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 2016

Financial Highlights

	Change	**2016 HK$'000**	2015 HK$'000
• Revenue	+3.0%	4,871,437	4,728,151
• Core operating profit	+4.7%	169,953	162,247
• Profit attributable to shareholders of the Company			
Continuing Operations	+4.1%	139,627	134,177
Included Discontinued Operations	-12.3%	139,627	159,178
• Basic earnings per share (HK cents)			
Continuing Operations	+3.9%	18.50	17.80
Included Discontinued Operations	-12.4%	18.50	21.12
• Dividend per share (HK cents)			
Final	Nil	13.00	13.00
Special	+350.0%	27.00	6.00
Full year			
Basic	+2.5%	16.50	16.10
Special	+350.0%	27.00	6.00

Operation Highlights

- Despite weak retail market sentiment, the convenience store and bakery businesses remained stable, achieving satisfactory comparable store sales growth in Hong Kong

- Core operating profit increased by 4.7%, which was mainly attributable to effective marketing campaigns by Circle K and improved performance by Saint Honore

- Net profit decreased by 12.3% because of the one-off disposal gain of the Guangzhou convenience store business in 2015

- With signs of rental adjustments in the commercial property market, the Group intends to recommence store network expansion in the coming year while maintaining a cautious approach due to macroeconomic uncertainties

- The Board of Directors has resolved to declare a final dividend of 13 HK cents per share and a special dividend of 27 HK cents per share

- The Group maintains a strong financial position with net cash of HK$543 million and no bank borrowings. Subject to shareholders' approval of the final and special dividends, the Group expects to maintain a strong financial position with net cash of HK$241 million and no bank borrowings after distribution of dividends

Number of Stores as of 31 December 2016

Circle K Stores	
Hong Kong	**331**
Franchised Circle K Stores	
Guangzhou	71
Macau	30
Zhuhai	16
Subtotal	**117**
Total number of Circle K Stores	**448**
Saint Honore Cake Shops	
Hong Kong	89
Macau	9
Guangzhou	39
Shenzhen	2
Total number of Saint Honore Cake Shops	**139**
Total number of Stores under Convenience Retail Asia	**587**

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$4,871 million, core operating profit of HK$170 million and net profit of HK$140 million in 2016.

Sales grew by approximately 3%, which was mainly driven by solid comparable store sales growth.

Core operating profit increased by 4.7% to HK$170 million compared to last year. The primary reasons for the increase were satisfactory growth in comparable store sales in Hong Kong and improved performance by the Saint Honore operations. These also had a positive impact on net profit for Continuing Operations, which rose by 4.1% to HK$140 million.

Net profit including Discontinued Operations decreased by 12.3% to HK$140 million, mainly because of the one-off gain of HK$25 million for the disposal of the Guangzhou convenience store business in 2015.

Basic earnings per share for Continuing Operations increased by 3.9%, from 17.8 HK cents to 18.5 HK cents, while basic earnings per share including Discontinued Operations decreased by 12.4%, from 21.12 HK cents to 18.5 HK cents.

As at 31 December 2016, the Group had a net cash balance of HK$543 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 Group's sizeable cash reserve, the Board has further resolved to declare a special dividend of 27 HK cents per share, which will be distributed out of the Company's share premium. Subject to shareholders' approval of the final and special dividends, the Group expects to maintain a strong financial position with net cash of HK$241 million and no bank borrowings after the distribution of dividends.

Review of the Hong Kong Retail Market

Hong Kong retail continued to be impacted by global economic uncertainty and decreasing numbers of Chinese Mainland tourists, who compose roughly three quarters of the city's visitors. Tourism from the Chinese Mainland dropped by 6.7% in 2016[1], coinciding with a retail sales decrease of 7.1% in volume and 8.1% in value year on year[2]. However, there was stable demand from local customers for daily consumable products, resulting in a year-on-year increase in sales value in the supermarket category (including convenience stores) of 0.8%[2].

Operating costs remained high throughout the year, but one bright spot was the commercial rental market, which has begun to trend downward. Hong Kong continues to enjoy low unemployment, creating pressure on retailers to seek and retain quality staff as well as increased labour cost.

Company Initiatives in the Hong Kong Operations

During the year under review, Circle K placed strong focus on introducing timely promotions that capitalise on popular products, characters and consumer trends. Chief among these was “OK Stamp It”, a new customer loyalty programme executed with an O2O (online-to-offline) strategy and mechanism that gives customers an easy, exciting way to make purchases and earn rewards with each transaction. This innovative new app provides extra value and privileges with “wow” offerings while also providing the Group with customer insights and deeper engagement. As at the end of 2016, nearly 500,000 customers had signed up as “OK Stamp It” members.

