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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 2015

Financial Highlights

	Change	2015 HK\$'000	2014 HK\$'000 (Restated)
• Revenue	+4.3%	4,728,151	4,531,321
• Core operating profit	-8.3%	162,247	176,842
• Profit attributable to shareholders of the Company			
Continuing Operations	-7.5%	134,177	145,008
Included Discontinued Operations	+31.5%	159,178	121,032
• Basic earnings per share (HK cents)			
Continuing Operations	-8.2%	17.80	19.38
Included Discontinued Operations	+30.5%	21.12	16.18
• Dividend per share (HK cents)			
Final	Nil	13.00	13.00
Special	N/A	6.00	Nil
Full year			
Basic	Nil	16.10	16.10
Special	N/A	6.00	Nil

Operation Highlights

- Despite weak market sentiment, the Group achieved strong comparable store sales growth in Hong Kong
- Core operating profit declined by 8.3%, mainly due to escalating rental and labour costs and higher operating expenditures for FingerShopping.com
- Full-year profit including Discontinued Operations increased by 31.5%, primarily due to one-off gain of HK\$48 million from sale of Circle K Guangzhou
- The Group maintained a strong financial position with net cash of HK\$568 million without any bank borrowings
- In view of the one-off gain from Circle K Guangzhou sale, the Board proposed to pay a special dividend of 6 HK cents per share

Future Prospects

- Following sale of loss-making Circle K Guangzhou operations, the Group will focus on driving quality and sustainable profit growth, primarily in Hong Kong, in the short and medium terms
- Another challenging year expected in 2016 due to fierce retail competition and weak consumer sentiment

Number of Stores as of 31 December 2015

Circle K Stores

Hong Kong	<u>328</u>
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Franchised Circle K Stores

Guangzhou	76
Macau	27
Zhuhai	<u>18</u>

Subtotal	<u>121</u>
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Total number of Circle K Stores	<u><u>449</u></u>
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Saint Honore Cake Shops

Hong Kong	89
Macau	9
Guangzhou	40
Shenzhen	<u>1</u>

Total number of Saint Honore Cake Shops	<u><u>139</u></u>
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Total number of Stores under Convenience Retail Asia	<u><u>588</u></u>
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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\$4,728 million, core operating profit of HK\$162 million, net profit for Continuing Operations of HK\$134 million and net profit of HK\$159 million in 2015.

Sales growth for the year was approximately 4.3%, which was mainly driven by solid performance in comparable store sales.

Compared to last year, core operating profit decreased by 8.3% to HK\$162 million. Major reasons were escalating rental and labour costs as well as higher operating expenditures for e-commerce platform FingerShopping.com, which outweighed the growth in comparable store sales across all markets. These factors also impacted net profit for Continuing Operations, causing a slight drop of 7.5% to HK\$134 million.

Net profit including Discontinued Operations increased by 31.5% to HK\$159 million, primarily due to the one-off gain of HK\$48 million for the sale of the Circle K convenience store business in Guangzhou.

Basic earnings per share for Continuing Operations decreased by 8.2%, from 19.38 HK cents to 17.80 HK cents, while basic earnings per share including Discontinued Operations increased by 30.5%, from 16.18 HK cents to 21.12 HK cents.

As at 31 December 2015, the Group had a net cash balance of HK\$568 million with no bank borrowings. The Board of Directors has resolved to declare a final dividend of 13 HK cents per share. In view of the one-off gain from the sale of Circle K Guangzhou, the Board has further resolved to declare a special dividend of 6 HK cents per share.

Review of the Hong Kong Retail Market

It was a difficult year for the retail industry in Hong Kong. Tourism arrivals saw a 2.5% year-on-year drop in 2015¹, with arrivals from the Chinese Mainland – which contributes the bulk of tourists to Hong Kong – also decreasing 3.0% compared to last year¹. The decline in tourism spending, combined with weak market sentiment, had an inevitable impact on retail. Overall retail sales declined by 0.3% in volume and 3.7% in value year on year². Fortunately, demand from local customers for daily consumable products remained stable, resulting in year-on-year increase in sales dollars in the supermarket category (including convenience stores) of 1.3%².

Operating costs and rentals remained high throughout most of 2015. In addition, unemployment and underemployment in Hong Kong continued to hover at low rates of approximately 3.3% and 1.4% respectively between October and December in 2015³, resulting in keen competition for quality staff across the retail industry.

New Initiatives Drive Growth

Despite a very challenging operating environment, the Group achieved growth in comparable store sales across its convenience and bakery businesses. This was made possible by attractive promotions and offers, identifying and introducing popular new items, and effectively building customer loyalty. One highlight was Circle K Hong Kong's "The Daring New Generation" advertising campaign, launched in support of its new "Dare to Try" brand positioning. The campaign was designed to reach Internet+ customers by introducing trendy new experiences such as popular food, drink and premium items from Japan and Korea as well as "Always Something New" promotions.

The Group continues to invest in FingerShopping.com, an O2O (online to offline) retailing platform that helps meet growing customer demand for internet-based shopping. Because the website's mechanism allows customers to pick up their purchases at Circle K stores, it also helps generate foot traffic and brand loyalty. The gross merchandise value of FingerShopping.com doubled in 2015 as compared with 2014.

The HEARTS employee engagement programme is playing an important role for the Group, helping it retain and develop staff in a highly competitive job market. This initiative aims to nurture a happy, healthy workplace where employees feel valued and are rewarded for customer service excellence. The Group's efforts in workplace satisfaction continue to be recognised across the industry.

