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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 2013

	Change	2013 HK\$'000	2012 HK\$'000
• Revenue	+5.9%	4,521,289	4,270,318
• Profit attributable to shareholders of the Company (before gain on disposal of property, net of tax)	-6.9%	150,353	161,449
• Gain on disposal of property, net of tax	N/A	Nil	38,502
• Profit attributable to shareholders of the Company	-24.8%	150,353	199,951
• Basic earnings per share (HK cents)	-25.3%	20.27	27.13
• Interim dividend per share (HK cents) - paid	Nil	3.80	3.80
• Special dividend per share (HK cents) - paid	+669.2%	40.00	5.20
• Final dividend per share (HK cents)	Nil	13.00	13.00

Operation Highlights

- Slight decrease in operating profit due to higher number of non-comparable new stores in Southern China and investment in FingerShopping.com
- Continued escalation in rental and labour costs place pressure on operating results across all markets
- Neutral store network growth due to unfavourable leasing environment and store closures upon lease renewal
- Comparable store sales growth, enhanced category management both key contributors to operating profit
- Group maintains a strong financial position with net cash of HK\$483 million without any bank borrowings

NUMBER OF STORES AS OF 31 DECEMBER 2013

Circle K Stores

Hong Kong	335
Guangzhou	68
Shenzhen	1

Subtotal 404

Franchised Circle K Stores

Guangzhou	11
Macau	25
Zhuhai	11

Subtotal 47

Total number of Circle K Stores 451

Saint Honore Cake Shops

Hong Kong	89
Macau	8
Guangzhou	41
Shenzhen	3

Total number of Saint Honore Cake Shops 141

Total number of Stores under Convenience Retail Asia 592

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\$4,521 million and net profit of HK\$150 million for 2013. This represents satisfactory sales growth but a net profit drop of 5.9% and 6.9% respectively compared to 2012, excluding the one-off gain from the disposal of real estate property in 2012.

For 2013, basic earnings per share decreased by 7.5%, from 21.91 HK cents to 20.27 HK cents, excluding the one-off gain in 2012.

As at 31 December 2013, the Group had a net cash balance of HK\$483 million with no bank borrowings.

Review of the Hong Kong Retail Market

For 2013 as a whole, total retail sales increased by 11.0% in value and 10.6%¹ in volume over the same period in 2012. This growth was possible because of positive consumer sentiment, stable employment and income conditions, and a higher number of inbound visitor arrivals.

According to the Hong Kong Tourism Board, same-day visitors from the Chinese Mainland have increased significantly over the past ten years, from 2 million² in 2002 to 19.8 million³ in 2012, outpacing overnight visitors and resulting in a dramatic change in overall spending patterns. For example, Chinese visitors are making more purchases of daily consumables like fast-moving packaged goods than big-ticket luxury items. The Group is keeping track of these changes to maximise sales opportunities in the short and long terms.

The consumer confidence index for the third quarter in 2013 was 106⁴. This represents a year-on-year increase of 17 points but is one point lower than the previous quarter. The modest decrease in the consumer confidence index resulted from economic uncertainty surrounding the United States' monetary policy of quantitative easing, as well as a stagnant local property market in Hong Kong. But overall, consumers still feel reasonably positive about discretionary spending.

A state of virtual full employment caused labour costs to escalate and together with the high retail rental; place pressure on the Group's operating profit.

Company Initiatives in the Hong Kong Operations

The Group's most valuable asset is its people, which is why it launched the HEARTS employee engagement initiative during the year under review. This comprehensive programme aims to improve staff retention, recruitment and job satisfaction in view of the severe labour shortage in the retail sector. It also marks our intention to enhance the Group's reputation as a caring company and preferred employer, whose staff are happy, engaged, passionate and professional.

In 2013 the Group also formed an Environmental, Social and Governance (ESG) Steering Committee to define its environmental policy, set objectives and targets, and implement and oversee sustainability and corporate social responsibility initiatives. Two key projects included carbon footprint reduction in our store operations, and fundraising activities for Heifer International – Hong Kong, a nonprofit organisation dedicated to ending world hunger by providing animals and training to help impoverished families around the globe, to improve the living quality of rural villages in the Chinese Mainland.