The Group emphasises market differentiation for its retail brands by offering innovative products and services that add quality and convenience to customers’ lives. Examples include a successful premium redemption programme for Monchhichi, a very well known Japanese toy monkey, and a new multi-temperature drink zone with hot, cold and ambient beverages for any time of the year.

FingerShopping.com continues to go from strength to strength, posting significant growth in both gross merchandise value (GMV) and membership compared to 2015. The site, which was recently named one of the “2016 Top 10 eCommerce Websites” by GS1 Hong Kong and Retail Asia Expo, is particularly strong in the Beauty and Personal Care category, but it has also been making inroads in the lucrative Baby and Family category, where GMV and stock-keeping units have significantly increased compared to 2015.

Review of the Saint Honore Cake Shop Operations

Despite a weak retail environment in Hong Kong, Saint Honore was still able to drive sales growth among comparable stores. The Group has now fully implemented a digital CRM programme, which enables it to connect and engage with customers on a more personal level. Staff recruitment and retention is another key area for Saint Honore as the business strives to enhance its service and customer loyalty.

In 2016, the Group completed its production conversion from chilled to frozen dough across all markets, which will enable better procurement and more scalable, efficient production. This project has already resulted in increased capacity and considerable savings in labour cost. The Group also made further investments in Saint Honore’s supply chain infrastructure.

On the Chinese Mainland, a store upgrade and modernisation programme is well underway to support Saint Honore's positioning as a premium brand in the bakery and cake market. In addition, operational efficiency savings at the store and office levels have contributed to solid improvement in the financial performance of Saint Honore's Chinese Mainland retail operations compared with the past few years.

Corporate Governance and Sustainability

Corporate governance and sustainability lie at the heart of the Group's strategic planning and day-to-day operations. The Group is a member of the Fung Retailing Group, and as such it is committed to the principles of the United Nations Global Compact on human rights, labour standards, anti-corruption efforts, and environmental protection and sustainability. It also holds itself and its suppliers to high standards of governance, which are outlined in the Group's Supplier Code of Conduct.

The Group is committed to minimising the impact of its operations on the environment by enhancing operational efficiencies and implementing eco-friendly measures. The Group also ensures its compliance with all applicable environmental and related regulations.

The Group goes to great effort to educate employees on the "4Rs" of reducing, reusing, recycling and refraining, and encourages staff to protect the environment and promote environmental awareness both individually and through company-sponsored activities.

In 2016, Circle K Convenience Stores (HK) Limited was pleased to receive the "Joint Energy Saving Award" at the CLP GreenPlus Recognition Awards, which recognised the company for its energy-saving performance for the third consecutive year.

Outlook

The Group remains cautious about macroeconomic uncertainties around the world and how they may impact Hong Kong in 2017. Rising interest rates, the depreciating RMB, and political considerations in Asia, Europe and the US all could have ramifications for the local retail environment in the coming months.

Operating costs such as labour and raw materials continue to escalate at moderate levels, but commercial rentals are experiencing a correction. Therefore, it can be expected that the Group will expand its store network in prime and secondary areas at a faster pace, and negotiate more favourable lease renewal terms for existing stores. Top-line results over the past few years have been driven mainly by comparable store sales growth, but with the adjustment in the rental market, store network growth could make a larger contribution in 2017.

The Group will continue to reinvent its businesses in order to differentiate its brands from the competition and nurture loyal customer bases. This will also help gain comparable store sales growth momentum heading into 2017. Sound category management, trendy promotions, effective customer relationship management, enhanced supply chain efficiency, and new value-added services that add convenience to the lives of customers will also play key roles.

As at the end of 2016, "OK Stamp It" and Saint Honore's digital CRM platform had recruited nearly 500,000 and 150,000 members respectively. These programmes are leading the way for the development of the Group's omni-channel retailing in Hong Kong, and the Group intends to give them strong pushes by investing more in membership recruitment and adding exciting new elements to the platforms in 2017.

As always, management will continue to emphasise its "HEARTS" employee engagement and retention programme to ensure that Circle K and Saint Honore are staffed with the best, most talented people in the industry.

I would like to close by giving my sincere appreciation to the Group's management and employees, who worked hard to overcome many challenges in a difficult year and place our business in the strongest possible position for the years to come.

Victor FUNG Kwok King
Chairman

Hong Kong, 21 March 2017

Notes:

[1] *Published by the Hong Kong Tourism Board on 23 January 2017.*

[2] *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 3 February 2017.*

Management Discussion and Analysis

Financial Review

The Board is pleased to report the financial results of the Group for the year ended 31 December 2016.

The Group's turnover for the year increased to HK$4,871 million, representing growth of 3% when compared to 2015.

In 2016, turnover for the convenience store business in Hong Kong was HK$3,850 million, representing a year-on-year increase of 4.3%. This was mainly attributable to an increase in comparable convenience store sales of 5.2% against 2015. Turnover for the Saint Honore Cake Shop business was stagnant at HK$1,072 million, with low-single-digit comparable store sales growth in Hong Kong.

