainly due to an increase in comparable store sales. A rising minimum wage and persistently high rental costs impacted core operating profit. In response, the Group embarked upon productivity initiatives to improve its manufacturing processes as well as investing in automation and product innovation.

Saint Honore's store network grew modestly during the year, combating high rental costs with more efficient use of space. This included introducing new store layouts to maximise baking and service space. Saint Honore also continued to innovate through online sales, group-buying promotions and targeted promotions.

## **Corporate Governance and Sustainability**

Convenience Retail Asia Limited was once again named "Asia's Most Promising Company on Corporate Governance" at Corporate Governance Asia Magazine's "10<sup>th</sup> Corporate Governance Asia Recognition Awards 2014 – The Best of Asia".

As part of the Fung Group, we are committed to the principles of the United Nations Global Compact on human rights, labour standards, anti-corruption efforts, environmental protection and sustainability.

In 2014, the Group issued our Supplier Code of Conduct, which outlines our expectations relating to labour, ethical conduct, work safety and environmental protection. We also continued to implement a number of resource-saving measures such as using LED lights at our stores and offices, installing water-efficient faucets, equipment and fixtures, reducing our use of packaging materials for Saint Honore products, and recycling materials. During the year, the Group was able to reduce electricity consumption at our stores by 1.9%.

## **Outlook**

The slowdown in the Hong Kong retail sector is likely to continue. Spending by Chinese Mainland tourists is expected to grow at a more moderate pace compared to previous years. While local customers have purchasing power, they are increasingly sensitive to value propositions. In response, the Group will continue to provide value-for-money products and better develop unique offerings, backed by creative marketing and promotional campaigns, to help drive incremental sales.

In Hong Kong, the labour shortage will continue in 2015. The minimum wage review and proposal on standard working hours could have a considerable impact on the retail sector. In addition, the second phase of the plastic bag levy will come into effect in April 2015. The Group will monitor how this may affect consumer activity.

For the Chinese Government, achieving growth in the neighbourhood of 7% amidst an economic slowdown will be a top priority in 2015. Spending by the middle class is important, especially given the government's goal of transforming the economy from one driven by exports to one dominated by domestic consumption. This should favour the convenience store and bakery businesses.

As we close 2014 and embark upon a new financial year, I would like to thank our Board of Directors, shareholders, business partners and customers for their continued support, and our management and staff for their dedication and good work.

**Victor FUNG Kwok King**  
*Chairman*

Hong Kong, 18 March 2015

*Notes:*

- <sup>1</sup> *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 February 2015.*
- <sup>2</sup> *Published by the Nielsen Company on 29 January 2014.*
- <sup>3</sup> *Published by the Nielsen Company on 26 January 2015.*
- <sup>4</sup> *Published by the National Bureau of Statistics of China on 20 January 2014.*
- <sup>5</sup> *Published by the National Bureau of Statistics of China on 20 January 2015.*
- <sup>6</sup> *Published by Nielsen Retail Index Panel in August 2014.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Board is pleased to report the financial results of the Group for the year ended 31 December 2014. The Group's turnover for the year increased to HK\$4,736 million, representing growth of 4.8% when compared to 2013.

In 2014 the turnover of the convenience store business was HK\$3,752 million, an increase of 4.9% year-on-year. This was mainly attributable to an increase in comparable convenience store sales. Comparable convenience store sales in Hong Kong and Southern China increased by 5.4% and 5.8% respectively against 2013. Meanwhile, turnover for the Saint Honore Cake Shop business increased by 3.2% to HK\$1,049 million. This was primarily due to low-single-digit comparable store sales growth in Hong Kong in 2014.

Gross margin and other income as a percentage of turnover was stable. However, operating expenses as a percentage of turnover increased from 33.2% to 33.8% for the year against 2013. Other than escalating rentals and inflationary operating costs, the higher operating expenses of the Group were mainly due to the investments made in e-Commerce platform FingerShopping.com and a pilot programme with Sinopec Marketing to manage 10 petrol stations and Easy Joy convenience stores in Guangzhou. As a result, the Group's core operating profit dropped by 9% to HK\$153 million compared to last year.

The Group's net profit declined by 19.5% year-on-year to HK\$121 million. Net profit was affected by the same issues impacting core operating profit, plus non-operating items including lower income from interest (as a result of lower bank deposits after a special dividend payout in 2013) and an exchange loss from the depreciation of the renminbi during the year. For 2014 basic earnings per share decreased by 20.2%, from 20.27 HK cents to 16.18 HK cents.