Review of the Retail Market on the Chinese Mainland

In 2015, GDP growth on the Chinese Mainland slowed from 7.3% in 2014⁴ to 6.9% in 2015⁵. Total retail sales growth also slowed, dropping from 12% in 2014⁶ to 10.7% in 2015⁷. The consumer confidence index remained stagnant at 107⁸ in the fourth quarter of 2015, compared to the 107⁹ recorded in 2014 (both according to a baseline score of 100). The challenges of operating in this market are expected to go on for some time as the country transforms under a wide range of economic reform measures.

Review of the Guangzhou Operations

Over the past few years the operating environment of the convenience store business on the Chinese Mainland has grown increasingly challenging. In August 2015, the Group sold its loss-making Circle K convenience store business in Guangzhou to its controlling shareholder, Fung Holdings (1937) Limited (“FH 1937”). This also ended the Group’s involvement in its pilot programme with Sinopec Marketing Co., Ltd. relating to the operation of 10 petrol stations and Easy Joy convenience stores in Guangzhou, which was taken up by FH 1937.

The strategic decision by the Group to divest the Circle K business (while keeping its Saint Honore business) in Guangzhou will help it focus on revenue streams with more promising outlook for growth. It also reflects the Group’s commitment to improving overall profitability and driving shareholder value.

Review of the Saint Honore Cake Shop Operations

Following continued effort to develop quality products, devise innovative marketing campaigns and enhance customer service, the Group was able to drive higher comparable store sales across all markets over the course of 2015. However, operational cost pressures such as staffing and rentals continued to impact Saint Honore’s operations. In addition, the economic slowdown and decrease in Mainland tourism to Hong Kong adversely affected sales of festive products, although this was offset by stringent cost control measures and improved product mix.

In Guangzhou and Shenzhen, operating losses continued to narrow from their 2013 peak of HK\$15 million to HK\$11 million in 2015. This continuous improvement in financial performance was due to four primary factors, including a strategically sound and well-accepted store model; high-quality products with strong brand image; the consistent development of new products that drive sales and improve gross margin; and stringent cost controls at all levels of the Group’s operations.

Corporate Governance and Sustainability

As part of the Fung Retailing Group, the Group strictly adheres to the principles of the United Nations Global Compact on human rights, labour standards, anti-corruption efforts, environmental protection and sustainability. The Group strives to maintain good governance standards across its operations as well as those of its suppliers, who are guided by the Group’s Supplier Code of Conduct.

The Group is committed to the principles of sustainability throughout every facet of its business. This includes adopting sound environmental practices, promoting green thinking, and implementing changes that help conserve and protect the communities where it operates. The Group emphasises the “4Rs” – Reduce, Reuse, Recycle and Refrain – through regular communications with its employees and customers, a wide range of green and energy-saving initiatives, and workshops covering a variety of topics on sustainability.

The Group ensures its compliance with all applicable environmental and related legislation, and it encourages its employees and business partners to meet their environmental obligations. The Group also identifies environmental impacts associated with its operations and sets targets to continually improve its environmental performance.

In 2015, Circle K Convenience Stores (HK) Limited was proud to receive the “Prestige Award” in the Retail – Chain Store (2nd Group) Category at the CLP GreenPlus Recognition Awards for its environmental achievements. The company was also recognised with the “Joint Energy Saving Award” for the second consecutive year.

Outlook

In Hong Kong and on the Chinese Mainland, business will remain difficult due to higher staff wages and material costs, and decreased spending and fewer cross-border tourists making daily consumable purchases. However, local demand for daily consumables is expected to remain stable, which should help soften the impact of low consumer sentiment on the Group.

Rentals in the Hong Kong market appear to be trending downward, both in prime areas as well as secondary locations where the Group has a majority of its stores. In 2016, the Group will seek to open at more locations where it can benefit from lower rentals, and renew leases where rental increases are expected to become more reasonable. While the Group will continue to closely monitor the commercial property market, it hopes to return to more aggressive store network expansion in 2016.

The sale of Circle K in Guangzhou generated a short-term profit and solidified an already-sound balance sheet. It will also help the Group focus on more profitable businesses in the coming months and years.

Customer service excellence and employee satisfaction are cornerstones of the Group's past and future success. One key focus area for 2016 is building customer loyalty and making Circle K and Saint Honore preferred brands in the convenience store and bakery segments. Another is expanding and enhancing the HEARTS employee engagement initiative to ensure that the Group recruits and retains the best talent in the industry.

In closing, I would like to thank the Group's management and staff, whose hard work and dedication have helped weather very challenging times and built a firm foundation for more prosperous days ahead.

Victor FUNG Kwok King
Chairman

Hong Kong, 15 March 2016

Notes:

- ¹ *Published by the Hong Kong Tourism Board on 29 January 2016.*
- ² *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 February 2016.*
- ³ *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 18 February 2016.*
- ⁴ *Published by the National Bureau of Statistics of China on 8 January 2016.*
- ⁵ *Published by the National Bureau of Statistics of China on 21 January 2016.*
- ⁶ *Published by the National Bureau of Statistics of China on 20 January 2015.*
- ⁷ *Published by the National Bureau of Statistics of China on 20 January 2016.*
- ⁸ *Published by the Nielsen Company on 2 February 2016.*
- ⁹ *Published by the Nielsen Company on 26 January 2015.*

Management Discussion and Analysis

Financial Review

The Board is pleased to report the financial results of the Group for the year ended 31 December 2015.

The Group's turnover for the year increased to HK\$4,728 million, representing growth of 4.3% when compared to 2014. In 2015, turnover for the convenience store business in Hong Kong was HK\$3,693 million, representing a year-on-year increase of 4.7%. This was mainly attributable to higher comparable store sales, which grew 7.3% against 2014. Turnover for the Saint Honore Cake Shop business increased by 3.0% to HK\$1,081 million. This was primarily due to 4.7% growth in comparable store sales in Hong Kong. Although 2015 was a tough year for retailing in Hong Kong, the Group's comparable store sales performance was satisfactory overall.