Gross margin and other income as a percentage of turnover increased by 0.5% despite keen competition in the retail market and high manufacturing costs. Operating expenses as a percentage of turnover increased from 32.7% to 33.1% against 2015 as a result of inflationary operating costs and escalating rentals, although the latter rose by a lower percentage in comparison to recent years. In spite of persistently high operating costs, improvement in the Saint Honore operations enhanced the Group's performance relative to last year.

As a result, the Group's core operating profit and net profit for Continuing Operations increased by 4.7% to HK$170 million and by 4.1% to HK$140 million respectively compared to last year. Net profit dropped by 12.3% to HK$140 million due to the one-off gain of HK$25 million for the disposal of the Guangzhou convenience store business in 2015.

For 2016, basic earnings per share for Continuing Operations increased by 3.9%, from 17.8 HK cents to 18.5 HK cents, and basic earnings per share including Discontinued Operations decreased by 12.4%, from 21.12 HK cents to 18.5 HK cents.

As at 31 December 2016, the Group had a net cash balance of HK$543 million – which was mainly generated from daily business operations – and 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 either in 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 bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

The Board of Directors has resolved to declare a final dividend of 13 HK cents per share. In view of the Group's sizeable cash reserve, the Board has further resolved to declare a special dividend of 27 HK cents per share, which will be distributed out of the Company's share premium. Subject to shareholders' approval of the final and special dividends, the Group expects to maintain a strong financial position with net cash of HK$241 million and no bank borrowings following the distribution of dividends.

Business Model and Corporate Strategy

The Group is a member of the Fung Retailing 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” and “Dare to Try” 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 2016, the retail industry in Hong Kong continued to face challenges such as high raw material, labour and rental costs – although the latter showed signs of correction during the year under review – as well as a further decline in visitors from the Chinese Mainland.

During the year, Circle K opened 19 new stores and closed 16 stores in Hong Kong for a net increase of three stores. The total number of stores at year-end was 331 compared to 328 at the end of 2015.

Saint Honore Cake Shop opened 10 new stores and closed 10 stores in Hong Kong maintaining 89 stores at year-end.

Employees

As at 31 December 2016, the Group had a total of about 6,600 employees, with 5,000 or 76%, based in Hong Kong and 1,600 or 24%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 50% of the Group's total headcount. In 2016, the Group's total staff cost was HK$814 million compared with HK$794 million in 2015.

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, Achievements, Respect, Training, Success) employee engagement programme, the Activity Organising Board continued to conduct a number of activities across key areas: creating a happy working environment, caring for employees' families and ensuring work-life balance.

To celebrate the 110th anniversary of the Fung Group, the Group held an Open House Party at its Shatin office on 27 August. Colleagues, their families and friends, and Group Chairman Dr Victor Fung all enjoyed posing for photos, face painting, art jamming, and sampling free beverages and bakery items from Circle K and Saint Honore. Attendees also tried their hand at catching "real" Pokemon GO characters throughout the office.

Operations Review – Circle K

Marketing and Promotion

One of the primary ways the Group differentiates itself in a very competitive retail industry is by regularly introducing innovative products, services and promotions that capitalise on popular items and trends. Effectively marketing such offerings is necessary to attract customers, become a preferred brand and build a strong foundation for growth.

In August 2016, Circle K launched "OK Stamp It", a loyalty programme where customers earn and redeem e-Stamps for reward gifts at the same time as they pay for items at Circle K stores. After downloading a mobile application, customers can register as a VIP member with their Octopus card number and start accumulating e-Stamps and OK dollars with each purchase. This innovative new app offers extra value and privileges with "wow" offerings while also providing the Group with customer insights and deeper engagement. "OK Stamp It" has been a huge success with nearly 500,000 members joining from the time of its launch through the end of the year, and it will be one of the Group's key marketing and promotional focuses for 2017.

Premium promotions represent another way the Group has successfully built customer affinity. Launched in the third quarter of the year, the “do re mi Monchhichi” redemption programme, which offered figurines of the beloved Japanese character Monchhichi, effectively increased store traffic and sales.

Category Management

Category management helps retailers meet customer needs by adapting product offerings according to changing preferences. One of the Group’s main category management initiatives in 2016 was the introduction of “do re mi Monchhichi”-themed food and confectionery products such as Super Soft Sandwiches and toy candies, which also coincided with the launch of the popular “OK Stamp It” programme. Another was the launch of the “Multi-Temperature Drink Zone”, which features hot, cold and ambient beverages to satisfy customers’ needs in all seasons.

Convenience services play a key role in category management, providing convenience for customers across multiple aspects of life. For example, Circle K now offers rental payment service for the Hong Kong Housing Authority at store counters. In addition, the Group capitalised on the mobile payment trend by introducing new Apple Pay and Android Pay promotions with strategic commercial bank partners.