The Group also launched FingerShopping.com to gauge the potential of e-commerce in Hong Kong and pave the way for future omni-channel sales and marketing. FingerShopping.com is a new e-tailing platform operated by subsidiary FingerShopping Limited that features an innovative “clicks & bricks” model, supported by the Circle K store network for easy pick-up and payment. It gives customers the ability to make safe, efficient, convenient purchases online.

It is worth noting that Circle K Hong Kong was named “Service Retailer of the Year” in the Convenience Stores Category by the Hong Kong Retail Management Association for the fourth consecutive year. The award was given in recognition of the chain's excellent customer service.

Review of the Retail Market on the Chinese Mainland

In 2013 total retail sales on the Chinese Mainland grew by 13.1%⁵ compared to the previous year. The Group also saw stable growth in retail sales in Guangdong for the year, with an increase of 12.2%⁶ compared to 2012.

Online retailing transactions reached 1.85⁷ trillion Renminbi in 2013, accounting for over 10% of total retail sales and providing a strong strategic motivation for bricks-and-mortar retailers to go online.

The Chinese Mainland's consumer confidence index was at 110⁸ in the third quarter, up from 106⁹ in the third quarter of 2012. This modest improvement reflects a steady rebound in the Chinese economy, with the gross domestic product (GDP) expanded 7.7%¹⁰ year-on-year compared to 2012.

Review of the Circle K Guangzhou Operations

The Circle K operations in Guangzhou reported healthy comparable sales growth in the second half of 2013. This was mainly due to incremental sales generated by the Hot & In food services, which accounted for over 40% of the sales mix because of the popularity and effectiveness of the Hot & In loyalty programme.

Over the years the Group has put substantial effort into expanding its store network, increasing comparable store sales and controlling operating expenses. However, revenue and profit growth were unable to overcome the significant increase in operating expenses, impacting the bottom line.

A survey conducted by an independent agency revealed that the Circle K Guangzhou operations achieve a high level of employee engagement, validating the HEARTS programme and the company's well recognised status as a preferred employer.

Review of the Saint Honore Cake Shop Operations

During the year under review, Saint Honore was able to maintain mid-single-digit comparable store sales growth in Hong Kong. Operating profit decreased due to heavy pressure from payroll increments across the markets, rental increases, the appreciation of the Renminbi, market expansion in Guangzhou and start-up costs in Shenzhen.

Although the Group maintained the same overall number of stores across all markets, the average size of lease-renewed stores and the number of new stores opened both decreased during the year. For this reason, the Group had a reduced amount of total store space and selling area.

In 2013 Saint Honore was proud to participate in the "Family-Friendly Employers Award Scheme", where it was named "Distinguished Family-Friendly Employer".

Corporate Governance and Sustainability

As a member of the Fung Group, the Group remains highly committed to the principles of the United Nations Global Compact, which cover human rights, labour standards, environmental protection and anti-corruption as well as the principles of sustainability.

The Group conducts regular reviews of its manufacturing procedures, as well as the quantity and content of the greenhouse gas emissions from all of Saint Honore's production activities across markets so as to comply with local government regulations. The Group makes every effort to optimise its use of energy and resources to reduce its carbon footprint.

Over the years, the Group has introduced various practices to prevent or minimise the impact of waste produced by its operations on the environment. Starting from the second quarter of 2013, waste generated by Saint Honore factories is sorted, measured and recycled as much as possible.

Also in 2013, Circle K and Saint Honore Cake Shop operations in Hong Kong collaborated with Foodlink Foundation Limited through a programme to provide bread for breakfast to charity organisations.

Outlook for 2014

The engine driving the global economic recovery will be emerging economies. However, with export trade growth softening due to the slower pace of recovery in the US and Europe, the path to full recovery is marked with risks and uncertainties.

The retail market is transforming with the arrival of the e-commerce era. Leading bricks-and-mortar retailers are determining how to best operate in a multi-channel shopping environment, how to leverage Big Data, and how to defend and reinvent brand value in the context of these challenges.