Gross margin and other income as a percentage of turnover was impacted by keen competition in the retail market and high manufacturing costs.

Operating expenses as a percentage of turnover decreased from 32.8% in 2014 to 32.7% in 2015. Escalating rentals, rising labour costs and an intensive marketing campaign for e-commerce platform FingerShopping.com all contributed to the higher operating expenses. As a result, the Group's core operating profit dropped slightly by 8.3% to HK\$162 million compared to last year. These same issues impacted net profit for Continuing Operations, which decreased 7.5% to HK\$134 million.

Net profit including Discontinued Operations increased by 31.5% to HK\$159 million due to the Group's sale of its Circle K convenience store business in Guangzhou to its controlling shareholder, FH 1937. This includes the results of the Discontinued Operations of HK\$25 million, which comprise the operating loss of the convenience store operations in Guangzhou before the sale of HK\$23 million and the related one-off gain of HK\$48 million.

For 2015, basic earnings per share for Continuing Operations decreased by 8.2%, from 19.38 HK cents to 17.80 HK cents, and basic earnings per share including Discontinued Operations increased by 30.5%, from 16.18 HK cents to 21.12 HK cents.

As at 31 December 2015, the Group had a net cash balance of HK\$568 million, which was mainly generated from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi, 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 bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

Business Model and Corporate Strategy

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

The Group officially launched FingerShopping.com in 2013. FingerShopping.com is a distinctive O2O (online to offline) shopping platform featuring genuine, quality merchandise that is available via secure, convenient payment channels. It is backed by an extensive retail network of more than 300 Circle K convenience stores, excellent customer service and the Group's comprehensive logistics expertise. Customers place orders online, and more than 90% of them choose to pick up and pay for purchases in a selected Circle K store.

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 its "Always Something New" operational 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 development, IT systems and supply chain infrastructure

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

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

Operations Review – Hong Kong

In Hong Kong, the retail environment was challenging with operating costs and rentals remaining high throughout most of 2015.

During the year, Circle K opened 12 new stores and closed 13 stores in Hong Kong for a net decrease of one store. The total number of stores at year-end was 328 compared to 329 at the end of 2014.

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

Employees

As at 31 December 2015, the Group had a total of 6,412 employees, with 4,809, or 75%, based in Hong Kong and 1,603, or 25%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 39% of the Group's total headcount. In 2015, the Group's total staff cost for Continuing Operations was HK\$794 million compared with HK\$762 million in 2014.

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

To further strengthen the HEARTS (Happy, Energised, Achievement, Respect, Training, Success) employee engagement programme, the Activity Organising Board, which is comprised of voluntary employees, continued to conduct a number of activities across key areas: creating a happy working environment, caring for employees' families and ensuring work-life balance. Some highlights of these activities were "The Little Saint Honore" work experience programme for children of employees, a table tennis competition, a bowling competition and the "Work-life Balance Series", all of which received positive responses from participants.

Operations Review – Circle K

Marketing and Promotion

Over the years the Group has built a reputation for launching innovative campaigns that provide customers with attractive offers, drive foot traffic, boost incremental sales and build brand loyalty.

In October 2015, Circle K Hong Kong launched an advertising campaign supporting its new "Dare to Try" brand positioning, which is designed to appeal to the Internet+ generation. Drawing on Circle K's reputation for introducing new experiences to its customers, the campaign focused on inventive, high-quality food, drinks, merchandise and premiums inspired by popular items from Japan and Korea.

Following the success of its initial collaboration with Kumamoto Prefecture in Japan in the first half of the year, Circle K Hong Kong launched a second promotion with Kumamoto featuring a premium collection of eight Kumamon GOOD LIFE figurines as well as merchandise and food items. The promotion also invited customers to enter an instant lucky draw for attractive prizes.

Other successful marketing and promotional campaigns in the second half of 2015 included "Grow a Little Fortune", which connected the joy of growing plants to various kinds of fortune, and the innovative O2O Instant Lucky Draw Promotion, a crossover promotion with FingerShopping.com that offered HK\$100 million in cash coupons to customers of the Group's online-to-offline retailing platform.

Circle K once again won an award in the Retail Chain Store Category of the Yahoo! Emotive Brand Awards 2014-2015. The awards recognise brands with positive values and strong customer engagement and are chosen by Hong Kong netizens through online voting. This is the fourth time Circle K has received this recognition.

Category Management

Good category management helps stores effectively sell products based on preferences, trends and seasonality. In August 2015, the Group took advantage of the warm summer weather to launch premium Monaka ice cream from Japan. In October, the Group promoted its “Dare to Try” campaign by introducing new Grab & Go products, starting with the popular, Japanese-inspired “Super Soft Sandwich”.

Also during the second half of the year, the Group reached out to fans of Apple products with the launch of the iTunes Pass, which featured an exclusive promotion that gave customers a HK\$10 Circle K cash coupon for every recharge of their iTunes Pass accounts of HK\$10 or more. The Group also took advantage of the special “1111” date in November to run fulfilment promotions with partner brands, giving customers Circle K coupons when they picked up parcels at stores.

Customer Service Excellence

Customer service is one of the most important aspects of retail operations, and the Group constantly looks for ways to improve and enhance interactions with its valued shoppers. In 2015, Circle K won the Hong Kong Retail Management Association’s (“HKRMA”) “2015 Service Retailer of the Year – Convenience Stores Category” for the sixth consecutive year, while a frontline supervisor also won the Supervisory Level “Service & Courtesy Award 2015”.

“HEARTS” culture continued to flourish at Circle K throughout the year. Senior management visited frontline staff at stores during festive seasons, and managers also promoted the new service credo “Service from HEARTS”, organising skill-sharing sessions and demonstrations for nearly 100 service stars across the company.

