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 2012

	Change	**2012 HK$'000**	2011 HK$'000
• Revenue	+7.5%	4,270,318	3,972,615
• Profit attributable to shareholders of the Company	+20.2%	199,951	166,320
• Basic earnings per share (HK cents)	+19.6%	27.13	22.69
• Interim dividend per share (HK cents) - paid	Nil	3.80	3.80
• Special dividend per share (HK cents) - paid	N/A	5.20	Nil
• Final dividend per share (HK cents)	+18.2%	13.00	11.00

Operation Highlights

- Satisfactory sales and profit growth for the year
- Solid profit and cash contributions from Circle K and Saint Honore Hong Kong
- Complete integration of the Circle K and Saint Honore management and operations teams in Guangzhou
- Challenging outlook for 2013 as rentals and labour cost continue to be concerns
- Group maintains a strong financial position with net cash of HK$743 million without any bank borrowings

NUMBER OF STORES AS OF 31 DECEMBER 2012

Circle K Stores	
Hong Kong	331
Guangzhou	70
Shenzhen	1
Subtotal	**402**
Franchised Circle K Stores	
Guangzhou	12
Macau	23
Zhuhai	14
Subtotal	**49**
Total number of Circle K Stores	**451**
Saint Honore Cake Shops	
Hong Kong	90
Macau	8
Guangzhou	38
Shenzhen	2
Total number of Saint Honore Cake Shops	**138**
Total number of Stores under Convenience Retail Asia	**589**

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$4,270.3 million and net profit of HK$199.9 million for 2012. This represents satisfactory sales growth and a net profit increase of 7.5% and 20.2% respectively compared to 2011. Net profit included the gain on the disposal of a real estate property in 2012 and the one-off gain in gross margin resulting from cigarette inventory after the tobacco tax increase in 2011. Excluding the one-off gains, the Group recorded a net profit of HK$161.4 million, representing an increase of 10.9% over 2011.

For 2012, basic earnings per share increased by 19.6%, from 22.69 HK cents to 27.13 HK cents.

As at 31 December 2012, the Group had a net cash balance of HK$743 million with no bank borrowings.

Review of the Hong Kong Retail Market

The second half of 2012 proved difficult as anticipated, with consumer sentiment weakening amid concerns about the sovereign debt crisis in the Eurozone and the fragile recovery of the US economy. Both domestic consumption and tourist spending were affected, resulting in a slowdown in retail sales growth.

However, Hong Kong saw a surge of inbound tourist arrivals and a broadly stable labour market toward the end of the last quarter, helping drive high-single-digit growth in retail sales. As a result, the Hong Kong retail market closed with strong year-on-year growth. Total retail sales for 2012 increased by 9.8% in value and 7.2%[1] in volume over 2011.

A notable trend in the retail market is that Chinese Mainland visitors are becoming more prudent in their spending and shying away from higher-priced items. For this reason, the year-on-year increase in overall retail sales is not expected to return to double-digit figures.

Company Initiatives in the Hong Kong Operations

In Hong Kong, the Group was able to maintain 6.7% sales growth for the second half of 2012 despite a difficult retail market. High rents remained challenging as renewed lease agreements averaged increases of 20% to 30%. In such an environment, the Group has strengthened its commitment to enhancing its competitiveness, customer experience, branding, store network, people, core competencies and new products, all of which are important foundations for future growth.

During the year under review, steady progress was made implementing key company initiatives. One of these was service-oriented training, an initiative that was validated when the Group won the Hong Kong Retail Management Association's Service Retailer of the Year 2012 award in the Convenience Store Category for the third consecutive year.

The year also saw the addition of further initiatives addressing cost control, store productivity improvement and streamlining of operational processes, each of which yielded tangible results.

Review of the Retail Market on the Chinese Mainland

The Consumer Price Index stabilised in the second half of 2012, finishing with a year-on-year increase in the low single digit. This had a positive impact on food and raw material costs, which benefited the Saint Honore operations in particular.

The growth rate for retail sales slowed from the high teens to between 13% and 15%[2] in the second half due to the contraction of export trade resulting from on-going global economic uncertainty. Consumer sentiment in Guangzhou remains cautious as customers save more and spend less, except for necessities.