Operating expenses such as rent and labour are not anticipated to decrease in the coming financial year, and could rise even more. As a result, the Group is expecting a challenging operating environment for 2014.

To achieve medium- to long-term business growth, the Group will keep abreast the latest retail developments and customise its current business models to further build on its customer base. We will accomplish this through innovative service concepts, the continued introduction of quality products and a competitive value proposition.

In closing, I would like to express my sincere appreciation to the Board of Directors for their wise and invaluable counsel and thank Management and staff for their dedication, hard work and innovation. I also would like to express my appreciation to you, our shareholders, business partners and customers for your continued support.

Victor FUNG Kwok King
Chairman

Hong Kong, 27 February 2014

Notes:

1. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 4 February 2014.*
2. *Published by the Hong Kong Tourism Board on 24 January 2003.*
3. *Published by the Hong Kong Tourism Board on 28 January 2013.*
4. *Published by the Nielsen Company on 7 November 2013.*
5. *Published by the National Bureau of Statistics of China on 20 January 2014.*
6. *Published by the Statistics Bureau of Guangdong Province on 22 January 2014.*
7. *Published by iResearch on 14 January 2014.*
8. *Published by the Nielsen Company on 30 October 2013.*
9. *Published by the Nielsen Company on 30 October 2012.*
10. *Published by the National Bureau of Statistics of China on 20 January 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 2013. The Group's turnover for the year increased to HK\$4,521 million, representing growth of 5.9% when compared to 2012.

In 2013 the turnover of the convenience store business was HK\$3,578 million, an increase of 5.6% compared to 2012. This was mainly attributable to increase in comparable convenience store sales (stores in existence throughout 2013 and 2012). Comparable convenience store sales in Hong Kong and Southern China increased by 4.6% and 13.3% respectively against 2012. At the same time, turnover for the Saint Honore Cake Shop business increased by 7.0% to HK\$1,016 million year on year. This was primarily due to mid single-digit comparable store sales growth in Hong Kong and an increase in festive products sales in 2013.

Gross margin and other income increased from 36.4% to 36.8% of turnover compared to 2012. This was mainly because of category management improvements in the convenience store business, although the Group did experience pressure from rising raw material prices and factory labour costs.

Operating expenses as a percentage of turnover increased from 32.3% to 33.1% against 2012. In addition to escalating rentals and operating cost inflation, the higher operating expenses were also due to a larger number of new stores opened in Southern China, as well as the extra operating expenses incurred by the launch of FingerShopping.com in 2013.

Compared to last year, the Group's operating profit declined by 6.9% to HK\$150 million, excluding a one-off gain from the disposal of real estate property in 2012. The drop in operating profit was mainly because of the increased number of new stores in Southern China and the investment in omni-channel retailing through FingerShopping.com.

Basic earnings per share decreased by 7.5%, from 21.91 HK cents to 20.27 HK cents, excluding the one-off gain from the disposal of real estate property in 2012.

As at 31 December 2013 the Group had a net cash balance of HK\$483 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 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 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 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 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 officially launched FingerShopping.com on 26 June 2013, which is operated by subsidiary FingerShopping Limited. 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 over 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 preferred brands for customers. 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

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

Operations Review – Hong Kong

During the year, Circle K opened 20 new stores and closed 16 stores in Hong Kong for a net increase of four stores. The total number of stores at year-end was 335 compared to 331 at the end of 2012.

Saint Honore Cake Shop opened seven new stores and closed eight stores in Hong Kong, for a total of 89 stores at year-end compared to 90 at the end of 2012.

The retail rental market shows no indication of peaking, especially for prime retail sites. Due to the shifting demand to secondary prime retail sites, there has been a prevailing escalation in rentals in these areas.

Employees

As at 31 December 2013 the Group had a total of 6,833 employees, with 4,340, or 64%, based in Hong Kong and 2,493, or 36%, based in Guangzhou, Shenzhen and Macau. Part-time employees accounted for 37% 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 skill training and quality customer service training for the frontline operations team.