As at 31 December 2014, the Group had a net cash balance of HK\$537 million with no bank borrowings. Most of the Group's cash and bank deposits were in Hong Kong dollars as well as renminbi, and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland, except for certain renminbi bank deposits held in Hong Kong, which are subject to foreign exchange risk. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in Hong Kong dollars or renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

## **Business Model and Corporate Strategy**

The Group is a member of the Fung Group and has the exclusive right to use the Circle K brand name, one of the fastest-growing convenience store brands worldwide, for convenience store retailing in Hong Kong, Macau and on the Chinese Mainland. In addition, the Group owns Saint Honore Holdings Limited and its bakery chain Saint Honore Cake Shop, a household name for bakery products in Hong Kong, Macau and the Pearl River Delta. The Group operates more than 600 stores under the two brands in Hong Kong, Macau, Guangzhou, Shenzhen and Zhuhai.

The Group officially launched FingerShopping.com in 2013. FingerShopping.com is a distinctive online shopping platform featuring genuine, quality merchandise, available via secure and convenient payment channels. It is backed by an extensive retail network of more than 300 Circle K convenience stores, quality customer service and the Group's comprehensive logistics expertise.

The Group's vision is to be the most innovative convenience store and bakery store chain operator in the markets where it operates, and for Circle K and Saint Honore to be the preferred brands for customers. It employs a multi-pronged strategy to accomplish this market positioning:

- Innovative product offerings through its "Always Something New" operational and marketing platforms
- Customer-centric business focus
- Excellence in customer service
- Convenient store locations
- Highly motivated, engaged employees
- Maximised efficiency through the adoption of the latest information technology
- Synchronised supply chain management infrastructure and processes
- Continuous investment in brand-building, store network, people training, IT systems and supply chain infrastructure

The Group strives to achieve sustainable, long-term value for its shareholders through a total commitment to its customers, employees and business. The Group's keys to success are its innovation, execution, ethics and strong partnerships with quality suppliers, and the prudent, professional management of its growth and profitability.

The Board and management will continue to play a proactive role in the development of the Group's business model, and pursue new ventures to maintain competitiveness as well as drive sustainable long-term growth.

### **Operations Review – Hong Kong**

During the year, Circle K opened 16 new stores and closed 22 stores in Hong Kong for a net decrease of six stores. The total number of stores at year-end was 329 compared to 335 at the end of 2013.

Saint Honore Cake Shop opened 11 new stores and closed seven stores in Hong Kong for a total of 93 stores at year-end compared to 89 at the end of last year.

In Hong Kong, market sentiment remained low while rental and labour costs continued to stay at high levels, without any signs of coming adjustment.

### **Employees**

As at 31 December 2014, the Group had a total of 7,658 employees, with 4,778, or 62%, based in Hong Kong and 2,880, or 38%, based in Guangzhou, Shenzhen and Macau. Part-time employees accounted for 41% of the Group's total headcount. In 2014 the Group's total staff cost was HK\$809 million, compared with HK\$771 million in 2013.

The Group offers remuneration schemes that are competitive in the market. For eligible employees, salary packages were supplemented by discretionary bonuses and share options based on individual and company performance. Additional incentives were provided in the form of career advancement opportunities, comprehensive job-related skill training and quality customer service training for the frontline operations team.

To further strengthen the HEARTS (Happy, Energised, Achievement, Respect, Training, Success) employee engagement programme, the Activity Organising Board continued to conduct a number of activities across key areas, including creating a happy working environment, caring for employees' families and ensuring work-life balance. Some highlights of these activities were "Movie Day", "Little Circle K Ambassadors", "Kwai Chung Factory Visit and Cake Making" and the "3-on-3 Basketball Competition", all of which received positive response from participants.

## **Marketing and Promotion**

One of Circle K's core marketing strategies is to leverage holidays, festivals and major events by creating attractive themed promotions for its customers. Summer 2014 marked the return of the world's most popular sporting event, the World Cup. To celebrate, Circle K held the "I am a Soccer Fan" electronic lucky draw. Prizes included 2014 national team soccer jerseys, soccer fan cards, various drink and snack items, and Circle K cash coupons.

Saint Honore celebrated Mid-Autumn Festival and the arrival of mooncake season with a TV spot featuring spokesperson Moses Chan, who was dressed in stylish Gieves & Hawkes menswear to present him as an "English gentleman" and "Prince Charming", in line with his personality and the noble feeling of giving the gift of mooncakes. Saint Honore also took the opportunity to introduce new recipes for snowy mooncakes and new packaging by Dorophy Tang, one of Hong Kong's top designers. Earlier in the year Saint Honore received the "My Favourite Spokesperson" award at the Metro Creative Awards 2014 for its marketing campaigns featuring Moses.

During the year, Circle K continued its proud tradition of innovative premium promotions that feature popular licensed characters from overseas. Riding on its wildly successful "Let's LINE" promotion held last year, Circle K introduced another award-winning crossover with the popular Japanese mobile game "Mushroom Garden" by launching themed ballpoint pens, figurines and pencil cases during the summer holidays. A set of six limited-edition figurines, including brand-new characters in the Mushroom Garden line-up, was also made available for redemption. Mushroom Garden was a huge success at the Marketing Excellence Awards 2014, taking home the Silver Award for "Excellence in Retail/ Shopper Marketing". Another promotion held during the year was "the Bears' School" from Japan, which was launched in the last quarter of 2014 and met with positive reception from Hong Kong shoppers.