Review of the Guangzhou Circle K Operations

During the year the Group achieved total integration of the management and operations teams for the convenience store and cake shop businesses. The new store opening programme also remained on target, with 11 new stores added to the network for a total of 70 stores as at the end of 2012.

Hot & In food services continued to be the key driver for sales and profit growth while customer traffic was maintained by new product introductions and a loyalty programme promotion. However, the weak economic environment and conservative consumer sentiment prevailing in the second half of the year resulted in a modest 9.7% increase in comparable store sales growth, while a steady increase in operating expenses negatively impacted profit.

Review of the Saint Honore Cake Shop Operations

Saint Honore achieved a healthy increase in revenue with a minor reduction in the cost of goods sold. This was mainly due to savings in the food and raw materials category that followed the stabilisation of the consumer price index. As a result, gross profit saw modest 1% growth, with a significant increase in profit attributable to shareholders.

During the year the Group experimented with managing two stores in Shenzhen through the Hong Kong store operating team as a learning opportunity to understand more about the Shenzhen market. The Group also doubled the number of cake shops in Guangzhou and its surrounding cities to 38 stores, with the aim of doubling that number again to approximately 80 in 2013. The Group aims to operate almost the same number of cake shops as convenience stores in Guangzhou in order to maximise store profit and achieve an economy of scale through the two-brand expansion strategy.

Corporate Governance and Sustainability

The Group conducts constant reviews of its corporate governance practices to ensure high standards of compliance. During the year it appointed an independent professional assessment agency to review food hygiene and safety, occupational health and safety, and the environmental management systems of the Saint Honore Cake Shop operations in Hong Kong and Shenzhen.

The Group remains firmly committed to support the principles of the United Nations Global Compact, which covers human rights, labour standards, environmental protection and anti-corruption as well as the principles of sustainability.

The Group also continued emphasising the “4Rs” – Reduce, Re-use, Re-cycle and Refrain – throughout its store operations and customer communications. Internal communication platforms included “Green Day” every Tuesday, featuring educational email messages nurturing eco-awareness and promoting useful tips for environmental conservation. A biannual sustainability workshop was also introduced to provide a platform for sharing and interaction about topics related to the management of natural resources as well as environmental disaster alerts and information on global warming. Energy-saving initiatives and paper consumption monitoring / recycling programmes played key roles in the implementation of the Group’s “Green Office” concept.

In Shenzhen, the Saint Honore factory successfully switched from heavy oil to natural gas in an effort to save energy and reduce carbon emissions, setting the benchmark for the industry in Shenzhen. In Hong Kong, Saint Honore Cake Shop and Circle K Hong Kong partnered with Foodlink and other charitable organisations to minimise food wastage by donating unsold bread and prepared food to the needy.

Outlook for 2013

The Group anticipates another year of uncertainty and volatility in global finance. As an open economy, Hong Kong is susceptible to external market upheavals that could also impact consumer sentiment.

In Guangzhou, the Group will open Saint Honore Cake Shops at a faster pace than convenience stores, in order to take advantage of the absence of a market leader in the bakery segment and to optimise the profit potential of the cake shop business model. As part of a vertically integrated business, new Saint Honore stores can build loyal customer bases more easily with their exclusive house brand products, deliver higher gross profit and achieve store breakeven sooner than stores in the convenience stores segment. Saint Honore also offers significant potential as a gifting brand for festive products in both the consumer and corporate market segments.

Rents are expected to remain at high level, although they are unlikely to increase significantly as they did in 2012. Combined with higher labour costs, this will still be a concern for 2013. However, both Circle K and Saint Honore Hong Kong have become solid profit and cash contributors. The Group also feels it has very positive brand perceptions and a good core management team in place, all of which will provide a solid foundation for future network expansion and sales growth.

In conclusion, I would like to take this opportunity to express my deep appreciation to the Board of Directors, which has made significant contributions to the Group's business performance with its valuable guidance and professional advice. I would also like to thank the management team and all members of the Group for their hard work and dedication in delivering a satisfactory business performance amid a challenging market environment.

Victor FUNG Kwok King
Chairman

Hong Kong, 27 March 2013

Notes:

1. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 31 January 2013.*
2. *Published by the National Bureau of Statistics of China on 18 January 2013.*

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Board is pleased to report the financial results of the Group for the year ended 31 December 2012. The Group's turnover for the year increased to HK$4,270.3 million, representing growth of 7.5% when compared to the corresponding period in 2011.