Supply Chain Management and Logistics

The Group is committed to sourcing goods from suppliers who share its values and adhere to stringent standards and specifications. Since 2014 the Group has enforced its Supplier Code of Conduct, which sets out principles and practices relating to labour, ethical conduct, work safety and environmental protection.

Building capacity and enhancing supply chain management and logistics help the Group support its international sourcing and ensure smooth delivery of in-demand products to stores. The Group's efforts during the year focused not only on the shipping of regular merchandise, but also frozen products from overseas.

To simplify the management process, the Group upgraded its Warehouse Management System with various module features to facilitate routing management. This helps managers respond quickly to new operational needs from the store network and e-fulfilment by enabling more flexible adjustments, and it helps the Group further upgrade its overall physical distribution capability.

Operations Review – Guangzhou

In August 2015, the Group announced the sale of its loss-making Circle K business in Guangzhou to FH 1937. The move came as a result of the continuously difficult operating environment for the convenience store sector on the Chinese Mainland, which has been beset by keen competition, slowing economic growth, low market sentiment and high operational costs, particularly rising staff wages. The sale resulted in a one-off gain for the Group. It also enables the Group to focus resources on other aspects of its business with good revenue-generating potential.

Operations Review – Saint Honore Cake Shop

In 2015, the total number of Saint Honore stores in Hong Kong and Macau decreased from 102 to 98, with the Group adding six shops and closing ten. At year-end Saint Honore's total store network in Guangzhou and Shenzhen amounted to 41 locations.

During the year, Saint Honore Hong Kong recorded 4.7% growth in comparable store sales on the back of successful product launches, enhanced product mix and creative promotional campaigns. For instance, the introduction of the Chocolate Dome cake, a new item in Saint Honore's Belgium Chocolate Cake Collection, was very well received in Hong Kong and generated repeat purchases.

In 2015, the Group soft-launched its digital customer relationship management ("CRM") platform, which will greatly enhance Saint Honore's membership and reward programme and help further drive customer loyalty. Full implementation is expected by the second quarter of 2016. The Group also invested in more production line automation at its factory in Shenzhen in order to achieve better product consistency, improved productivity and reduced labour costs.

Saint Honore was proud to win a number of prestigious awards in 2015. These included the Apple Daily App Tomo Brand Award (Bakery Category); the “OL Favourite Spokesperson” award in Oriental Sunday / New Monday / Weekend Weekly / Fashion & Beauty’s OL Living Awards; and the “Most Convenient Shop” award in MTR Corporation Limited’s MTR Shop Voting Campaign 2015. In addition, a frontline supervisor won the HKRMA’s Supervisory Level “Service & Courtesy Award 2015” for the Bakery Category.

Saint Honore also continues to build a brand reputation for quality and innovation. Two of its pastry chefs from the Guangzhou operations qualified for the Anchor Pastry Challenge 2015, a nationwide invitational competition, and won the bronze medal. Their award-winning cake was subsequently launched in all Saint Honore stores across Southern China in celebration of Teachers’ Day, generating high sales and word-of-mouth purchases. The Group also collaborated with high-quality food brand Anchor to bring world-renowned pastry chef Jean-Francois Arnaud for a demonstration of his cake-making skills, further developing the professional abilities of Saint Honore’s own chefs. This collaboration led to a successful launch of high-end French cakes in all Saint Honore stores in Southern China starting in November. Two of these cakes placed first and second in “The Best Dairy Cream Cake of China” voting contest hosted by dianping.com.

FingerShopping.com

Featuring approximately 1,200 brands and 17,000 stock-keeping units, FingerShopping.com continues to strengthen the variety of its inventory by inviting merchants with bestselling brands and online hits from all over the world. The site has welcomed new official brand shops from 3M Nexcare, Veet, Scholl, Ming Pao Publications, Kumamoto Gourmet Club and more.

In 2015, FingerShopping.com achieved 100% gross merchandise value (“GMV”) growth and 80% member growth over the previous year. The site continues to epitomise a successful O2O business model with a pick-up rate of more than 90% and a 75% payment rate at Circle K Hong Kong. Health and beauty continues to be FingerShopping.com’s most successful anchor category. As at 31 December 2015, it represented 75% of all products sold and 77% of total GMV.

During the year, the Group introduced new functions and services to maximise the user experience. This included revamping the website with a new category structure and launching a responsive mobile version with multi-device compatibility at a faster browsing speed. The Group is also continuing to extend FingerShopping.com’s delivery coverage to Guangzhou on a pilot basis. In addition, to boost new member registration and traffic conversion, the Group has developed a member referral programme and dynamic CRM functions.

To enhance synergy with its offline stores, the Group launched five joint O2O promotional programmes with Circle K and Saint Honore in 2015. The O2O Instant Lucky Draw campaign with Circle K Hong Kong in October achieved extraordinary results, with 500% monthly GMV growth and 40% total membership growth.

The Group also continued to work with major third-party brands during the year to drive brand recognition and preference for FingerShopping.com. Partners included Toys“R”Us, Café de Coral, Yamato Transport, CTgoodjobs, euro go go, KKBOX, OpenRice, ZALORA Hong Kong and six of Hong Kong’s leading banks.

Health and Safety

The Group is committed to maintaining a safe, healthy workplace that complies with the strictest practices, and it strives to provide this for all its employees through information-sharing and comprehensive training. All new employees receive training on basic work safety and hygiene guidelines, and they are also provided with protection devices such as safety boots and gloves wherever necessary.

Food safety is always regarded as a key business risk, and it is therefore a top priority for management. The Group regularly reviews its food safety management process and closely monitors relevant areas of the business as part of its day-to-day operations, proactively identifying and handling issues in a timely manner.