Customer Service Excellence

The Group is extremely proud of its strong track record in quality customer service, one of the keys for long-term success in the retail industry. Each year the Group makes substantial investments in the training of frontline staff to deliver impeccable service to its valued customers. The Group’s “HEARTS” employee engagement programme plays an important role in this by striving to promote a happy, engaging and rewarding workplace that not only provides work satisfaction, but also creates warm, helpful interactions between frontline staff and customers.

In 2016, these efforts were recognised when Circle K won the Hong Kong Retail Management Association (HKRMA) 20th Anniversary Mystery Shopper Programme’s “Service Retailer of the Year – Category Leader with over 200 Outlets” award. The Group was also delighted that three frontline staff received recognition at the HKRMA’s Service & Courtesy Awards 2016 for their excellent performance in customer service.

Operations Review – Saint Honore Cake Shop

In 2016, the total number of Saint Honore stores in Hong Kong and Macau remained unchanged at 98, with the Group adding 10 shops and closing 10. At year-end, Saint Honore's total store network in Guangzhou and Shenzhen amounted to 41 locations.

During the year, Saint Honore persevered in a difficult retail environment to achieve low-single-digit comparable store sales growth in Hong Kong. The company accomplished this while also streamlining operations, upgrading and modernising certain stores, and continuing to build on the brand's reputation for innovation and high quality.

The year saw the launches of several successful products. Birthday cake sales grew by double digits on the back of popular new varieties such as Ovaltine, Mango and Matcha Dome cakes. Family-sized packaged bread also received a boost with the introduction of French Milk bread, indicating a customer shift toward more nutritious offerings. Such products helped Saint Honore win the "My Favourite Cake Shop" award from U Magazine at the "U Favourite Food Awards 2016". In customer service, Saint Honore officially launched its digital CRM programme to deepen its connection and engagement with loyal customers.

The company finalised leases at stores in strategic locations such as Causeway Bay and Jordan, taking advantage of the more favourable conditions stemming from the recent correction in commercial property rentals.

The Hong Kong operations were proud to be recognised at the HKRMA's Service & Courtesy Awards 2016, as well as Metro Daily's Metro Creative Awards 2016 for "Best Endorser".

In Guangzhou, Saint Honore took great strides toward narrowing business losses and reinforcing its premium brand positioning. Initiatives focused on enhancing operational efficiency and cost control; unveiling refurbished signature stores designed to appeal to a younger, trendier demographic; and successfully launching two marketing campaigns. The latter included the introduction of "FIT 魯邦種" bread, which is European soft bread with health-conscious appeal that drove a strong year-on-year increase in bread sales, and the Meilleurs Ouvriers de France cake, which was named the Number 1 cake in Guangdong Province by Dianping.com.

This was also a significant year for Saint Honore's factory operations in Shenzhen, where the company completed a two-year programme of implementing semi-automated facilities and professional manufacturing areas to shift the production of chilled dough to frozen dough. As a result of this initiative, both the Hong Kong and Macau bread sections were able to improve production efficiency and reduce labour costs dramatically. These improvements are also expected to help the Group achieve a five-day production model and substantially increase production capacity.

Supply Chain Management and Logistics

Bringing fresh, quality products to customers across Hong Kong, Macau and the Chinese Mainland requires a highly efficient supply chain, from supplier to factory and finally to store shelves. In 2016, the Group took a number of initiatives to further enhance its supply chain management and logistics as well as its workplace environments. For example, Circle K strengthened its shipping logistics management to gain a wider global sourcing footprint and extended purchasing coverage to include countries across Europe in addition to Asia.

During the year, Saint Honore introduced an advanced GPS system application for its domestic and cross-border transport fleet to better manage delivery performance. This has helped the company respond quickly to delivery crews and assess team performance with more accurate data analysis. Saint Honore also relocated its distribution centre in Guangzhou, which has helped the company consolidate activities under one roof in a cost-effective manner as well as boost speed and efficiency to support store operations.

It is important to note that the Group only partners with suppliers who comply with its Supplier Code of Conduct, which clearly outlines principles and practices relating to labour, ethical conduct, work safety and environmental protection.

FingerShopping.com

FingerShopping.com now features over 22,000 stock-keeping units across more than 1,500 brands. In 2016, the site achieved significant growth in both gross merchandise value (GMV) and membership compared to last year. As at the end of 2016, FingerShopping.com had recruited nearly 340,000 members. With very high pick-up and payment rates at Circle K Hong Kong and Circle K Macau, FingerShopping.com embodies a successful O2O business model.

Beauty and Personal Care continues to be the site’s anchor category, representing over 70% of total GMV and total quantity sold as at 31 December 2016. The Baby and Family category also showed strong growth in 2016, with GMV and total stock-keeping units growing more than threefold year on year.