In the fourth quarter of the year, the Group's brand-building efforts were recognised once again during the "My Favourite MTR Shops Voting Campaign" organised by MTR Corporation. Members of the public were invited to vote for their favourite MTR station shops, and Circle K Hong Kong won the Excellence Award in the "Caring Services Award" category.

## **Category Management**

One of the most important aspects of the Group's operations, category management allows us to more effectively target customers and drive sales of related groups of products, particularly according to seasons, events and trends. Circle K launched a series of promotions for snacks, sweets and bottled drinks during the year to get customers excited about the wide range of attractive offerings at their favourite convenience store.

Another successful promotion was the new “Just Hot” platform that was introduced at Circle K in November, which highlighted the most popular packaged hot beverages from Japan, including corn soup and green tea latte. The promotion offered these trendy, conveniently packaged hot beverages in time for the cooler fall weather, making it a hit with customers. New products were also introduced at Hot & In food service counters in order to enrich the customer experience.

Recognising shifting consumption patterns in the convenience store business, the Group introduced new services at Circle K during the period under review. These included a partnership with S.F. Express to offer parcel pick-up service for Taobao online shopping orders, as well as a ticketing service for the Chimelong Ocean Kingdom Theme Park.

### **Customer Service Excellence**

This year Circle K Hong Kong was elected “Service Retailer of the Year” in the Convenience Stores category of the Hong Kong Retail Management Association’s Mystery Shoppers Programme for the fifth consecutive year. This programme is an excellent barometer for how dedicated a company is to quality customer service. Also, one of our frontline members won the “Service & Courtesy Award 2014” in the Junior Frontline Level of the Convenience Stores category.

The Circle K store at Hong Kong International Airport (HKIA) and its store manager won team and individual awards at HKIA’s Customer Service Excellence Program event in July. The programme was held to recognise outstanding companies and individuals who continuously help drive customer service excellence at the airport.

The “HEARTS” culture continued to flourish this year at Circle K. Introduced in 2013 to help improve staff engagement, development and retention, HEARTS saw a rollout of new initiatives aiming to expand on the successes of the programme’s inaugural year. These included senior management visits to stores during festive seasons and night-time, and the “Back to Store” programme, where middle managers from the office were sent to stores for three days to serve customers and further develop a customer-centric culture. Also, 107 Service Stars took part in skill-sharing and demonstrations with their fellow staff.

### **Supply Chain Management and Logistics**

The Group makes great effort to ensure that our suppliers are qualified and adhere to stringent standards and specifications. In 2014, the Group issued its Supplier Code of Conduct, which outlines principles and practices relating to labour, ethical conduct, work safety and environmental protection. The Code, which is based on universally accepted fundamental principles and local laws, represents the Group’s commitment to source goods from those who share our values and incorporate them into their operations.

The Order Planning System (OPS) enhancement project, a departmental initiative to improve order planning and processing, was launched during the fourth quarter of 2014. With the enhancement of OPS, staff enjoy a simplified way to process orders that is also designed to make order planning and forecasting more accurate and efficient.

### **Operations Review – Guangzhou**

As at the end of 2014, Circle K's total store network in Guangzhou comprised 89 locations, including many new and non-comparable stores with improved maturity rates. The network's loyalty programme had a VIP membership exceeding 230,000, which has helped drive sales through repeat purchases.

Given this growing network, customer service is more important than ever. The Group once again conducted its mystery shopper programme and found substantial improvement in its frontline operations and customer comments.

Leveraging the group buying trend, the network began putting selected food and beverage products from the Hot & In collection on the group buying platform Meituan in the third quarter of 2014. Customer feedback was very enthusiastic, and both the Circle K and Hot & In brands received considerable online exposure. Also in the fourth quarter, the Group introduced a service in collaboration with WeChat that enables Hot & In members to check their mobile WeChat accounts for information such as bonus points earned, premiums available for redemption, and the latest promotions available at Hot & In.

Guangzhou's express card, the Yang Cheng Tong Card, officially launched a top-up service at Circle K in the fourth quarter of 2014, adding to the number of popular, useful services offered at our convenience stores. Customers can now top up their Yang Cheng Tong cards and make purchases with them at any Circle K store in the city.

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

The total number of Saint Honore stores in Hong Kong and Macau increased from 97 to 102, with the Group adding four shops in Hong Kong and one in Macau. The Group launched new store models that are able to provide freshly baked products in spaces of just a few hundred square feet, and new larger stores that offer seating areas where customers can enjoy light meals. Because of pressure from high rents, the average size of renewable and new stores in Hong Kong has decreased.