To follow up on the launch of the HEARTS (Happy, Energised, Achievements, Respect, Training, Success) engagement programme, five core competency and four leadership competency models were introduced to define people-management objectives and align execution practices. The five core competencies are “boss spirit”, “care for people”, “customer focus”, “drive for excellence”, and “teamwork and partnership”. The four leadership competencies are “building internal and external networks”, “business acumen and decision-making”, “leading and developing people”, and “reinventing ourselves”.

An Activity Organising Board was formed with the mission of creating a happy working environment, caring for employees’ families and ensuring work/life balance. Various company-sponsored events and outings were organised throughout the year and received enthusiastic levels of participation. These included movie days, visits to the Saint Honore Factory, volunteer work for environmental protection, and other charity projects.

A special “Volunteer Work Leave” Policy was also introduced to encourage employees to participate in voluntary charity work and contribute to the community.

Marketing and Promotion

Circle K Hong Kong’s innovation in premium promotions was recognised at the highly reputable Marketing Excellence Awards 2013 when it won the Silver Award in “Excellence in Retail/Shopper Marketing” award for the “Let’s LINE” Promotion, which was launched in the first quarter of the year. Riding on the success of the first promotion, Circle K launched “LINE Friends” in the last quarter of the year, this time featuring the popular LINE characters in exclusively designed stationery items. The second promotion was as well received by customers as the first one and generated substantial incremental store sales.

Because of the increasing penetration of smartphones and the growing popularity of mobile game applications, Circle K introduced a joint promotion with “Tower of Saviours” by making use of its game tokens as free premiums. The promotion also features a proprietary instant-win lucky draw mechanism through the use of the stores’ electronic point of sale system.

The Group’s brand-building efforts were duly recognised at the “My Favourite MTR Shops Voting Campaign” organised by the MTR Corporation in the last quarter of 2013. The public were invited to vote for their favourite MTR station shops, and Circle K Hong Kong won the Bronze Award for “Most Popular MTR Shops” and the Excellence Award for “My Favourite MTR Shops for Convenient Service”.

Circle K also won an award in the Retail Chain Store Category of the Yahoo! Emotive Brand Awards 2012-2013, an annual highlight of one of the most popular online platforms. The awards recognise brands with positive brand values and strong customer engagement, as elected by Hong Kong netizens through online voting.

The Circle K Hong Kong website was revamped and launched in September 2013, with a completely new design and functions for more user-friendly navigation and more effective customer interface. New product and service information are now available on the website, together with the latest promotional offers and social network links.

Category Management

One of the Group's key initiatives for 2013 was to continue promoting its category awareness and enhancing its category offerings. During the year, the Group introduced innovative and creative themes for new products in various categories, such as "Japanese Bistro" for sake and Japanese snack food, "K-Snack Headquarters" for Korean snacks, "Craft Beer Festival" for imported designer beer, "Sweet Season" for chocolate confectionery and "Eat Healthy" for food services.

These category promotions proved to be quite effective in generating incremental sales for their respective categories, while supporting the "Always Something New" marketing platform.

In order to further expand and enrich the product offering, a dedicated sourcing team was formed with the mission of directly sourcing international products. Focus was placed specifically on Japanese and Korean products which are popular convenience store categories. These include items such as packed beverages, snack food, confectionery and packaged noodles.

Customer Service Excellence

Circle K Hong Kong was elected "Service Retailer of the Year" in the Convenience Stores Category of the Hong Kong Retail Management Association's (HKRMA) Mystery Shopper Programme for the fourth consecutive year. This was a well-deserved recognition of the team's dedication to quality customer service and the influence of the HEARTS corporate culture.

A store manager from Saint Honore Cake Shop, Apple Wong Bo Yin, was the Supervisory Level winner in the Food Shop Category of the "2013 Service and Courtesy Awards", also organised by HKRMA.

In 2013, the Group continued to invest in intensive training for all frontline colleagues, while promoting a caring culture among the store operations team. The purpose of this is to promote the Group's principle that "happy employees beget happy customers".