In 2012 the turnover of the convenience store business was HK$3,387.7 million, an increase of 7.4% compared to 2011. This was mainly attributable to the opening of new stores and an increase in comparable convenience store sales (stores in existence throughout 2012 and 2011). Comparable convenience store sales in Hong Kong and Southern China increased by 4% and 11% respectively against 2011. Meanwhile, turnover for the Saint Honore Cake Shop business increased by 7.3% to HK$950 million year on year. This was primarily due to single-digit comparable store sales growth in Hong Kong, an increase in the number of stores and improvement in festive products sales in 2012.

Gross margin and other income decreased from 36.9% to 36.4% of turnover for the year against 2011. The higher gross margin achieved last year was mainly due to the one-off gain as a result of the favourable impact on cigarette margin for a certain amount of inventory after the tobacco tax increase in 2011. Excluding this one-off gain, gross margin as percentage of turnover maintained a level similar to the same period in 2011.

Operating expenses as a percentage of turnover decreased marginally from 32.4% to 32.3% for the year against 2011. Despite escalating rentals and inflationary operating costs, the Group's store operating expenses were managed well on a percentage-of-sales basis.

Compared to 2011, net profit attributable to shareholders increased by 20.2% to HK$199.9 million for the year. This result included factoring in the gain on the disposal of a real estate property in 2012 and the one-off gain in gross margin resulting from cigarette inventory after the tobacco tax increase in 2011. Excluding the one-off gains, the Group recorded year-on-year growth in net profit attributable to shareholders of 10.9%.

For 2012, basic earnings per share increased by 19.6%, from 22.69 HK cents to 27.13 HK cents.

The Group continued to maintain a strong financial position with net cash of HK$743 million and no bank borrowings. Most of the Group's cash and bank deposits were in HK dollars as well as Renminbi and deposited with major banks in Hong Kong and the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either HK dollars or Renminbi. The Group had limited foreign exchange exposure in Renminbi as a result of its business operations on the Chinese Mainland, 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 HK dollar 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 Fung Retailing and has the exclusive right to use the Circle K brand name, one of the fastest-growing convenience store brands worldwide, for convenience retailing in Hong Kong, Macau and 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 in Hong Kong, Macau and the Pearl River Delta. The Group operates nearly 600 stores under the two brands in Hong Kong, Macau, Guangzhou, Shenzhen and Zhuhai.

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

- Innovative product offerings through "Always Something New" operations and marketing platforms
- Customer-centric business focus
- Excellence in customer service
- Convenient store locations
- Highly motivated and engaged employees
- Maximising efficiency by adopting 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 total commitment to its customers, employees and business. The Group's keys to success are its innovation, execution, ethics, strong partnerships with quality suppliers, and the prudent, professional management of its growth and profitability.

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

Operations Review – Hong Kong

During the year, Circle K opened 19 new stores and closed 12 stores in Hong Kong for a net increase of seven. The total number of stores at year-end was 331 compared to 324 at the end of 2011.

Saint Honore Cake Shop opened six new stores and closed six stores in Hong Kong, maintaining the same number as 2011. The Group upgraded a number of store sites and designs during the year.

There do not seem to be any indications of a peak or correction in the retail rental market, although landlords appear more open to negotiations during new site acquisitions and lease renewals.

Employees

As at 31 December 2012, the Group had a total of 6,515 employees, with 4,250, or 65%, based in Hong Kong and 2,265, or 35%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 34% of total headcount.

The Group offers remunerative 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 skills training and quality customer service training for the frontline operations team.

Employee engagement was one of the Group's key management initiatives during 2012. The Group completed a total of 18 focus group sessions with employees to gauge its level of staff engagement and consolidated the resulting feedback to formulate future direction and action. It also launched the "Journey of the HEARTS" initiative to enhance staff engagement. Within the HEARTS campaign framework, a series of activities will be rolled out focusing on the themes of "Happy", "Energised", "Achievements", "Respect", "Training" and "Success". A HEARTS booklet was also presented to each employee.

Other new initiatives introduced throughout the year included an Internal Transfer Policy, Flexi-working Hours, Home Early, and a review of the Study Sponsorship Policy, the latter of which resulted in a new sponsorship programme to facilitate personal and career training and development for employees. The Group also developed various platforms to enhance internal communication, including an Activity Organising Board and an intranet promoting HEARTS messages and activities.