As at the end of 2014, Saint Honore's total store network in Guangzhou comprised 43 locations, with a majority of the stores having on-site bakeries and beverage corners.

To combat cost pressures, substantial effort has been made to improve the productivity of our manufacturing plant. This includes investing in machine automation, appointing a world-class third-party consultant to share the latest production management techniques and realigning the manufacturing team structure to provide quicker response to market demand. The Group is also carrying out research in dough production technology to provide a more stable, quality product at a lower cost.

During the period under review, Saint Honore launched new products like 3D fondant cakes and *utane* bread, which have been well received. Our enhanced snowy mooncake also achieved encouraging scores in our annual customer survey.

Despite the slowdown of the Chinese Mainland economy, which has had a negative impact on festive sales these past two years, the Group was able to deliver a similar level of mooncake results during the Mid-Autumn period compared to last year due to better management of product categories, margin improvement and spoilage control.

Saint Honore Guangzhou boasts VIP membership of more than 100,000. These VIPs receive attractive benefits, such as the ability to use digital coupons that can be inserted directly into their VIP cards. The programme was launched between the second and third quarters of the year to give members a value spending proposition and promote repeat purchasing.

Digital and online promotions also played a key role in Saint Honore Guangzhou's sales and marketing efforts during the year under review. Mooncake coupons, cake coupon sets, the cake of the season and coffee coupons were placed on group buying platforms such as Dianping, Meituan and Lashou, which also gave the Saint Honore brand exposure to potential customers surfing online. An online cake ordering service was launched in the second quarter, and this convenience was soon extended to mobile networks and the WeChat platform, where customers can now also place their cake orders. VIP members enjoy the same benefits as those of Circle K, with the ability to use their WeChat accounts to check on bonus points, digital coupons earned, the latest promotions and current premiums available for redemption.

The Yang Cheng Tong Card top-up service has also been extended to cover Saint Honore stores, providing both loading and transaction service.

### **FingerShopping.com**

As at 31 December 2014, FingerShopping.com featured over 500 brands with approximately 9,000 stock-keeping units. A brand-new VIP programme was launched in September 2014 to increase customer loyalty.

Health and beauty is the most successful anchor category. Famous skincare brands from Korea and Taiwan have been heavily promoted, and many well-established brands have placed their products on the site, including Philips, Bio-essence, Elecom Japan Design, Burt's Bees, NutriGreen and others. The Group also introduced direct delivery of fresh food from Japan in collaboration with Yamato Transport (HK) Limited.

In October 2014, the Group launched a revamped FingerShopping.com website replete with new user interfaces, promotional features and a more accurate search function.

Backed by the support of the Group's physical store network, FingerShopping.com has demonstrated a successful O2O business model. Over 90% of customers choose to pick up parcels and pay at Circle K stores. FingerShopping.com also ran two large-scale omni-channel promotional campaigns with Circle K and Saint Honore in the fourth quarter. During the promotional period, customers could redeem free items and cash coupons won at in-store lucky draws by following a simple registration process on FingerShopping.com. The free items could then be collected at Circle K stores. This not only helped divert offline traffic to FingerShopping.com, but also redirect customers back to Circle K stores for gift collection.

To raise brand awareness, the Group displayed FingerShopping.com virtual gondolas in most Circle K stores and placed billboard advertisements in nine MTR stations in the fourth quarter of 2014. The gondolas and billboards contained QR codes that passers-by could scan to become instant VIPs. This promotion was well received by the public, and it resulted in a threefold increase in the number of FingerShopping.com members.

### **Corporate Social Responsibility**

The Group's Corporate Social Responsibility Steering Committee, which is led by the Chief Executive Officer and the Chief Operating Officer, continues to oversee CSR-related policy and performance. This includes but is not limited to environmental, social, governance and people aspects.

In one of the Group's most important and innovative corporate social responsibility initiatives of the year, Circle K Hong Kong partnered with the New Life Psychiatric Rehabilitation Association for a corporate social integration project to help people in recovery from mental illness gain retail experience for entry into the job market. Two New Life convenience stores, based on the design and operations of Circle K, were opened at Kowloon Hospital on 13 January 2014.

At Christmastime, Circle K Hong Kong embarked on a collaboration with iBakery, a social enterprise operated by the Tung Wah Group of Hospitals that trains people with disabilities in the bakery and catering industries. Through this initiative, people could share their blessings with those less fortunate by buying iBakery's Suspended Cookie gift packs for HK\$48 at Circle K stores. Following purchases, gift packs were prepared by iBakery and delivered to the needy. The Group also worked with the Tung Wah Group of Hospitals on a charity activity held on Christmas Eve, where colleagues and intellectually disabled children celebrated the holiday together by crafting handmade Santa Clauses and angels and enjoying cookies. Colleagues also prepared twisted balloon art as Christmas gifts for the children.