Supply Chain Management and Logistics

To support Circle K Hong Kong's international sourcing initiative, inbound shipment and direct-import distribution procedures were set up to cope with the need for extra logistics support.

For Saint Honore Hong Kong, a GPS-based fleet management system was introduced to further enhance the cold-chain system and the business's supply chain management.

For the Guangzhou operations, the priority is to build capacity for storage and temperature control facilities in support of the business development of both Saint Honore and Circle K.

Operations Review – Guangzhou

The Guangzhou operations moved to a new office at Fortune Plaza, close to the Circle K and Saint Honore flagship stores. The move was made in preparation for another wave of growth in the Southern China market.

The Hot & In food service continued to be the main driver for revenue and margin growth, contributing more than 40% of the sales mix. It is benefited from a highly successful VIP program, where the membership base increased from approximately 100,000 to 130,000 over the last six months of 2013, representing growth of almost 30%. This is one of the critical success factors driving strong comparable stores sales growth.

Operations Review – Saint Honore Cake Shop

The Central Government issued an official decree prohibiting the practice of ostentatious gift-giving among government organisations and state-owned enterprises. The new restrictions include Mid-Autumn Festival mooncakes, which is a substantial blow for mooncake sales across all markets on the Chinese Mainland. Despite this challenging environment, Saint Honore operations were still able to report a slight improvement in mooncake sales.

At the end of 2013, the total number of Saint Honore cake shops increased by three (from 138 to 141) compared to the end of 2012. In 2013, the Group deliberately slowed the pace of new store openings in Guangzhou and Shenzhen for three primary reasons. The first was that new stores opened in the second half of 2012 still take time to mature. The second was that the Group intends to study these new stores closely to further upgrade and fine-tune future store models. Finally, the Group is taking a cautious outlook of the retail market on the Chinese Mainland.

Saint Honore Guangzhou also launched its official website during the year under review, which will pave way for providing an online cake ordering service to customers.

FingerShopping.com

On 26 June 2013, the Group held the grand opening of FingerShopping.com. This e-shopping platform, operated by subsidiary FingerShopping Limited, enables customers to make convenient, secure online purchases of genuine lifestyle products. As at 31 December 2013, the Group had recruited over 70 vendors with approximately 4,000 stock-keeping units.

FingerShopping.com uses an innovative “clicks and bricks” model, combining the best features of a secure e-tailing platform with the support of Circle K’s extensive store network. Over 80% of orders are paid for and picked up at Circle K stores. The store network also functions as one of the site’s key promotional channels, promoting it via shelf talkers, brochure stands and Facebook fan page-sharing. Health and beauty has become one of the most successful anchor categories, representing 70% of the total quantity sold and 66% of total sales value. FingerShopping.com also serves as an e-commerce platform for social enterprises and SMEs, including shops run by the Hong Kong Council of Social Service (Good Goods) and famous designer brands (Point To Life, b.wing, ChristopherVineDesign, Din Dong and many more).

Corporate Social Responsibility

In September 2013, Circle K Hong Kong partnered with the New Life Psychiatric Rehabilitation Association for a corporate social integration initiative designed to improve the operational efficiency and effectiveness of two New Life convenience stores located at Kowloon Hospital. New Life convenience stores offer a variety of daily necessities, healthcare and nutritional products, fresh fruits, food and beverage items, organic snacks, floral arrangements and handicrafts made by people in recovery from mental illness. The first New Life convenience store was opened in 1997 at the West Wing of Kowloon Hospital.

Through the partnership, the New Life stores will base their design and operations on the Circle K model to give people recovering from mental illness a realistic store environment, one where they can experience professional retail training and take significant steps towards open employment. Circle K Hong Kong and the Fung (1906) Foundation also donated new furniture and equipment for the initiative.

Future Prospects

The operating conditions in Hong Kong and on the Chinese Mainland continue to be difficult. A severe labour shortage and escalating retail rentals are the key challenges faced by retailers in both markets. In addition to boosting comparable stores sales to mitigate such unfavourable market conditions, another priority is to improving productivity across all levels to maintain competitiveness. Also, to leverage the trend of multi-channel shopping, Circle K is planning on developing its store network to act as a fulfilment provider, a move that should offer considerable potential for future business opportunities.