Marketing and Promotion

The Group continued to introduce aggressive promotions aimed at increasing transaction value and contributing to daily store sales growth. These also helped offset the minor decrease in transaction count resulting from the drop in newspaper and magazine sales, which was caused by consumer reading habits shifting towards digital media.

The year under review also saw the launch of an innovative UNO Card promotion in the fourth quarter to build excitement for the shopping experience and generate repeat purchases. The novelty of the card collection game mechanics created substantial media buzz both online and offline.

Category Management

In line with the Group's strategic objectives to expand the convenience service category, payment services for water bills and various taxes were rolled out, supported by extensive publicity in the media and promotional messages in stores. The Group introduced a new product category, packaged frozen yogurt, under the brand name Hokkaido-Yo before the start of the hot weather. Hokkaido-Yo contributed to incremental sales with its attractive attributes of deliciousness, smoothness and health benefits. A "On-the-Go" breakfast campaign was also launched in the third quarter to promote a comprehensive range of packaged bread baked by Saint Honore Cake Shop, freshly delivered to Circle K stores every morning. The combo price of the packaged bread and a choice of packaged beverage also presented an attractive value proposition.

Customer Service Excellence

Building on the principle that "happy employees beget happy customers", the Group launched a "Be Happy, We Kare" programme promoting a caring culture among the store operations team. The programme included organising store visits by the management team in a "Back to Store" initiative.

During the year the Group's consistent efforts to maintain a high standard of customer service were duly recognised by industry organisations in 2012:

- Circle K Hong Kong won the Hong Kong Retail Management Association's Service Retailer of the Year 2012 Award in the Convenience Store Category for the third consecutive year.

- Circle K Hong Kong and Saint Honore Cake Shop won the Hong Kong Retail Management Association's Service & Courtesy Award 2012 at the Supervisory level.

- Circle K Hong Kong and Saint Honore Hong Kong were both named "Smiling Enterprises" in the Smiling Report by the Mystery Shopping Provider Association.

- The Circle K store at Luk Yeung Galleria was named a top-quality performer under the "2011 Total Quality Service Regime" organised by the MTR Corporation.

- The Circle K store at Hong Kong International Airport won the Customer Service Excellence Individual Award, given by Airport Authority Hong Kong, for the second consecutive year. It also won the Team Award for the first time.

As part of an annual event recognising outstanding performers from the operations team, the Group appointed 100 Service Stars to be role models promoting quality customer service for frontline colleagues. Also, in an effort to enhance customer experience during special occasions such as Mother's Day, Father's Day, Halloween and more, staff prepared special gifts for customers.

Supply Chain Management and Logistics

To foster the growth of the store network, the Group expanded its supply chain management service to cover the Pearl River Delta region, from the distribution centre in Guangzhou to second- and third-tier cities such as Zhaoqing, Foshan, Jiangmen, Zhongshan, Dongguan, Huizhou, Shenzhen and Zhuhai. The distribution centre in Hong Kong will also support Shenzhen and Macau.

Operations Review – Guangzhou

Operating costs continued to rise with increasingly high wages, significant social welfare expenditure and increased energy consumption, especially during the summer.

The Group celebrated the 10th anniversary of its Guangzhou operations with a multi-channel consumer promotion conducted both online and offline. As part of this promotion, customers were encouraged to participate in the celebrations by selecting the most popular cold drinks from the Hot & In range via an online poll. In another promotion effort for the Hot & In food service, its VIP programme recruited over 70,000 members who accounted for a significant proportion of sales.

Convenience services are an increasingly important part of the store experience, providing added value for customers. During the year, the Group introduced DHL document delivery service in select stores and also offered transaction discounts for Unionpay credit card "quick pass" payments.

Environmental initiatives included the launch of LED lighting pilot schemes at three stores, which demonstrated satisfactory energy-saving results. The Group now targets replacing the lighting in all stores with LED by the end of the first quarter of 2013.

The Group achieved exceptionally high scores in an AON Hewitt Best Employer Survey in October, reflecting a very high level of employee engagement with employees who are greatly motivated by the company's aggressive network expansion strategy. During the year, new store uniforms were also rolled out to project a trendier, more energetic image.