During the year, Circle K and Saint Honore in Hong Kong continued their bread donation programme with Foodlink Foundation Limited. Unsold bread was collected from over 80 stores and delivered to those in need.

For the Mid-Autumn Festival, Saint Honore in Hong Kong, Shenzhen and Guangzhou partnered with various non-governmental organisations and donated more than 900 boxes of mooncakes to the elderly and underprivileged.

Circle K Convenience Stores (HK) Limited and Saint Honore Cake Shop Limited were winners of the CLP GreenPlus Recognition Awards, organised by CLP Power Hong Kong Limited to recognise companies that made excellent contributions with distinguished energy-saving performance. Circle K Convenience Stores (HK) Limited took home the Gold Award and "Joint Energy Saving Award" in the Retail – Chain Store (2<sup>nd</sup> Group) Category, while Saint Honore Cake Shop Limited received a Merit Award.

Other major corporate social responsibility initiatives undertaken during the year included Circle K Hong Kong's participation in the "Race to Feed" fundraising event organised by Heifer International – Hong Kong for the eighth consecutive year; a Job Shadowing Day held in collaboration with Junior Achievement Hong Kong and supported by Fung (1906) Foundation; a visit by Saint Honore factory colleagues to the Shenzhen Min Ai Disabled Children's Welfare Center; and environment-related activities such as the Tree Planting Challenge organised by Friends of the Earth, a visit to the Tai Po Island House Conservation Studies Centre, and participation in the Walk for Nature organised by the World Wide Fund for Nature Hong Kong.

### **Future Prospects**

The Group's outlook for 2015 is conservative. We anticipate that consumer sentiment will remain low, impacting comparable store sales and sales during festive seasons. At the same time, operating costs, including labour and rent, will continue to be high, putting the Group's net profit under pressure.

Both FingerShopping.com and the Sinopec Marketing project remain at the investment stage. However, these two businesses hold considerable promise for revenue diversification and future expansion. Subject to the results of the pilot programme and joint discussions, the Sinopec Marketing project should be an important part of the Group's efforts to develop the China market. The Group believes that both initiatives could contribute substantial results in the medium to long term.

To deliver the best possible results in 2015 and beyond, the Group has many initiatives planned to reinvent both its brands and its operations. The focus is on delivering a superior customer experience, which we believe is the most critical success factor for our business.

Although the business environment has been challenging, the Group's core operations remain strong and healthy, and it has a solid balance sheet with good cash position. We will continue to monitor the market closely for merger and acquisition opportunities that can help us grow our business, at the same time as we strive for healthy organic growth.

## RESULTS

The Board of Directors (the “Board”) is pleased to announce the audited results of Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2014, together with the audited comparative figures for the corresponding year ended 31 December 2013 as follows:

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000 (Restated)
Revenue	2	4,736,444	4,521,289
Cost of sales	3	(3,083,026)	(2,941,541)
Gross profit		1,653,418	1,579,748
Other income	2	97,033	86,417
Store expenses	3	(1,267,552)	(1,188,036)
Distribution costs	3	(118,419)	(110,663)
Administrative expenses	3	(211,693)	(199,543)
Core operating profit		152,787	167,923
Non-core operating (loss)/gain	3	(1,334)	9,366
Operating profit		151,453	177,289
Interest income	4	5,652	7,483
Profit before income tax		157,105	184,772
Income tax expenses	5	(36,073)	(34,419)
Profit attributable to shareholders of the Company		121,032	150,353
Earnings per share (HK cents)			
Basic	6	16.18	20.27
Diluted	6	16.06	20.04
Dividends	7	121,021	422,047

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2014**

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Profit attributable to shareholders of the Company	121,032	150,353
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains on post employment benefit obligation, net of tax	2,006	-
Items that may be reclassified subsequently to profit or loss		
Exchange differences	(1,715)	2,218
Release of exchange reserve upon disposal of a subsidiary	-	(3,825)
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	121,323	148,746
	<hr/>	<hr/>