Saint Honore’s factory in Shenzhen has been awarded ISO 9001 and HACCP food safety accreditation. Its factory in Hong Kong is also ISO 9001-accredited. The two facilities have earned these recognitions for their consistently high standards of quality control and food hygiene.

Corporate Social Responsibility

The Group’s Corporate Social Responsibility (“CSR”) Steering Committee, which is led by the Chief Executive Officer and Chief Operating Officer, continues to oversee CSR-related policy and performance. This includes but is not limited to environmental, social, governance and people aspects. The Steering Committee supervises a Working Committee, which comprises employees from different business units to spearhead various corporate initiatives throughout the organisation.

The Group takes great pride in its CSR efforts, and it does its utmost to involve employees in activities that benefit local communities. This year, Group-wide efforts included Red Décor Day, which supported the Hong Kong Red Cross by encouraging colleagues to dress in red and donate blood; a volunteer visit to Anhui Province, where colleagues learned how long-time Group beneficiary Heifer International Hong Kong has helped improve the living conditions of farmers working in this rural area; a collaboration with the Tung Wah Group of Hospitals to celebrate Mid-Autumn Festival with the elderly; and a visit to WWF Hong Kong's Hoi Ha Marine Life Centre, where colleagues learned about the importance of a sustainable lifestyle to environmental conservation.

During the second half of the year, volunteers from Circle K Hong Kong participated in the Community Chest Wheelock Swim for a Million 2015, organising fun events and raising funds for Community Chest's charity projects. Circle K Hong Kong also supported Heifer International's annual event "Race to Feed" for the ninth straight year, winning the "Top Fundraising Team Award" and "Top Fundraiser Award". Funds will benefit poverty alleviation projects in Yunnan Province.

Saint Honore Hong Kong engaged Foodlink Foundation Limited and Feeding Hong Kong to collect unsold bread across 62 stores. In total, the company donated approximately 200,000 pieces of bread to the less fortunate in 2015. In addition, Saint Honore has witnessed a 16% drop in plastic bag usage year on year by supporting the Plastic Bag Levy Scheme that was initiated in April 2015.

Future Prospects

The Group's outlooks on the operating environments of Hong Kong and the Chinese Mainland remain conservative. These retail markets will continue to pose challenges in terms of high operating costs and low consumer sentiment, making the Group's prospects for 2016 modest at best.

To ensure long-term growth, the Group is constantly exploring ways its businesses can thrive. The sale of the Circle K Guangzhou business to FH 1937 has benefited the Group's profitability and cash flow. It also enables it to concentrate efforts on business ventures with strong potential, including organic growth initiatives as well as mergers and acquisitions.

While operating costs continue to escalate, rentals in Hong Kong – including secondary locations where the Group has a majority of its stores – are finally showing signs of downward adjustment. The Group can reasonably be expected to return to more aggressive store network growth in 2016.

Labour shortages and wage increases in Hong Kong and on the Chinese Mainland will continue to push up labour costs. However, the Group has confidence that this can be kept under control by focusing on higher productivity at the store and manufacturing floor levels.

With Saint Honore's operating losses in Guangzhou and Shenzhen shrinking, one of the Group's key targets is for the business to achieve breakeven in 2016. This is an important milestone as Saint Honore prepares for the next wave of expansion in the Pearl River Delta.

Elsewhere, the Group will continue to place strong emphasis on the all-important areas of product innovation, effective marketing, strong customer service, high workplace satisfaction, talent retention, cost control and operational efficiency.

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 2015, together with the audited comparative figures for the corresponding year ended 31 December 2014 as follows:

Consolidated Profit and Loss Account

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing Operations			
Revenue	2	4,728,151	4,531,321
Cost of sales	3	(3,124,522)	(2,963,855)
Gross profit		<u>1,603,629</u>	<u>1,567,466</u>
Other income	2	102,831	95,653
Store expenses	3	(1,225,140)	(1,184,926)
Distribution costs	3	(125,398)	(108,868)
Administrative expenses	3	(193,675)	(192,483)
Core operating profit		<u>162,247</u>	<u>176,842</u>
Non-core operating loss	3	(618)	(1,334)
Operating profit		<u>161,629</u>	<u>175,508</u>
Interest income	4	3,358	5,573
Profit before income tax		<u>164,987</u>	<u>181,081</u>
Income tax expenses	5	(30,810)	(36,073)
Profit for the year from Continuing Operations		<u>134,177</u>	<u>145,008</u>
Discontinued Operations			
Profit/(loss) for the period/year from Discontinued Operations	10	<u>25,001</u>	<u>(23,976)</u>
Profit attributable to shareholders of the Company		<u><u>159,178</u></u>	<u><u>121,032</u></u>

Consolidated Profit and Loss Account (continued)

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000 (Restated)
Earnings per share (HK cents)			
Basic earnings per share	6		
Continuing Operations		17.80	19.38
Included Discontinued Operations		21.12	16.18
Diluted earnings per share	6		
Continuing Operations		17.75	19.24
Included Discontinued Operations		21.06	16.06

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Profit attributable to shareholders of the Company	159,178	121,032
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gains on post employment benefit obligation, net of tax	-	2,006
Item that may be reclassified subsequently to profit or loss		
Exchange differences	(5,171)	(1,715)
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders of the Company	154,007	121,323
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	127,369	144,627
Discontinued Operations	26,638	(23,304)
	<hr/>	<hr/>
	154,007	121,323
	<hr/> <hr/>	<hr/> <hr/>