In the short term, uncertainties about the Chinese Mainland economy remain. However, in the longer term, the continued rise of the urban households and the rapid growth of the upper-middle-class on the Chinese Mainland – which is projected to increase by nearly 100 million households by 2022, with an upper-middle-class percentage increase from 17% to 63% – indicates a strong possibility that there will be exponential growth in target customers for convenience stores and cake shops.

The Group will also continue to work on merger and acquisition opportunities as an important component of its strategic growth plan.

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 2013, together with the audited comparative figures for the corresponding year ended 31 December 2012 as follows:

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Revenue	2	4,521,289	4,270,318
Cost of sales	3	(2,942,260)	(2,801,587)
Gross profit		1,579,029	1,468,731
Other income	2	86,417	84,250
Other gains, net	4	9,988	42,621
Store expenses	3	(1,188,133)	(1,099,556)
Distribution costs	3	(110,810)	(103,918)
Administrative expenses	3	(199,202)	(174,135)
Operating profit		177,289	217,993
Interest income	5	7,483	11,585
Profit before income tax		184,772	229,578
Income tax expenses	6	(34,419)	(29,627)
Profit attributable to shareholders of the Company		150,353	199,951
Earnings per share (HK cents)			
Basic	7	20.27	27.13
Diluted	7	20.04	26.94
Dividends	8	422,047	162,676

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
Profit attributable to shareholders of the Company	150,353	199,951
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	2,218	945
Release of exchange reserve upon disposal of a subsidiary	(3,825)	-
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	<u>148,746</u>	<u>200,896</u>

Consolidated Balance Sheet

As at 31 December 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Fixed assets		357,546	362,250
Lease premium for land		55,388	31,197
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		69,183	65,180
Deferred tax assets		9,203	9,152
		<u>850,680</u>	<u>827,139</u>
Current assets			
Inventories		173,959	180,914
Rental deposits		51,920	41,820
Trade receivables	9	50,335	47,819
Other receivables, deposits and prepayments		76,897	83,872
Taxation recoverable		226	-
Bank deposits		51,284	203,998
Cash and cash equivalents		431,348	539,035
		<u>835,969</u>	<u>1,097,458</u>
Current liabilities			
Trade payables	10	546,920	551,015
Other payables and accruals		191,127	184,225
Taxation payable		11,055	5,638
Cake coupons		153,493	142,555
		<u>902,595</u>	<u>883,433</u>
Net current (liabilities)/assets		<u>(66,626)</u>	<u>214,025</u>
Total assets less current liabilities		<u>784,054</u>	<u>1,041,164</u>
Financed by:			
Share capital		74,308	73,938
Reserves		587,407	845,026
Proposed dividend		96,603	96,217
Shareholders' funds		<u>758,318</u>	<u>1,015,181</u>
Non-current liabilities			
Long service payment liabilities		16,462	16,962
Deferred tax liabilities		9,274	9,021
		<u>784,054</u>	<u>1,041,164</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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 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
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
Release of exchange reserve upon disposal of a subsidiary	-	-	-	-	-	(3,825)	-	(3,825)
Exchange differences	-	-	-	-	-	2,218	-	2,218
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

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 Group has adopted the following new and amended standards of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2013 and relevant to its operations:

HKFRS 10	Consolidated Financial Statements
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income
HKAS 27 (2011)	Separate Financial Statements
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The adoption of such new and 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 new and amended standards and interpretations of HKFRS are mandatory for accounting periods beginning on or after 1 January 2013 but they are not relevant to the Group’s operations:

HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKAS 19 (2011)	Employee Benefits
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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 2014. 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 9	Financial Instruments
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

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	
	2013	2012
	HK\$'000	HK\$'000
Revenue		
Merchandise sales revenue	3,578,293	3,387,685
Bakery sales revenue	942,996	882,633
	4,521,289	4,270,318
Other income		
Service items and miscellaneous income	86,417	84,250
	86,417	84,250