## Consolidated Balance Sheet

As at 31 December 2014

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Non-current assets</b>			
Fixed assets		337,775	357,546
Investment property		22,567	-
Lease premium for land		60,199	55,388
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		76,446	69,183
Deferred tax assets		10,448	9,203
		<u>866,795</u>	<u>850,680</u>
<b>Current assets</b>			
Inventories		194,579	173,959
Rental deposits		47,528	51,920
Trade receivables	8	52,970	50,335
Other receivables, deposits and prepayments		85,915	76,897
Taxation recoverable		166	226
Bank and restricted deposits		9,169	51,284
Cash and cash equivalents		528,177	431,348
		<u>918,504</u>	<u>835,969</u>
<b>Current liabilities</b>			
Trade payables	9	589,688	546,920
Other payables and accruals		211,962	191,127
Taxation payable		11,952	11,055
Cake coupons		158,106	153,493
		<u>971,708</u>	<u>902,595</u>
<b>Net current liabilities</b>		<u>(53,204)</u>	<u>(66,626)</u>
<b>Total assets less current liabilities</b>		<u>813,591</u>	<u>784,054</u>
<b>Financed by:</b>			
Share capital		75,115	74,308
Reserves		617,286	587,407
Proposed dividend		97,760	96,603
<b>Shareholders' funds</b>		<u>790,161</u>	<u>758,318</u>
<b>Non-current liabilities</b>			
Long service payment liabilities		13,738	16,462
Deferred tax liabilities		9,692	9,274
		<u>813,591</u>	<u>784,054</u>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2013	73,938	317,977	177,087	17,222	11,317	10,710	406,930	1,015,181
Profit attributable to shareholders of the Company	-	-	-	-	-	-	150,353	150,353
Exchange differences	-	-	-	-	-	2,218	-	2,218
Release of exchange reserve upon disposal of a subsidiary	-	-	-	-	-	(3,825)	-	(3,825)
Total comprehensive income for the year	-	-	-	-	-	(1,607)	150,353	148,746
Issue of new shares	370	12,077	-	-	-	-	-	12,447
Employee share option benefit	-	3,625	-	-	139	-	92	3,856
Transfer to capital reserves	-	-	-	559	-	-	(559)	-
Dividends paid	-	-	-	-	-	-	(421,912)	(421,912)
	370	15,702	-	559	139	-	(422,379)	(405,609)
At 31 December 2013	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318
At 1 January 2014	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318
Profit attributable to shareholders of the Company	-	-	-	-	-	-	121,032	121,032
Exchange differences	-	-	-	-	-	(1,715)	-	(1,715)
Actuarial gains on post employment benefit obligation gross	-	-	-	-	-	-	2,367	2,367
tax	-	-	-	-	-	-	(361)	(361)
Total comprehensive income for the year	-	-	-	-	-	(1,715)	123,038	121,323
Issue of new shares	807	25,369	-	-	-	-	-	26,176
Employee share option benefit	-	5,241	-	-	(394)	-	127	4,974
Transfer to capital reserves	-	-	-	693	-	-	(693)	-
Dividends paid	-	-	-	-	-	-	(120,630)	(120,630)
	807	30,610	-	693	(394)	-	(121,196)	(89,480)
At 31 December 2014	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161

## Notes to the Consolidated Financial Statements

### 1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and under historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss which are carried at fair value.

As at 31 December 2014, the Group had net current liabilities of HK\$53,204,000 (2013: HK\$66,626,000). In preparing these financial statements, the Group’s management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2014, the Group had banking facilities available amounting to HK\$125,736,000 (2013: HK\$130,515,000). Under these circumstances, the Group’s management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The Group has adopted the following amended standards of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2014 and relevant to its operations:

HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets

The adoption of such amended standards does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

The following amended standards and interpretation of HKFRS are mandatory for accounting periods beginning on or after 1 January 2014 but they are not relevant to the Group’s operations:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The Group has not early adopted the following new and amended standards and improvements of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2015. The adoption of such new and amended standards and improvements will have no material impact on the consolidated financial statements and will not result in substantial changes to the Group's accounting policies.

HKFRS 9	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
HKAS 27 Amendment	Equity Method in Separate Financial Statements
Annual Improvements Projects	Annual Improvements 2010-2012 Cycle
Annual Improvements Projects	Annual Improvements 2011-2013 Cycle
Annual Improvements Projects	Annual Improvements 2012-2014 Cycle

The Group's management assesses the performance of the operating businesses based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit or loss of the convenience store, bakery and e-Commerce businesses before interest income and income tax expenses, but excludes any material gains or losses which are of capital nature or non-recurring nature.

To conform with such management's assessment, the classification of certain items on the consolidated profit or loss account for the year ended 31 December 2014 has been changed. Management considers the change in classification can provide more relevant financial information to the users to assess the business performance through the core operating results of the Group. Core operating result is the result generated from the Group's operating businesses excluding corporate exchange gain or loss and gain or loss on disposal of property which are of capital nature or non-operating related. The reclassification is applied retrospectively, hence certain comparative figures in the consolidated profit and loss account for the year ended 31 December 2013 which comprised of a decrease in other gains, net of HK\$9,988,000 and decreases in cost of sales, store expenses, distribution costs and administrative expenses of HK\$622,000 have been reclassified to non-core operating gain of HK\$9,366,000 in total.