Operations Review – Saint Honore Cake Shop

In 2012 Saint Honore Cake Shop business registered turnover growth of 7.3% over 2011. Gross profit of the business showed a slight increase of 1% despite the impacts of the minimum wage being in effect for a full year as well as surging rents. Rising food costs have been contained since the second quarter, contributing to the overall improvement in gross profit.

Saint Honore received a number of important recognitions during the year. These included the MetroBox Prime Awards for Brand Excellence 2012 in the Bakery Category; being named a Touch Brand 2012 by East Touch; and winning the Outstanding Corporate Image Award and Superbrand 2012, organised by TVB Weekly.

The Group also engaged Moses Chan, a popular television artist, as its spokesperson for brand and product advertising for the second year.

The Group expanded its store network from 19 to 38, rolling out from Guangzhou to second-tier cities including Foshan, Jiangmen and Huiyang. The Group aims to double the size of its store network again in 2013 to about 80, covering areas such as Dongguan, Huizhou and Conghua. The strategy for locations is to partner with big developers and explore sites along key subway routes, and to work closely with hypermarkets like Lotus, Jusco and Tesco.

The flagship store opening in Guangzhou in June provided a showcase for the brand's premium positioning as well as its full range of cake and bread products. The flagship's bakery-cum-cafe model represents an important experiment to see whether such a store is financially viable. The Group also plans on introducing illy Coffee – a premium Italian coffee brand – to Saint Honore stores as an endorsement of its coffee offering.

Other notable developments during the year included the launch of the Saint Honore Guangzhou website and an online cake ordering system; the successful recruitment of more than 12,000 VIP members as at the end of 2012; and the Group's 10th anniversary celebrations in October, which featured a consumer promotion focusing on the 10 signature products.

Corporate Social Responsibility

The Group partnered with Heifer International – Hong Kong for the sixth consecutive year to participate in their various charitable events, including the “Race to Feed” and the Annual Study Tour. Employees also took part in the Walk for Nature 2012 organised by the World Wide Fund for Nature Hong Kong; supported the Helping Hand Cookie Campaign 2012; and donated premiums to the Tung Wah Group of Hospitals for the benefit of their service recipients, who are typically low-income families, the elderly and disabled.

Future Prospects

Continued global economic uncertainty points to another challenging year in 2013, but the efforts of the past year to strengthen store brands and networks should have the Group well placed to generate further business growth.

The first half of 2013 will be devoted to more store openings, with lower expectations of significant growth at the bottom line. Second-half financial performance should be more promising as the new stores opened in 2012 begin to mature and make more significant contributions. Southern China will be looked at as a major growth engine, especially in view of the encouraging market potential of the Saint Honore business model.

The Group’s management and operations teams remain highly motivated and committed, and improving performance from the Guangzhou operations will help pave the way for success in the future.

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 2012, together with the audited comparative figures for the corresponding year ended 31 December 2011 as follows:

	Note	**2012** **HK$'000**	2011 HK$'000
Revenue	*2*	4,270,318	3,972,615
Cost of sales	*3*	(2,801,587)	(2,589,639)
Gross profit		1,468,731	1,382,976
Other income	*2*	84,250	84,534
Other gains, net	*4*	42,621	15,789
Store expenses	*3*	(1,099,556)	(1,022,760)
Distribution costs	*3*	(103,918)	(94,418)
Administrative expenses	*3*	(174,135)	(173,176)
Operating profit		217,993	192,945
Interest income	*5*	11,585	8,575
Profit before income tax		229,578	201,520
Income tax expenses	*6*	(29,627)	(35,200)
Profit attributable to shareholders of the Company		199,951	166,320
Earnings per share (HK cents)			
Basic	*7*	27.13	22.69
Diluted	*7*	26.94	22.68
Dividends	*8*	162,676	108,614

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	2012 **HK$'000**	2011 HK$'000
Profit attributable to shareholders of the Company	199,951	166,320
Other comprehensive income for the year, net of tax		
Actuarial gains on post employment benefit obligation	-	3,156
Exchange differences	945	700
Total comprehensive income attributable to shareholders of the Company	200,896	170,176