Among the Group’s key initiatives for FingerShopping.com in 2016 were two O2O promotional programmes designed to promote additional synergy with Circle K. One involved distributing coupons and complimentary offers in Circle K stores to help convert offline customers into online shoppers, while the other saw the two businesses collaborate for the “OK Stamp It” digital CRM platform. Other important developments included the extension of delivery and pick-up services to Macau.

Health and Safety

The Group considers employee safety to be one of its top priorities, and it regularly inspects facilities to ensure that its stringent guidelines are being met. All new employees are introduced to basic work safety and hygiene guidelines, and they are provided with relevant equipment and clothing wherever necessary.

Food safety is always regarded as a key business risk and an area of paramount importance for management. The Group regularly reviews its food safety management processes and closely monitors relevant aspects of the business as part of its day-to-day operations, proactively identifying and handling issues in a timely manner.

Managers and employees at the Hong Kong distribution centre are currently receiving on-going training in “5S” practices – which emphasise the principles of “sort, straighten, shine, standardise and sustain” – to improve workplace organisation, culture and safety. Professional consultants are training senior staff in this important skill set in order to help them pass on valuable knowledge to the wider company.

Both of Saint Honore’s factories in Shenzhen and Hong Kong are ISO 9001-accredited, while the Shenzhen factory also carries HACCP food safety accreditation.

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 also supervises a Working Committee, which comprises employees from different business units and spearheads various corporate initiatives throughout the organisation.

In April 2016, Circle K Hong Kong took action to support its long-term business partner, Kumamoto Prefecture in Japan, following a pair of earthquakes that devastated the region. The Group mobilised all Circle K stores in Hong Kong to conduct a large-scale community fundraising campaign, raising approximately HK$250,000 from generous customers and staff. An additional contribution by Fung (1906) Foundation Limited brought the total donation amount to HK$500,000, which was used to assist Kumamoto Prefecture’s rebuild and recovery.

For the third consecutive year, Circle K Hong Kong participated in the Community Chest Wheelock “Swim for a Million" at Repulse Bay, a valuable fundraising event supporting local youth services. Also, to advance environmental awareness and care for the community among staff, the Group hosted the “Green Marketplace” and “Green Walk” in co-operation with World Green Organisation, promoting organic products and encouraging walking for a more eco-friendly lifestyle.

Over the years, CSR has become a very popular and rewarding endeavour for employees and their families across the Group. The Group was proud that Circle K Convenience Stores (HK) Limited and Saint Honore Cake Shop Limited both received “Family Friendly Employer”, “Special Mention (Gold)” and “Breastfeeding Support” awards in the Family-Friendly Employers Award Scheme 2015/2016. In addition, Circle K Convenience Stores (HK) Limited and Saint Honore Cake Shop Limited were once again pleased to receive the “10 Years Plus Caring Company Logo” and “5 Years Plus Caring Company Logo” statuses, respectively, from the Hong Kong Council of Social Service in 2015/2016.

Further environmental, social and governance information pertaining to the Group will be provided in a separate report on the Company’s website.

Future Prospects

The past year saw the continuation of a correction period for Hong Kong retailing. Chinese Mainland tourist spending softened, local consumer sentiment dampened, operating expenses escalated and online retail disrupted the industry. However, the Group still found itself in solid shape entering 2017.

The trend of downward adjustment in the commercial property market should allow the Group to accelerate new store openings in the coming year. Also, pressures on operating expenses such as rentals and labour are expected to be lower compared with the past few years.

The “OK Stamp It” venture has been a great success, and it will be a key promotional platform moving forward. The Group will invest more in the programme’s membership recruitment and add exciting new functions, including social sharing, fun features and game elements. With Saint Honore completing its final phase of conversion to frozen dough, production efficiency should continue to increase while costs decrease. All in all, the Group believes it is well positioned for the future.

The majority of the world is digitally connected at all times, and customers are changing faster than most retailers are. Products and services must be fresh, fun, convenient and ideally shareable. Also, instead of volume, retailers must now depend on selling premium products at value-for-money pricing to drive transactions and grow market share. Many of the Group’s new initiatives are geared toward this brave new world of fast transactions and even faster rewards.

To ensure long-term growth in the coming year and beyond, the Group will place a lot of focus on expanding its internet+ initiatives, analysing how people interact with and influence one another, and then developing new products and services that fit those paradigms.

The Group will continue to grow its O2O retailing business by adapting to how customers want to buy, and then driving high-quantity and high-quality transactions in stores. Growing the Group's digital CRM base will also be important for creating more awareness of its brands and helping grow brand preference. In sum, the Group is deep into the process of reinventing virtually everything it does to win the customers of today and tomorrow.

In addition to the organic growth, the Group will 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 2016, together with the audited comparative figures for the corresponding year ended 31 December 2015. The annual results have been reviewed by the Company's Audit Committee and agreed by the Company's auditor.