Consolidated Balance Sheet
As at 31 December 2015

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Fixed assets		334,875	337,775
Investment properties		28,585	22,567
Lease premium for land		37,906	60,199
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		74,361	76,446
Deferred tax assets		14,075	10,448
		<u>849,162</u>	<u>866,795</u>
Current assets			
Inventories		185,358	194,579
Rental deposits		53,794	47,528
Trade receivables	8	48,495	52,970
Other receivables, deposits and prepayments		80,527	85,915
Taxation recoverable		-	166
Bank and restricted deposits		957	9,169
Cash and cash equivalents		567,114	528,177
		<u>936,245</u>	<u>918,504</u>
Current liabilities			
Trade payables	9	539,783	589,688
Other payables and accruals		212,039	211,962
Taxation payable		7,430	11,952
Cake coupons		166,246	158,106
		<u>925,498</u>	<u>971,708</u>
Net current assets/(liabilities)		<u>10,747</u>	<u>(53,204)</u>
Total assets less current liabilities		<u>859,909</u>	<u>813,591</u>
Financed by:			
Share capital		75,464	75,115
Reserves		763,070	715,046
Shareholders' funds		<u>838,534</u>	<u>790,161</u>
Non-current liabilities			
Long service payment liabilities		11,505	13,738
Deferred tax liabilities		9,870	9,692
		<u>859,909</u>	<u>813,591</u>

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

	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 2014	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318
Profit attributable to shareholders of the Company	-	-	-	-	-	-	121,032	121,032
Exchange differences	-	-	-	-	-	(1,715)	-	(1,715)
Actuarial gains on post employment benefit obligation	-	-	-	-	-	-	2,367	2,367
gross	-	-	-	-	-	-	2,367	2,367
tax	-	-	-	-	-	-	(361)	(361)
Total comprehensive income for the year	-	-	-	-	-	(1,715)	123,038	121,323
Issue of new shares	807	25,369	-	-	-	-	-	26,176
Employee share option benefit	-	5,241	-	-	(394)	-	127	4,974
Transfer to capital reserves	-	-	-	693	-	-	(693)	-
Dividends paid	-	-	-	-	-	-	(120,630)	(120,630)
	807	30,610	-	693	(394)	-	(121,196)	(89,480)
At 31 December 2014	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161
At 1 January 2015	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161
Profit attributable to shareholders of the Company	-	-	-	-	-	-	159,178	159,178
Exchange differences	-	-	-	-	-	(5,171)	-	(5,171)
Total comprehensive income for the year	-	-	-	-	-	(5,171)	159,178	154,007
Issue of new shares	349	10,885	-	-	-	-	-	11,234
Employee share option benefit	-	2,072	-	-	2,139	-	358	4,569
Dividends paid	-	-	-	-	-	-	(121,437)	(121,437)
	349	12,957	-	-	2,139	-	(121,079)	(105,634)
At 31 December 2015	75,464	377,246	177,087	18,474	13,201	2,217	174,845	838,534

Notes to the Consolidated Financial Statements

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with all applicable 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 amended standards of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2015 and relevant to its operations:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Projects	Annual Improvements 2010-2012 Cycle
Annual Improvements Projects	Annual Improvements 2011-2013 Cycle

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

The Group has not early adopted the following new and amended standards and improvements of HKFRS that have been issued and are mandatory for the Group’s accounting periods beginning on or after 1 January 2016. The adoption of such new and amended standards and improvements will have no material impact on the consolidated financial statements and will not result in substantial changes to the Group’s accounting policies.

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

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

On 25 August 2015, the Group has disposed of certain subsidiaries which are principally engaged in the operation of the convenience store business in Guangzhou and the operation is presented as Discontinued Operations. The financial results of the Discontinued Operations for the period ended 25 August 2015 and comparatives for the year ended 31 December 2014 have been restated accordingly.

2 Revenue, other income and segment information

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

	2015 HK\$'000	2014 HK\$'000 (Restated)
Revenue		
Merchandise sales revenue	3,692,768	3,528,192
Bakery sales revenue	1,015,707	994,779
e-commerce revenue	19,676	8,350
	<hr/>	<hr/>
	4,728,151	4,531,321
	<hr/> <hr/>	<hr/> <hr/>
Other income		
Service items and miscellaneous income	102,831	95,653
	<hr/> <hr/>	<hr/> <hr/>

Segment information

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

The management considers the business from both a product/service and geographic perspective. From a product perspective, management assesses the performance of convenience store, bakery and e-commerce businesses. For convenience store segment, revenues are mainly derived from a broad range of merchandise sales. For bakery segment, revenues are mainly comprised of bakery and festival products. For e-commerce segment, revenues are mainly derived from the provision of online trading platform. Geographically, the management considers the performance of retailing business in Hong Kong and others, and on the Chinese Mainland.

The segment information provided to the management for the reportable segments for the years ended 31 December 2015 and 2014 are as follows:

	2015				
	Convenience Store HK & Others HK\$'000	Bakery HK & Others HK\$'000	Chinese Mainland HK\$'000	e-commerce HK HK\$'000	Group HK\$'000
<u>Continuing Operations</u>					
Total segment revenue	3,692,768	1,001,731	139,072	19,676	4,853,247
Inter-segment revenue	-	(125,096)	-	-	(125,096)
Revenue from external customers	3,692,768	876,635	139,072	19,676	4,728,151
Total segment other income	95,049	10,098	760	24	105,931
Inter-segment other income	(883)	(2,217)	-	-	(3,100)
Other income	94,166	7,881	760	24	102,831
	3,786,934	884,516	139,832	19,700	4,830,982
Core operating profit/(loss)	158,896	35,429	(10,533)	(21,545)	162,247
Depreciation and amortisation	(26,502)	(29,659)	(7,647)	(1,167)	(64,975)

	2014				
	Convenience Store HK & Others HK\$'000 (Restated)	Bakery HK & Others HK\$'000 (Restated)	Chinese Mainland HK\$'000 (Restated)	e-commerce HK HK\$'000 (Restated)	Group HK\$'000 (Restated)
<u>Continuing Operations</u>					
Total segment revenue	3,528,192	981,224	128,332	8,350	4,646,098
Inter-segment revenue	-	(114,441)	(336)	-	(114,777)
Revenue from external customers	3,528,192	866,783	127,996	8,350	4,531,321
Total segment other income	90,151	6,926	1,546	7	98,630
Inter-segment other income	(749)	(2,228)	-	-	(2,977)
Other income	89,402	4,698	1,546	7	95,653
	3,617,594	871,481	129,542	8,357	4,626,974
Core operating profit/(loss)	153,105	51,400	(13,062)	(14,601)	176,842
Depreciation and amortisation	(27,042)	(26,663)	(6,754)	(649)	(61,108)

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that of the consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of core operating profit.