Consolidated Balance Sheet
As at 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Non-current assets			
Fixed assets		362,250	306,645
Investment property		-	35,031
Lease premium for land		31,197	32,252
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		65,180	63,254
Bank deposit		-	18,534
Deferred tax assets		9,152	7,949
		827,139	823,025
Current assets			
Inventories		180,914	179,426
Rental deposits		41,820	34,120
Trade receivables	*9*	47,819	46,791
Other receivables, deposits and prepayments		83,872	76,377
Taxation recoverable		-	6
Bank deposits		203,998	305,933
Cash and cash equivalents		539,035	394,283
		1,097,458	1,036,936
Current liabilities			
Trade payables	*10*	551,015	536,020
Other payables and accruals		184,225	208,247
Taxation payable		5,638	11,967
Cake coupons		142,555	134,522
		883,433	890,756
Net current assets		214,025	146,180
Total assets less current liabilities		1,041,164	969,205
Financed by:			
Share capital		73,938	73,391
Reserves		845,026	785,950
Proposed dividend		96,217	80,731
Shareholders' funds		1,015,181	940,072
Non-current liabilities			
Long service payment liabilities		16,962	17,699
Deferred tax liabilities		9,021	11,434
		1,041,164	969,205

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

	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 2011	73,157	286,940	177,087	16,472	12,894	9,065	274,014	849,629
Profit attributable to shareholders of the Company	-	-	-	-	-	-	166,320	166,320
Actuarial gains on post employment benefit obligation								
gross	-	-	-	-	-	-	3,823	3,823
tax	-	-	-	-	-	-	(667)	(667)
Exchange differences	-	-	-	-	-	700	-	700
Total comprehensive income for the year	-	-	-	-	-	700	169,476	170,176
Issue of new shares	234	6,722	-	-	-	-	-	6,956
Employee share option benefit	-	1,828	-	-	374	-	1,242	3,444
Dividends paid	-	-	-	-	-	-	(90,133)	(90,133)
	234	8,550	-	-	374	-	(88,891)	(79,733)
At 31 December 2011	73,391	295,490	177,087	16,472	13,268	9,765	354,599	940,072
At 1 January 2012	73,391	295,490	177,087	16,472	13,268	9,765	354,599	940,072
Profit attributable to shareholders of the Company	-	-	-	-	-	-	199,951	199,951
Exchange differences	-	-	-	-	-	945	-	945
Total comprehensive income for the year	-	-	-	-	-	945	199,951	200,896
Issue of new shares	547	17,575	-	-	-	-	-	18,122
Employee share option benefit	-	4,912	-	-	(1,951)	-	675	3,636
Transfer to capital reserves	-	-	-	750	-	-	(750)	-
Dividends paid	-	-	-	-	-	-	(147,545)	(147,545)
	547	22,487	-	750	(1,951)	-	(147,620)	(125,787)
At 31 December 2012	73,938	317,977	177,087	17,222	11,317	10,710	406,930	1,015,181

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.

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 following amended standards of HKFRS are mandatory for accounting periods beginning on or after 1 January 2012 but they are not relevant to the Group's operations:

HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendment	Disclosures - Transfers of Financial Assets
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets

The Group has not early adopted the following new and amended standards and interpretations of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2013. The adoption of such new and amended standards and interpretations will have no material impact on the consolidated financial statements and will not result in substantial changes to the Group's accounting policies.

HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKFRS 13	Fair Value Measurement
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

2. Revenue, other income and segment information

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

	Group	
	2012	2011
	HK$'000	HK$'000
Revenue		
Merchandise sales revenue	3,387,685	3,155,518
Bakery sales revenue	882,633	817,097
	4,270,318	3,972,615
Other income		
Service items and miscellaneous income	84,250	84,534

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

The segment information provided to the management for the reportable segments for the year ended 31 December 2012 and 2011 are as follows:

	2012				
	Convenience Store		Bakery		
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	Group HK$'000
Total segment revenue	3,216,504	171,186	912,255	77,166	4,377,111
Inter-segment revenue	(5)	-	(106,255)	(533)	(106,793)
Revenue from external customers	3,216,499	171,186	806,000	76,633	4,270,318
Total segment other income	80,880	1,852	3,749	107	86,588
Inter-segment other income	-	(68)	(2,270)	-	(2,338)
Other income	80,880	1,784	1,479	107	84,250
	3,297,379	172,970	807,479	76,740	4,354,568
Profit/(loss) after tax (after gain on disposal of property)	135,102	(18,748)	86,930	(3,333)	199,951
Profit/(loss) after tax (before gain on disposal of property)	135,102	(18,748)	48,428	(3,333)	161,449
Profit/(loss) after tax includes:					
Depreciation	(24,844)	(7,932)	(24,700)	(2,930)	(60,406)
Amortisation	-	(523)	(584)	-	(1,107)
Interest income	9,027	1,201	657	700	11,585
Income tax (expenses)/credit	(24,887)	-	(6,445)	1,705	(29,627)
Gain on disposal of property, net of tax	-	-	38,502	-	38,502