Consolidated Profit and Loss Account

	Note	**2016 HK$'000**	2015 HK$'000
Continuing Operations			
Revenue	*2*	4,871,437	4,728,151
Cost of sales	*3*	(3,196,622)	(3,124,522)
Gross profit		1,674,815	1,603,629
Other income	*2*	107,605	102,831
Store expenses	*3*	(1,276,294)	(1,225,140)
Distribution costs	*3*	(144,099)	(125,398)
Administrative expenses	*3*	(192,074)	(193,675)
Core operating profit		169,953	162,247
Non-core operating gain/(loss)	*3*	93	(618)
Operating profit		170,046	161,629
Interest income	*4*	2,154	3,358
Profit before income tax		172,200	164,987
Income tax expenses	*5*	(32,573)	(30,810)
Profit for the year from Continuing Operations		139,627	134,177
Discontinued Operations			
Profit for the period from Discontinued Operations	*10*	-	25,001
Profit attributable to shareholders of the Company		139,627	159,178
Earnings per share (HK cents)			
Basic earnings per share	*6*		
Continuing Operations		18.50	17.80
Included Discontinued Operations		18.50	21.12
Diluted earnings per share	*6*		
Continuing Operations		18.48	17.75
Included Discontinued Operations		18.48	21.06

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016	2015
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	139,627	159,178
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	(5,326)	(5,171)
Total comprehensive income attributable to shareholders of the Company	134,301	154,007
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	134,301	127,369
Discontinued Operations	-	26,638
	134,301	154,007

Consolidated Balance Sheet
As at 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Assets			
Non-current assets			
Fixed assets		337,475	334,875
Investment properties		27,174	28,585
Lease premium for land		35,130	37,906
Intangible assets		357,465	357,465
Available-for-sale financial asset		1,895	1,895
Rental and other long-term deposits		87,120	74,361
Deferred tax assets		15,916	14,075
		862,175	849,162
Current assets			
Inventories		217,029	185,358
Rental deposits		59,114	53,794
Trade receivables	*8*	60,883	48,495
Other receivables, deposits and prepayments		97,377	80,527
Bank and restricted deposits		892	957
Cash and cash equivalents		541,942	567,114
		977,237	936,245
Total assets		1,839,412	1,785,407
Equity			
Share capital		75,530	75,464
Reserves		734,192	763,070
Total equity		809,722	838,534
Liabilities			
Non-current liabilities			
Long service payment liabilities		11,182	11,505
Deferred tax liabilities		10,033	9,870
		21,215	21,375
Current liabilities			
Trade payables	*9*	618,295	539,783
Other payables and accruals		205,260	212,039
Taxation payable		10,803	7,430
Cake coupons		174,117	166,246
		1,008,475	925,498
Total equity and liabilities		1,839,412	1,785,407

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	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 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
At 1 January 2016	75,464	377,246	177,087	18,474	13,201	2,217	174,845	838,534
Profit attributable to shareholders of the Company	-	-	-	-	-	-	139,627	139,627
Exchange differences	-	-	-	-	-	(5,326)	-	(5,326)
Total comprehensive income for the year	-	-	-	-	-	(5,326)	139,627	134,301
Issue of new shares	66	2,059	-	-	-	-	-	2,125
Employee share option benefit	-	392	-	-	3,972	-	193	4,557
Transfer to capital reserves	-	-	-	842	-	-	(842)	-
Dividends paid	-	-	-	-	-	-	(169,795)	(169,795)
	66	2,451	-	842	3,972	-	(170,444)	(163,113)
At 31 December 2016	75,530	379,697	177,087	19,316	17,173	(3,109)	144,028	809,722

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.

As at 31 December 2016, the Group had net current liabilities of HK$31,238,000 (2015: net current assets HK$10,747,000). In preparing these financial statements, the Group's management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2016, the Group had banking facilities available amounting to HK$130,736,000 (2015: HK$125,736,000). Under these circumstances, the Group's management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

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

The Group has adopted the following new and amended standards and improvements of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2016 and relevant to its operations:

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Projects	Annual Improvements 2012-2014 Cycle

The adoption of such new and amended standards and improvements 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 of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2017.

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases

None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except HKFRS 16 "Leases".