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

The segment assets and liabilities as at 31 December 2015 and 2014 are as follows:

	2015					Group HK\$'000
	Convenience Store		Bakery		e-commerce	
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment assets	546,980		733,945	70,700	10,504	1,362,129
Total segment assets include:						
Additions to segment non-current assets	38,344		39,091	7,130	1,976	86,541
Total segment liabilities	620,988		281,110	14,975	12,500	929,573
	2014					Group HK\$'000
	Convenience Store		Bakery		e-commerce	
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	HK	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment assets	532,898	84,081	740,533	76,217	11,135	1,444,864
Total segment assets include:						
Additions to segment non-current assets	23,243	8,874	29,463	17,062	2,060	80,702
Total segment liabilities	619,361	45,707	286,759	13,253	8,414	973,494

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:

	2015 HK\$'000	2014 HK\$'000
Segment assets for reportable segments	1,362,129	1,444,864
Unallocated:		
Deferred tax assets	14,075	10,448
Taxation recoverable	-	166
Corporate bank deposits	409,203	329,821
	<hr/>	<hr/>
Total assets per consolidated balance sheet	1,785,407	1,785,299
	<hr/> <hr/>	<hr/> <hr/>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2015 HK\$'000	2014 HK\$'000
Segment liabilities for reportable segments	929,573	973,494
Unallocated:		
Deferred tax liabilities	9,870	9,692
Taxation payable	7,430	11,952
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	946,873	995,138
	<hr/> <hr/>	<hr/> <hr/>

The Group is domiciled in Hong Kong. The result of its revenue of Continuing Operations from external customers in Hong Kong is HK\$4,440,800,000 (2014 (restated): HK\$4,266,530,000), and the total of revenue of Continuing Operations from external customers from other countries is HK\$287,351,000 (2014 (restated): HK\$264,791,000) for the year ended 31 December 2015.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK\$742,623,000 (2014: HK\$723,291,000), and the total of these non-current assets located in other countries is HK\$90,569,000 (2014: HK\$131,161,000) as at 31 December 2015.

3. Expenses by nature from Continuing Operations

	2015 HK\$'000	2014 HK\$'000 (Restated)
Amortisation of lease premium for land	1,459	1,431
Auditor's remuneration		
Audit services	1,926	1,926
Non-audit services	681	507
Cost of inventories sold	2,888,265	2,758,926
Depreciation of owned fixed assets	62,722	59,182
Depreciation of investment properties	794	495
Employee benefit expense	793,769	762,396
Losses on disposal of fixed assets	3,726	868
Operating leases rental for land and buildings		
Minimum lease payment	467,595	439,992
Contingent lease payment	5,718	6,771
Foreign exchange (gains)/losses	(342)	1,484
Other expenses	443,040	417,488
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating loss	4,669,353	4,451,466
	<hr/>	<hr/>

4. Interest income from Continuing Operations

	2015 HK\$'000	2014 HK\$'000 (Restated)
Interest income on bank deposits	3,358	5,573
	<hr/>	<hr/>

5. Income tax expenses from Continuing Operations

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2015 and 2014. 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:

	2015 HK\$'000	2014 HK\$'000
Current income tax		
Hong Kong profits tax	29,144	30,763
Overseas profits tax	5,279	6,562
Deferred income tax credit	(3,613)	(1,252)
	<u>30,810</u>	<u>36,073</u>

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:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Profit before income tax	<u>164,987</u>	<u>181,081</u>
Calculated at a taxation rate of 16.5%	27,223	29,878
Effect of different taxation rates in other jurisdictions	(2,148)	(1,774)
Income not subject to taxation	(2,360)	(1,592)
Expenses not deductible for tax purposes	865	3,086
Tax losses not recognised	6,377	5,628
Reversal of previously recognised temporary differences	282	605
Under provision in prior year	571	242
	<u>30,810</u>	<u>36,073</u>

6. Earnings per share

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

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

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

	2015 HK\$'000	2014 HK\$'000 (Restated)
Profit attributable to shareholders of the Company arising from the Continuing Operations	134,177	145,008
Profit/(loss) attributable to shareholders of the Company arising from the Discontinued Operations	25,001	(23,976)
	<hr/>	<hr/>
	159,178	121,032
	<hr/> <hr/>	<hr/> <hr/>
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	753,645,119	748,083,479
Adjustment for:		
Share options	2,346,352	5,512,573
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share	755,991,471	753,596,052
	<hr/> <hr/>	<hr/> <hr/>

7. Dividends

	2015 HK\$'000	2014 HK\$'000
Interim dividend, proposed of 3.1 HK cents (2014: 3.1 HK cents) per share	23,393	23,261
Final dividend, proposed of 13 HK cents (2014: 13 HK cents) per share	98,103	97,760
Special dividend, proposed of 6 HK cents (2014: nil) per share	45,278	-
	<hr/>	<hr/>
	166,774	121,021
	<hr/>	<hr/>

At a meeting held on 15 March 2016, the Directors proposed a final dividend of 13 HK cents per share and a special dividend of 6 HK cents per share. These proposed dividends are not reflected as dividends payable in these consolidated financial statements.