	2011				
	Convenience Store		Bakery		
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	Group HK$'000
Total segment revenue	3,023,513	132,015	856,030	61,278	4,072,836
Inter-segment revenue	(10)	-	(99,635)	(576)	(100,221)
Revenue from external customers	3,023,503	132,015	756,395	60,702	3,972,615
Total segment other income	80,434	2,657	3,662	79	86,832
Inter-segment other income	-	(44)	(2,254)	-	(2,298)
Other income	80,434	2,613	1,408	79	84,534
	3,103,937	134,628	757,803	60,781	4,057,149
Profit/(loss) after tax	148,407	(17,724)	35,959	(322)	166,320
Profit/(loss) after tax includes:					
Depreciation	(25,836)	(7,896)	(25,343)	(1,715)	(60,790)
Amortisation	-	(520)	(584)	-	(1,104)
Interest income	6,963	415	768	429	8,575
Income tax (expenses)/credit	(27,645)	-	(7,993)	438	(35,200)

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 profit after tax.

The segment assets and liabilities as at 31 December 2012 and 2011 are as follows:

	2012				
	Convenience Store		**Bakery**		
	HK & Others HK$'000	**Chinese Mainland HK$'000**	**HK & Others HK$'000**	**Chinese Mainland HK$'000**	**Group HK$'000**
Total segment assets	545,154	99,217	728,380	49,308	1,422,059
Total segment assets include:					
Additions to segment non-current assets	42,911	11,435	36,742	15,122	106,210
Total segment liabilities	578,113	39,507	262,167	14,970	894,757

	2011				
	Convenience Store		Bakery		
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	Group HK$'000
Total segment assets	489,369	100,491	790,511	37,447	1,417,818
Total segment assets include:					
Additions to segment non-current assets	26,418	9,355	59,512	3,625	98,910
Total segment liabilities	587,514	32,360	269,371	7,243	896,488

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:

	2012 **HK$'000**	2011 HK$'000
Segment assets for reportable segments	1,422,059	1,417,818
Unallocated:		
Deferred tax assets	9,152	7,949
Taxation recoverable	-	6
Corporate bank deposits	493,386	434,188
Total assets per consolidated balance sheet	1,924,597	1,859,961

Reportable segment liabilities are reconciled to total liabilities as follows:

	2012 **HK$'000**	2011 HK$'000
Segment liabilities for reportable segments	894,757	896,488
Unallocated:		
Deferred tax liabilities	9,021	11,434
Taxation payable	5,638	11,967
Total liabilities per consolidated balance sheet	909,416	919,889

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$3,906,107,000 (2011: HK$3,680,713,000), and the total of revenue from external customers from other countries is HK$364,211,000 (2011: HK$291,902,000) for the year ended 31 December 2012.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$721,798,000 (2011: HK$722,038,000), and the total of these non-current assets located in other countries is HK$94,294,000 (2011: HK$72,609,000) as at 31 December 2012.

3. Expenses by nature

	Group	
	2012	2011
	HK$'000	HK$'000
Amortisation of lease premium for land	1,107	1,104
Auditor's remuneration		
Audit services	1,950	1,920
Non-audit services	453	682
Changes in inventories	2,628,521	2,421,919
Depreciation of owned fixed assets	60,077	60,543
Depreciation of investment property	329	247
Employee benefit expense	701,286	680,283
Operating leases rental for land and buildings		
Minimum lease payment	397,140	357,461
Contingent lease payment	9,872	11,279
Other expenses	378,461	344,555
Total cost of sales, store expenses, distribution costs and administrative expenses	4,179,196	3,879,993

4. Other gains, net

For the year ended 31 December 2012, other gains, net mainly included gain on disposal of a real estate property amounting to HK$36,788,000 (2011: nil), net exchange gains amounting to HK$1,322,000 (2011: HK$13,815,000) and rental compensation from Urban Renewal Authority amounting to HK$5,324,000 (2011: HK$3,292,000).