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 years ended 31 December 2013 and 2012 are as follows:

	2013				
	Convenience Store HK & Others HK\$'000	Chinese Mainland HK\$'000	Bakery HK & Others HK\$'000	Chinese Mainland HK\$'000	Group HK\$'000
Total segment revenue	3,372,041	206,252	959,694	102,342	4,640,329
Inter-segment revenue	-	-	(118,849)	(191)	(119,040)
Revenue from external customers	3,372,041	206,252	840,845	102,151	4,521,289
Total segment other income	82,652	1,719	4,037	404	88,812
Inter-segment other income	-	(124)	(2,271)	-	(2,395)
Other income	82,652	1,595	1,766	404	86,417
	<u>3,454,693</u>	<u>207,847</u>	<u>842,611</u>	<u>102,555</u>	<u>4,607,706</u>
Profit/(loss) after tax	135,137	(20,718)	50,147	(14,213)	150,353
Profit/(loss) after tax includes:					
Depreciation	(26,725)	(7,487)	(25,285)	(5,462)	(64,959)
Amortisation	-	(462)	(584)	(67)	(1,113)
Interest income	6,625	159	497	202	7,483
Income tax (expenses)/credit	(26,576)	-	(8,440)	597	(34,419)

	2012				
	Convenience Store		Bakery		Group HK\$'000
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK & Others HK\$'000	Chinese Mainland 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
	<u>3,297,379</u>	<u>172,970</u>	<u>807,479</u>	<u>76,740</u>	<u>4,354,568</u>
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

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 2013 and 2012 are as follows:

	2013				
	Convenience Store		Bakery		Group
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total segment assets	488,885	76,874	709,433	67,063	1,342,255
Total segment assets include:					
Additions to segment non-current assets	26,784	6,723	18,031	40,362	91,900
Total segment liabilities	577,555	43,214	273,156	14,077	908,002
	2012				
	Convenience Store		Bakery		Group
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

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:

	2013 HK\$'000	2012 HK\$'000
Segment assets for reportable segments	1,342,255	1,422,059
Unallocated:		
Deferred tax assets	9,203	9,152
Taxation recoverable	226	-
Corporate bank deposits	334,965	493,386
	<hr/>	<hr/>
Total assets per consolidated balance sheet	<u>1,686,649</u>	<u>1,924,597</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2013 HK\$'000	2012 HK\$'000
Segment liabilities for reportable segments	908,002	894,757
Unallocated:		
Deferred tax liabilities	9,274	9,021
Taxation payable	11,055	5,638
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	<u>928,331</u>	<u>909,416</u>

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK\$4,087,571,000 (2012: HK\$3,906,107,000), and the total of revenue from external customers from other countries is HK\$433,718,000 (2012: HK\$364,211,000) for the year ended 31 December 2013.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK\$717,049,000 (2012: HK\$721,798,000), and the total of these non-current assets located in other countries is HK\$122,533,000 (2012: HK\$94,294,000) as at 31 December 2013.

3. Expenses by nature

	2013	Group
	HK\$'000	2012
		HK\$'000
Amortisation of lease premium for land	1,113	1,107
Auditor's remuneration		
Audit services	1,950	1,950
Non-audit services	649	453
Changes in inventories	2,754,473	2,628,521
Depreciation of owned fixed assets	64,959	60,077
Depreciation of investment property	-	329
Employee benefit expense	770,674	701,286
Operating leases rental for land and buildings		
Minimum lease payment	435,321	397,140
Contingent lease payment	10,316	9,872
Other expenses	400,950	378,461
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs and administrative expenses	4,440,405	4,179,196
	<hr/> <hr/>	<hr/> <hr/>

4. Other gains, net

For the year ended 31 December 2013, other gains mainly included net exchange gains amounting to HK\$6,860,000 (2012: HK\$1,322,000), rental compensation amounting to HK\$2,800,000 (2012: HK\$5,324,000) and release of exchange reserve upon disposal of a subsidiary amounting to HK\$3,825,000 (2012: nil), net of losses on disposal of fixed assets amounting to HK\$3,497,000 (2012: net gains of HK\$35,975,000 including disposal of a real estate property HK\$36,788,000).