## 2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores, bakeries and e-Commerce businesses. Revenues recognised during the year are as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Revenue		
Merchandise sales revenue	3,752,054	3,576,563
Bakery sales revenue	976,040	942,996
e-Commerce revenue	8,350	1,730
	<hr/>	<hr/>
	4,736,444	4,521,289
	<hr/> <hr/>	<hr/> <hr/>
Other income		
Service items and miscellaneous income	97,033	86,417
	<hr/> <hr/>	<hr/> <hr/>

### Segment information

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

The management considers the business from both a product/service and geographic perspective. From a product perspective, management assesses the performance of convenience store, bakery and e-Commerce businesses. 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. For e-Commerce segment, revenues are mainly derived from the provision of online trading platform. 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 years ended 31 December 2014 and 2013 are as follows:

	2014					
	Convenience Store		Bakery		e-Commerce	Group HK\$'000
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	
Total segment revenue	3,527,979	224,075	981,224	128,332	8,350	4,869,960
Inter-segment revenue	-	-	(133,152)	(364)	-	(133,516)
Revenue from external customers	3,527,979	224,075	848,072	127,968	8,350	4,736,444
Total segment other income	90,150	1,789	6,926	1,546	7	100,418
Inter-segment other income	(749)	(177)	(2,228)	(231)	-	(3,385)
Other income	89,401	1,612	4,698	1,315	7	97,033
	3,617,380	225,687	852,770	129,283	8,357	4,833,477
Core operating profit/(loss)	149,812	(20,762)	51,400	(13,062)	(14,601)	152,787
Depreciation and amortisation	(27,042)	(7,698)	(26,663)	(6,754)	(649)	(68,806)

	2013					
	Convenience Store		Bakery		e-Commerce	
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	Group HK\$'000
Total segment revenue	3,370,311	206,252	959,694	102,342	1,730	4,640,329
Inter-segment revenue	-	-	(118,849)	(191)	-	(119,040)
Revenue from external customers	3,370,311	206,252	840,845	102,151	1,730	4,521,289
Total segment other income	82,757	1,719	4,037	404	6	88,923
Inter-segment other income	(111)	(124)	(2,271)	-	-	(2,506)
Other income	82,646	1,595	1,766	404	6	86,417
	3,452,957	207,847	842,611	102,555	1,736	4,607,706
Core operating profit/(loss)	151,370	(20,682)	58,090	(14,950)	(5,905)	167,923
Depreciation and amortisation	(26,456)	(7,949)	(25,869)	(5,529)	(269)	(66,072)

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 consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of core operating profit.

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

The segment assets and liabilities as at 31 December 2014 and 2013 are as follows:

	2014					
	Convenience Store		Bakery		e-Commerce	Group HK\$'000
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment assets	532,898	84,081	740,533	76,217	11,135	
Total segment assets include:						
Additions to segment non-current assets	23,243	8,874	29,463	17,062	2,060	80,702
Total segment liabilities	619,361	45,707	286,759	13,253	8,414	973,494
	2013					
	Convenience Store		Bakery		e-Commerce	Group HK\$'000
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment assets	486,722	76,874	709,433	67,063	2,163	
Total segment assets include:						
Additions to segment non-current assets	26,210	6,723	18,031	40,362	574	91,900
Total segment liabilities	574,739	43,214	273,156	14,077	2,816	908,002

The amounts provided to the management with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

Reportable segment assets are reconciled to total assets as follows:

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Segment assets for reportable segments	1,444,864	1,342,255
Unallocated:		
Deferred tax assets	10,448	9,203
Taxation recoverable	166	226
Corporate bank deposits	329,821	334,965
	<hr/>	<hr/>
Total assets per consolidated balance sheet	1,785,299	1,686,649
	<hr/>	<hr/>

Reportable segment liabilities are reconciled to total liabilities as follows:

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Segment liabilities for reportable segments	973,494	908,002
Unallocated:		
Deferred tax liabilities	9,692	9,274
Taxation payable	11,952	11,055
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	995,138	928,331
	<hr/>	<hr/>

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK\$4,247,606,000 (2013: HK\$4,087,571,000), and the total of revenue from external customers from other countries is HK\$488,838,000 (2013: HK\$433,718,000) for the year ended 31 December 2014.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK\$723,291,000 (2013: HK\$717,049,000), and the total of these non-current assets located in other countries is HK\$131,161,000 (2013: HK\$122,533,000) as at 31 December 2014.

### 3. Expenses by nature

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Amortisation of lease premium for land	1,893	1,113
Auditor's remuneration		
Audit services	1,950	1,950
Non-audit services	507	649
Cost of inventories sold	2,896,390	2,754,473
Depreciation of owned fixed assets	66,418	64,959
Depreciation of investment property	495	-
Employee benefit expense	809,350	770,674
Losses on disposal of fixed assets	999	3,497
Operating leases rental for land and buildings		
Minimum lease payment	469,414	435,321
Contingent lease payment	8,310	10,316
Foreign exchange losses/(gains)	1,484	(6,860)
Other expenses	424,814	394,325
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating (loss)/gain	4,682,024	4,430,417
	<hr/>	<hr/>

### 4. Interest income

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Interest income on bank deposits	5,652	7,483
	<hr/>	<hr/>