5. Interest income

	Group	
	2012	2011
	HK$'000	HK$'000
Interest income on bank deposits	11,585	8,575

6. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2012 and 2011. 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 (credited)/charged to the consolidated profit and loss account represents:

	Group	
	2012	2011
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	27,314	29,085
Overseas profits tax	5,899	4,742
Deferred (tax credit)/income tax	(3,586)	1,373
	29,627	35,200

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 consolidated entities as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Profit before income tax	229,578	201,520
Calculated at a taxation rate of 16.5%	37,880	33,251
Effect of different taxation rates in other jurisdiction	(3,113)	(2,275)
Income not subject to taxation	(8,544)	(3,323)
Expenses not deductible for tax purposes	1,904	1,925
Tax losses not recognised	5,924	5,355
Effect of previously unrecognised temporary differences	(191)	344
Reversal of previously recognised temporary differences	(3,304)	-
Over-provision in prior year	(1,108)	(385)
Remeasurement of deferred tax - change in tax rate	179	308
	29,627	35,200

7. 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.

	2012 **HK$'000**	2011 HK$'000
Profit attributable to shareholders of the Company	199,951	166,320

	Number of Shares	Number of Shares
Weighted average number of ordinary shares in issue	736,912,534	733,016,859
Adjustments for:		
Share options	5,175,150	403,630
Weighted average number of ordinary shares for diluted earnings per share	742,087,684	733,420,489

8. Dividends

	2012	2011
	HK$'000	HK$'000
Interim dividend, proposed of 3.8 HK cents (2011: 3.8 HK cents) per share	28,060	27,883
Special dividend, proposed of 5.2 HK cents (2011: nil) per share	38,399	-
Final dividend, proposed of 13 HK cents (2011: 11 HK cents) per share	96,217	80,731
	162,676	108,614

At a meeting held on 27 March 2013, 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.

9. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2012, the aging analysis of trade receivables is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0-30 days	34,728	37,856
31-60 days	4,308	3,606
61-90 days	2,582	1,495
Over 90 days	6,201	3,834
	47,819	46,791

10. Trade payables

At 31 December 2012, the aging analysis of the trade payables is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0-30 days	299,803	293,215
31-60 days	142,399	145,728
61-90 days	53,214	49,133
Over 90 days	55,599	47,944
	551,015	536,020

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 following committees with defined terms of reference, which are of no less exacting terms than those set out in the former Code on Corporate Governance Practices (effective until 31 March 2012) and the revised Corporate Governance Code (effective from 1 April 2012) (collectively referred to as 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"):

- Audit Committee
- Remuneration Committee
- Nomination Committee

All the committees comprise a majority of Independent Non-executive Directors and are chaired by Non-executive Directors.

Full details of the Company's corporate governance practices are set out in the Company's 2012 Annual Report.

Audit Committee

The Audit Committee met four times in 2012 (with an average attendance rate of 85%) 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:

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

- 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); and

- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

The Group's annual results for the year ended 31 December 2012 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 2012:

- 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”). Specific confirmation of compliance has been obtained from all Directors.

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. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2012.

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 2012.

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 4:00 p.m. on Tuesday, 7 May 2013 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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 6 May 2013. The Notice of Annual General Meeting will be published on the Company’s website at *www.cr-asia.com* and HKExnews website at *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 HK cents (2011: 11 HK cents) per share for the year ended 31 December 2012. Together with the interim dividend of 3.8 HK cents (2011: 3.8 HK cents) per share and the special dividend of 5.2 HK cents (2011: nil) per share paid by the Company on 28 August 2012, the proposed final dividend makes a total dividend of 22 HK cents (2011: 14.8 HK cents) per share for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 May 2013 to 15 May 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 May 2013. Dividend warrants will be despatched on 22 May 2013, subject to shareholders' approval of payment of the final dividend at the Annual General Meeting to be held on 7 May 2013.

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

Hong Kong, 27 March 2013

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 Dr. Raymond Ch'ien Kuo Fung, Mr. Malcolm Au Man Chung, Mr. Anthony Lo Kai Yiu and Mr. Zhang Hongyi.