5. Interest income

	2013	Group
	HK\$'000	2012
		HK\$'000
Interest income on bank deposits	7,483	11,585
	<hr/> <hr/>	<hr/> <hr/>

6. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2013 and 2012. 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:

	2013	Group
	HK\$'000	2012
		HK\$'000
Current income tax		
Hong Kong profits tax	28,219	27,314
Overseas profits tax	5,933	5,899
Deferred income tax charge/(credit)	267	(3,586)
	<hr/>	<hr/>
	34,419	29,627
	<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:

	2013	Group
	HK\$'000	2012
		HK\$'000
Profit before income tax	184,772	229,578
	<hr/>	<hr/>
Calculated at a taxation rate of 16.5%	30,487	37,880
Effect of different taxation rates in other jurisdictions	(4,287)	(3,113)
Income not subject to taxation	(2,982)	(8,544)
Expenses not deductible for tax purposes	1,335	1,904
Tax losses not recognised	8,806	5,924
Effect of previously unrecognised temporary differences	66	(191)
Reversal of previously recognised temporary differences	1,498	(3,304)
Over-provision in prior year	(504)	(1,108)
Remeasurement of deferred tax - change in tax rate	-	179
	<hr/>	<hr/>
	34,419	29,627
	<hr/>	<hr/>

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.

	2013 HK\$'000	2012 HK\$'000
Profit attributable to shareholders of the Company	150,353	199,951
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	741,862,795	736,912,534
Adjustment for:		
Share options	8,340,538	5,175,150
Weighted average number of ordinary shares for diluted earnings per share	750,203,333	742,087,684

8. Dividends

	2013 HK\$'000	2012 HK\$'000
Interim dividend, proposed of 3.8 HK cents (2012: 3.8 HK cents) per share	28,235	28,060
Special dividend, proposed of 40 HK cents (2012: 5.2 HK cents) per share	297,209	38,399
Final dividend, proposed of 13 HK cents (2012: 13 HK cents) per share	96,603	96,217
	<hr/> 422,047	<hr/> 162,676
	<hr/> <hr/>	<hr/> <hr/>

At a meeting held on 27 February 2014, 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 2013, the aging analysis of trade receivables is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
0-30 days	37,235	34,728
31-60 days	4,620	4,308
61-90 days	2,484	2,582
Over 90 days	5,996	6,201
	<hr/> 50,335	<hr/> 47,819
	<hr/> <hr/>	<hr/> <hr/>

10. Trade payables

At 31 December 2013, the aging analysis of the trade payables is as follows:

	2013	Group
	HK\$'000	2012
		HK\$'000
0-30 days	295,685	299,803
31-60 days	152,912	142,399
61-90 days	57,210	53,214
Over 90 days	41,113	55,599
	<hr/>	<hr/>
	546,920	551,015
	<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 and are chaired by Non-executive Directors.

Full details of the Company’s corporate governance practices are set out in the Company’s 2013 Annual Report.

Audit Committee

The Audit Committee met four times in 2013 (with an average attendance rate of 90%) 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 2013 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 2013:

- 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 2013.

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 2013.

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 Monday, 12 May 2014 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, not later than 4:30 p.m. on 9 May 2014. 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 13.0 HK cents (2012: 13.0 HK cents) per share for the year ended 31 December 2013. Together with the interim dividend of 3.8 HK cents (2012: 3.8 HK cents) per share and the special dividend of 40.0 HK cents (2012: 5.2 HK cents) per share paid by the Company on 28 August 2013, the proposed final dividend makes a total dividend of 56.8 HK cents (2012: 22.0 HK cents) per share for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19 May 2014 to 21 May 2014, 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, not later than 4:30 p.m. on 16 May 2014. Dividend warrants will be despatched on 28 May 2014, subject to shareholders' approval of payment of the final dividend at the Annual General Meeting to be held on 12 May 2014.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

The current address of the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, is 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong. With effect from 31 March 2014, its address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

Hong Kong, 27 February 2014

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.