## 5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2014 and 2013. Taxation on overseas profits has been calculated on the estimated assessable profits for the year 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:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current income tax		
Hong Kong profits tax	30,763	28,219
Overseas profits tax	6,562	5,933
Deferred income tax (credit)/charge	(1,252)	267
	<hr/>	<hr/>
	36,073	34,419
	<hr/>	<hr/>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Profit before income tax	157,105	184,772
	<hr/>	<hr/>
Calculated at a taxation rate of 16.5%	25,922	30,487
Effect of different taxation rates in other jurisdictions	(4,322)	(4,287)
Income not subject to taxation	(1,611)	(2,982)
Expenses not deductible for tax purposes	2,353	1,401
Tax losses not recognised	12,884	8,806
Reversal of previously recognised temporary differences	605	1,498
Under/(over) provision in prior year	242	(504)
	<hr/>	<hr/>
	36,073	34,419
	<hr/>	<hr/>

## 6. Earnings per share

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

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

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

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Profit attributable to shareholders of the Company	121,032	150,353
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares in issue	748,083,479	741,862,795
Adjustment for:		
Share options	5,512,573	8,340,538
Weighted average number of ordinary shares for diluted earnings per share	753,596,052	750,203,333

## 7. Dividends

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Interim dividend, proposed of 3.1 HK cents (2013: 3.8 HK cents) per share	23,261	28,235
Special dividend, proposed of nil HK cents (2013: 40 HK cents) per share	-	297,209
Final dividend, proposed of 13 HK cents (2013: 13 HK cents) per share	97,760	96,603
	<hr/>	<hr/>
	121,021	422,047
	<hr/>	<hr/>

At a meeting held on 18 March 2015, the Directors proposed a final dividend of 13 HK cents per share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

## 8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2014, the aging analysis of trade receivables is as follows:

	<b>Group</b>	
	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
0-30 days	40,254	37,235
31-60 days	5,707	4,620
61-90 days	2,219	2,484
Over 90 days	4,790	5,996
	<hr/>	<hr/>
	52,970	50,335
	<hr/>	<hr/>

## 9. Trade payables

At 31 December 2014, the aging analysis of the trade payables is as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
0-30 days	336,958	295,685
31-60 days	154,076	152,912
61-90 days	61,284	57,210
Over 90 days	37,370	41,113
	<hr/>	<hr/>
	<b>589,688</b>	<b>546,920</b>
	<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 enhance independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee with defined terms of reference, which are of no less exacting terms than those 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”).

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

Full details of the Company’s corporate governance practices are set out in the Company’s 2014 Annual Report.

### **Audit Committee**

The Audit Committee met four times in 2014 (with an average attendance rate of 95%) to consider and review with senior management, the Company’s Corporate Governance Division (“CGD”) and external auditor various matters as set out in the Audit Committee’s terms of reference, which included the following:

- Independence of external auditor, their related terms of engagement and fees;
- The Group’s accounting policies and practices, compliance with the Listing Rules and statutory requirements, connected transactions, internal controls, policies and practices on corporate governance, risk management, treasury and financial reporting matters (including the annual and interim financial statements before recommending to the Board for approval);
- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting and financial reporting function; and

- Audit plans, findings and reports of external auditor and CGD.

The Group's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

### **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.

Based on the respective assessments made by senior management and CGD, and also taking into account the results of the work conducted by the external auditor for the purpose of their audit, the Audit Committee considered that for the year ended 31 December 2014:

- 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 financial statements were reliable for publication.
- There was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.
- The resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function were adequate.

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

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2014.

The Company has adopted the Policy on Inside Information, and handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

### **Compliance with the Corporate Governance Code**

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2014.

### **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 year.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held at 4:30 p.m. on Thursday, 21 May 2015 at the Auditorium, 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. In order to be entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20 May 2015. The Notice of Annual General Meeting will be published on the Company's website at [www.cr-asia.com](http://www.cr-asia.com) and HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk), and despatched to the shareholders of the Company shortly.

### **FINAL DIVIDEND**

The Board of Directors recommended to pay to the shareholders a final dividend of 13.0 HK cents (2013: 13.0 HK cents) per share for the year ended 31 December 2014. Together with the interim dividend of 3.1 HK cents (2013: 3.8 HK cents plus a special dividend of 40.0 HK cents) per share paid by the Company on 8 September 2014, the proposed final dividend makes a total dividend of 16.1 HK cents (2013: 56.8 HK cents) per share for the year.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 1 June 2015 to 2 June 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 29 May 2015. Dividend warrants will be despatched on 12 June 2015, subject to shareholders' approval of payment of the final dividend at the Annual General Meeting to be held on 21 May 2015.

On behalf of the Board  
**Convenience Retail Asia Limited**  
**Victor FUNG Kwok King**  
*Chairman*

Hong Kong, 18 March 2015

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