8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2015, the aging analysis of trade receivables is as follows:

	2015 HK\$'000	2014 HK\$'000
0-30 days	35,899	40,254
31-60 days	4,098	5,707
61-90 days	4,457	2,219
Over 90 days	4,041	4,790
	<hr/>	<hr/>
	48,495	52,970
	<hr/>	<hr/>

9. Trade payables

At 31 December 2015, the aging analysis of the trade payables is as follows:

	2015 HK\$'000	2014 HK\$'000
0-30 days	307,212	336,958
31-60 days	142,299	154,076
61-90 days	54,578	61,284
Over 90 days	35,694	37,370
	<hr/>	<hr/>
	539,783	589,688
	<hr/>	<hr/>

10. Discontinued Operations

The consolidated results of Discontinued Operations are presented in the consolidated profit and loss account and consolidated cash flow statement in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Comparative figures have been restated.

(a) Results of the Discontinued Operations have been included in the Consolidated Profit and Loss Account as follows:

	For the period ended 25 August 2015 HK\$'000	For the year ended 31 December 2014 HK\$'000
Revenue	153,532	223,862
Cost of sales*	(95,216)	(137,917)
	<hr/>	<hr/>
Gross profit	58,316	85,945
Other income*	1,392	1,794
Store expenses*	(59,089)	(82,974)
Distribution costs	(6,816)	(9,555)
Administrative expenses*	(16,885)	(19,265)
	<hr/>	<hr/>
Core operating loss	(23,082)	(24,055)
Interest income	83	79
	<hr/>	<hr/>
Loss for the period/year	(22,999)	(23,976)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Gain on disposal of Discontinued Operations before income tax	49,747	-
Income tax expense	(1,747)	-
	<hr/>	<hr/>
Gain on disposal of Discontinued Operations after income tax	48,000	-
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Profit/(loss) for the period/year from Discontinued Operations	25,001	(23,976)
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

* Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of HK\$12,403,000 (2014: HK\$18,623,000).

Operating loss is stated after crediting and charging the following:

	For the period ended 25 August 2015 HK\$'000	For the year ended 31 December 2014 HK\$'000
Amortisation of lease premium for land	300	462
Auditor's remuneration		
Audit services	16	24
Cost of inventories sold	93,982	136,463
Depreciation of owned fixed assets	4,343	7,236
Employee benefit expense	35,285	46,954
Losses on disposal of fixed assets	509	131
Operating leases rental for land and building		
Minimum lease payment	21,571	29,422
Contingent lease payment	926	1,539
Other expenses	21,074	27,480
	<hr/>	<hr/>
Total cost of sales, store expenses, distribution costs and administrative expenses	178,006	249,711
	<hr/>	<hr/>

(b) Cumulative income recognised in Other Comprehensive Income relating to the Discontinued Operations

	For the period ended 25 August 2015 HK\$'000	For the year ended 31 December 2014 HK\$'000
Exchange differences	1,637	672
	<hr/>	<hr/>

(c) An analysis of the cash flows of the Discontinued Operations is as follows:

	For the period ended 25 August 2015 HK\$'000	For the year ended 31 December 2014 HK\$'000
Net cash used in operating activities	(9,499)	(11,920)
Net cash used in investing activities	(1,502)	(10,553)
Net cash generated from financing activities	14,349	23,920
	<hr/>	<hr/>
Total cash flow	3,348	1,447
	<hr/>	<hr/>

Corporate Governance

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

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 (available on the Company's corporate website), 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"):

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

The Group Chief Compliance and Risk Management Officer is invited to attend all Board and committee meetings to advise on corporate governance matters covering risk management, internal controls and compliance issues relating to business operations, mergers and acquisitions, accounting and financial reporting.

Full details of the Company's corporate governance practices are set out in the Company's 2015 Annual Report.

Audit Committee

The Audit Committee met four times in 2015 (with an average attendance rate of 95%) to consider and review with senior management, the Company's Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

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

The Group's annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee.

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 2015.

Risk Management and Internal Control

The Board is responsible for ensuring that the Group maintains appropriate and effective risk management and internal control systems, and for reviewing the effectiveness and adequacy of such systems through the Audit Committee.

The Board has delegated to management the design, implementation and ongoing monitoring of the risk management and internal control systems. Qualified personnel throughout the Group maintain and monitor these systems on an ongoing basis.

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 2015:

- The risk management and internal control systems, as well as accounting systems of the Group were in place and functioning effectively and adequately, 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.

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 2015.

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, 17 May 2016 at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong. In order to be entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 16 May 2016. 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.

Dividends

The Board of Directors recommended to pay to the shareholders of the Company a final dividend of 13.0 HK cents (2014: 13.0 HK cents) per share and a special dividend of 6.0 HK cents (2014: nil) per share respectively for the year ended 31 December 2015. Together with the interim dividend of 3.1 HK cents (2014: 3.1 HK cents) per share paid by the Company on 18 September 2015, the proposed final and special dividends make a total dividend of 22.1 HK cents (2014: 16.1 HK cents) per share for the year.

Closure of Register of Members

The Register of Members of the Company will be closed from 26 May 2016 to 27 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled for the final and special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 25 May 2016. Dividend warrants will be despatched on 7 June 2016, subject to shareholders' approval of payment of the final and special dividends at the Annual General Meeting to be held on 17 May 2016.

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

Hong Kong, 15 March 2016

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. Godfrey Ernest Scotchbrook, Mr. Jeremy Paul Egerton Hobbins and Mr. Benedict Chang Yew Teck; Independent Non-executive Directors are Mr. Malcolm Au Man Chung, Mr. Anthony Lo Kai Yiu, Mr. Zhang Hongyi and Dr. Sarah Mary Liao Sau Tung.