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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:

	2016 **HK$'000**	2015 HK$'000
Revenue		
Merchandise sales revenue	3,849,880	3,692,768
Bakery sales revenue	1,000,079	1,015,707
e-commerce revenue	21,478	19,676
	4,871,437	4,728,151
Other income		
Service items and miscellaneous income	107,605	102,831

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/service 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 2016 and 2015 are as follows:

	2016				
	Convenience Store	**Bakery**		**e-commerce**	
Continuing Operations	**HK & Others HK$'000**	**HK & Others HK$'000**	**Chinese Mainland HK$'000**	**HK HK$'000**	**Group HK$'000**
Total segment revenue	3,849,880	999,287	128,890	21,478	4,999,535
Inter-segment revenue	-	(128,098)	-	-	(128,098)
Revenue from external customers	3,849,880	871,189	128,890	21,478	4,871,437
Total segment other income	100,659	8,644	1,708	90	111,101
Inter-segment other income	(1,284)	(2,212)	-	-	(3,496)
Other income	99,375	6,432	1,708	90	107,605
	3,949,255	877,621	130,598	21,568	4,979,042
Core operating profit/(loss)	157,122	35,541	(2,162)	(20,548)	169,953
Depreciation and amortisation	(26,155)	(33,511)	(6,832)	(1,153)	(67,651)

	2015				
	Convenience Store	Bakery		e-commerce	
Continuing Operations	HK & Others	HK & Others	Chinese Mainland	HK	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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)

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 2016 and 2015 are as follows:

	2016				
	Convenience Store	**Bakery**		**e-commerce**	
	HK & Others	**HK & Others**	**Chinese Mainland**	**HK**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total segment assets	701,993	782,427	54,219	11,247	1,549,886
Total segment assets include:					
Additions to segment non-current assets	30,238	45,198	6,207	76	81,719
Total segment liabilities	695,912	289,135	17,152	6,655	1,008,854

	2015				
	Convenience Store	Bakery		e-commerce	
	HK & Others	HK & Others	Chinese Mainland	HK	Total
	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

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:

	2016	2015
	HK$'000	HK$'000
Segment assets for reportable segments	1,549,886	1,362,129
Unallocated:		
Deferred tax assets	15,916	14,075
Corporate bank deposits	273,610	409,203
Total assets per consolidated balance sheet	1,839,412	1,785,407

Reportable segment liabilities are reconciled to total liabilities as follows:

	2016	2015
	HK$'000	HK$'000
Segment liabilities for reportable segments	1,008,854	929,573
Unallocated:		
Deferred tax liabilities	10,033	9,870
Taxation payable	10,803	7,430
Total liabilities per consolidated balance sheet	1,029,690	946,873

The Group is domiciled in Hong Kong. The total of its revenue of Continuing Operations from external customers in Hong Kong is HK$4,591,667,000 (2015: HK$4,440,800,000), and the total of its revenue from other countries is HK$279,770,000 (2015: HK$287,351,000) for the year ended 31 December 2016.

The total of non-current assets other than available-for-sale financial asset and deferred tax assets located in Hong Kong is HK$757,951,000 (2015: HK$742,623,000), and the total of these non-current assets located in other countries is HK$86,413,000 (2015: HK$90,569,000) as at 31 December 2016.

3. Expenses by nature from continuing operations

	2016 **HK$'000**	2015 HK$'000
Amortisation of lease premium for land	1,232	1,459
Auditor's remuneration		
Audit services	1,926	1,926
Non-audit services	556	681
Cost of inventories sold	2,962,349	2,888,265
Delivery charges	83,543	69,553
Depreciation of owned fixed assets	65,446	62,722
Depreciation of investment properties	973	794
Employee benefit expense	813,538	793,769
Losses on disposal of fixed assets	2,390	3,726
Operating leases rental for land and buildings		
Minimum lease payment	494,994	467,595
Contingent lease payment	5,553	5,718
Utilities	84,119	89,531
Foreign exchange losses/(gains)	1,223	(342)
Other expenses	291,154	283,956
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating gain/(loss)	4,808,996	4,669,353

4. Interest income from continuing operations

	2016 **HK$'000**	2015 HK$'000
Interest income on bank deposits	2,154	3,358

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 2016 and 2015. 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:

	2016	2015
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	28,263	29,144
Overseas profits tax	6,190	5,279
Deferred income tax credit	(1,880)	(3,613)
	32,573	30,810

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:

	2016	2015
	HK$'000	HK$'000
Profit before income tax	172,200	164,987
Calculated at a taxation rate of 16.5%	28,413	27,223
Effect of different taxation rates in other jurisdictions	13	(2,148)
Income not subject to taxation	(3,220)	(2,360)
Expenses not deductible for tax purposes	2,692	865
Tax losses not recognised	4,323	6,377
Reversal of previously recognised temporary differences	239	282
Under provision in prior year	113	571
	32,573	30,810

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.

	2016	2015
	HK$'000	HK$'000
Profit attributable to shareholders of the Company		
Continuing Operations	139,627	134,177
Discontinued Operations	-	25,001
	139,627	159,178

	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	754,785,127	753,645,119
Adjustment for:		
Share options	613,142	2,346,352
Weighted average number of ordinary shares for diluted earnings per share	755,398,269	755,991,471

7. Dividends

	2016 **HK$'000**	2015 HK$'000
Interim dividend, proposed of 3.5 HK cents (2015: 3.1 HK cents) per share	26,413	23,393
Final dividend, proposed of 13 HK cents (2015: 13 HK cents) per share	98,189	98,103
Special dividend, proposed of 27 HK cents (2015: 6 HK cents) per share	203,931	45,278
	328,533	166,774

At a meeting held on 21 March 2017, the Directors proposed a final dividend of 13 HK cents per share (to be distributed out of the Company's retained earnings) and a special dividend of 27 HK cents per share (to be distributed out of the Company's share premium). 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 2016, the aging analysis by invoice date of trade receivables is as follows:

	2016 **HK$'000**	2015 HK$'000
0-30 days	48,035	35,899
31-60 days	5,464	4,098
61-90 days	3,113	4,457
Over 90 days	4,271	4,041
	60,883	48,495

9. Trade payables

At 31 December 2016, the aging analysis by invoice date of the trade payables is as follows:

	2016 **HK$'000**	2015 HK$'000
0-30 days	396,688	307,212
31-60 days	135,554	142,299
61-90 days	54,987	54,578
Over 90 days	31,066	35,694
	618,295	539,783

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".

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
Revenue	153,532
Cost of sales*	(95,216)
Gross profit	58,316
Other income*	1,392
Store expenses*	(59,089)
Distribution costs	(6,816)
Administrative expenses*	(16,885)
Core operating loss	(23,082)
Interest income	83
Loss for the period	(22,999)
Gain on disposal of Discontinued Operations before income tax	49,747
Income tax expense	(1,747)
Gain on disposal of Discontinued Operations after income tax	48,000
Profit for the period from Discontinued Operations	25,001

* Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of HK$12,403,000.

Details of the financial information of the Discontinued Operations for the period from 1 January 2015 to 25 August 2015 were set out in 2015 Annual Report.

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 is responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters as well as investments. The Board has established the following committees with defined terms of reference (available on the Company's corporate website), which are in line with the Corporate Governance Code (the "CG Code") and Corporate Governance Report, as amended and effective from 1 January 2016, 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 2016 Annual Report.

Audit Committee

The Audit Committee met four times in 2016 (with an average attendance rate of 95%) to consider and review with senior management, the Company's internal auditor under the 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, financial reporting and internal audit functions; and

- Audit plans, findings and reports of external auditor and CGD, as well as their effectiveness.

The Group's annual results for the year ended 31 December 2016 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 in line with 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 2016.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness and adequacy with the assistance of the Audit Committee.

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

The Audit Committee, with delegated authority from the Board and the assistance of CGD, conducted an annual review of the effectiveness and adequacy of the Group's risk management and internal control systems for the year ended 31 December 2016 which has been confirmed by senior management by the completion of an Internal Control Self-Assessment Checklist in each material business unit across the Group.

Based on the above and the assessment made by 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 2016:

- 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, financial reporting and internal audit functions 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 2016.

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.

Dividends

The Board of Directors recommended to pay to the shareholders of the Company a final dividend (to be distributed out of the Company's retained earnings) of 13 HK cents (2015: 13 HK cents) per share and a special dividend (to be distributed out of the Company's share premium) of 27 HK cents (2015: 6 HK cents) per share respectively for the year ended 31 December 2016. Together with the interim dividend of 3.5 HK cents (2015: 3.1 HK cents) per share paid by the Company on 8 September 2016, the proposed final and special dividends make a total dividend of 43.5 HK cents (2015: 22.1 HK cents) per share for the year.

The payment of the special dividend out of the Company's share premium account is conditional upon the satisfaction of the following:

(a) the passing of an ordinary resolution by the shareholders of the Company declaring and approving the payment of the special dividend out of the Company's share premium account pursuant to Articles 136 and 137 of the Company's Articles of Association; and

(b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the special dividend is paid, unable to pay its debts as they fall due in the ordinary course of business.

Annual General Meeting

The Annual General Meeting of the Company will be held at 4:00 p.m. on Monday, 15 May 2017 at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong. 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.

Record Dates and Closure of Register of Members

	Hong Kong Time 2017
For determining shareholder's right to attend and vote at Annual General Meeting:	
Latest time to lodge transfer documents with share registrar *(Note i)*	4:30 p.m., 9 May
Record Date	9 May
For determining shareholder's entitlement to the proposed dividends:	
Latest time to lodge transfer documents with share registrar *(Note i)*	4:30 p.m., 19 May
Closure of Register of Members *(Note ii)*	22 to 23 May (both days inclusive)
Record Date	23 May
Expected despatch date of dividend warrants	2 June

Notes:

(i) *To be eligible to attend and vote at the Annual General Meeting, and to be entitled to the dividends, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the respective latest time mentioned above.*

(ii) *No transfer of shares will be registered during the closure of Register of Members.*

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

Hong Kong, 21 March 2017

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.