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 2019

Financial Highlights

	Change	**2019 HK$'000**	2018 HK$'000
• Revenue	+5.9%	**5,632,340**	5,320,077
• Core operating profit	+19.3%	**255,897**	214,498
• Core operating profit (included interest expenses on lease liabilities)	+11.1%	**238,299**	214,498
• Profit attributable to shareholders of the Company	+13.3%	**207,574**	183,203
• Basic earnings per share (HK cents)	+13.2%	**27.2**	24.03
• Dividend per share (HK cents)			
Final	+11.8%	**19**	17
Special	N/A	**21**	Nil
Full year			
Basic	+13.6%	**25**	22
Special	N/A	**21**	Nil
Total		**46**	22

Operation Highlights

- Despite acute operational challenges in the second half of the year, the Group's turnover increased 5.9% to HK$5,632 million due to higher comparable store sales; these were driven primarily by the "OK Stamp It" online platform, which continued to boost traffic and transactions at Circle K stores, and expansion of the Zoff fast-fashion eyewear brand

- Net profit rose 13.3% to HK$208 million on the back of higher sales, operational efficiencies, and reduced production costs resulting from renminbi depreciation

- The Group's online-to-offline (O2O) customer relationship management programmes continued to drive sales and profit growth as memberships for Circle K's "OK Stamp It" and Saint Honore's "Cake Easy" grew to 1.5 million and 630,000, respectively

- The Group expects local retail to be greatly impacted by the coronavirus disease COVID-19 and potentially affecting the Group's business performance in the first half of 2020, quick actions have been taken to minimise the unfavourable impact

- The Board of Directors has resolved to declare a final dividend of 19 HK cents per share and a special dividend of 21 HK cents per share

- The Group maintains a strong financial position with net cash of HK$643 million and no bank borrowings

Number of Stores as of 31 December 2019

Circle K Stores	
Hong Kong	**336**
Franchised Circle K Stores	
Macau	33
Zhuhai	14
Subtotal	**47**
Total number of Circle K Stores	**383**
Saint Honore Cake Shops	
Hong Kong	90
Macau	9
Guangzhou	27
Total number of Saint Honore Cake Shops	**126**
Zoff Eyewear Stores	
Hong Kong	**9**
Total number of Stores under Convenience Retail Asia	**518**

Chairman's Statement

It is my honour to present Convenience Retail Asia's 2019 annual results to our valued shareholders. In the second half of the year, Hong Kong society endured serious disruptions that significantly impacted the retail industry. Consumer sentiment weakened and tourism dropped as the local economy entered into recession for the first time in a decade. If there was a silver lining for Convenience Retail Asia, it was in how the Group responded to these challenges. Our mission is always to be there for Hong Kong and "make our customers' lives easier". In line with this commitment, we continued to focus on offering value-added products and services that meet our customers' ever-changing needs. The "OK Stamp It" online platform drove additional traffic into stores, which more than offset the adverse impacts of the social disruptions. We also worked hard to enhance our industry-leading customer service standards. As a result, the Group was able to achieve solid performance despite exceptional circumstances.

The year in retail

General macroeconomic uncertainties, the trade dispute between China and the US, and the recent societal situation in Hong Kong in particular all impacted the local retail industry in 2019. Total retail sales fell 10.3% by value and 11.4% by volume[*note*]. Most of these losses occurred in the second half of the year, reflecting the profound effect the social unrest had on discretionary purchases as local residents became less inclined to go out to shop. On the other hand, the supermarket segment (including convenience stores), which is more dependent on daily necessities and consumables, was somewhat less affected. Sales value for this segment rose slightly by 1%, while sales volume had a relatively modest decrease of 4.4%[*note*].

Focused on the future

Our 2017-2019 three-year plan outlined a strategy to complete the transformation of our business from a traditional bricks-and-mortar retail company into a more dynamic, nimble, digitally-centric operation. The online-to-offline (O2O) customer relationship management (CRM) programmes we have developed allow us to reach loyal members anytime and anywhere through proprietary mobile apps that deliver promotions and offers right to their fingertips. Members then redeem promotional offers in-store, driving footfall at Circle K and Saint Honore locations. This O2O business model has helped us grow our customer base, deepen engagement and build a data-driven foundation upon which we can continue to grow. We are proud that Circle K's "OK Stamp It" and Saint Honore's "Cake Easy" O2O CRM programmes have reached milestones of 1.5 million and 630,000 members, respectively.

The Group has also increased its focus on the Hong Kong market and moved to strengthen its core competencies. Our local expertise provides us with valuable advantages as we navigate market conditions. Our long-standing commitment to “Easy, Fast and Simple”, or “EFS”, service ensures that our customers enjoy a second-to-none convenience retail experience. Meanwhile, our in-depth knowledge of consumer trends and data analytics capability keeps us on the cutting edge of retail. For example, our franchise of the Japanese fast-fashion eyewear chain Zoff – the only Zoff franchise in the world – continued to show promise despite this year’s difficulties. The Group’s 10th Zoff store recently opened in the high-profile Lee Theatre Plaza, further building buzz around this increasingly popular brand.

Outlook

Just as the disruptions that beset Hong Kong last year appeared to be receding somewhat, a new crisis emerged at the beginning of 2020 that is severely impacting the local economy. The Hong Kong Government has taken action to stem the spread of the coronavirus disease by closing various entry points into the city from the Chinese Mainland, suspending school, and encouraging people to work from home, amongst other measures.

These strong but necessary responses should ultimately be effective. However, as long as the virus persists, there will be continued economic contraction, weakened consumer sentiment, and reduced retail and tourist traffic – all with potential impact on the Group’s business performance for the first half of 2020.

In any event, the Group will – as always – do its best to serve the community during these tough times and strive to minimise the impact of the coronavirus on its operations. The Group has taken very quick actions to adjust our marketing and category management programmes as well as putting a very tight control on operating expenses and capital expenditure so as to minimise the unfavourable financial impact during this period.

There may even be opportunities for the Group to fortify its business for medium- and long-term growth. We will pursue organic growth by taking advantage of lower rentals to expand its store networks. We are also open to M&A opportunities with businesses that offer synergy, and to expanding our portfolio of licences for exciting, fast-growing brands. In the future, we feel the Group can evolve into a comprehensive small-box retail platform by flawlessly executing its primary competence, which is serving the mass Hong Kong market at an industry-leading level. We will also keep our fingers firmly on the pulse of the markets where we operate, delivering our customers the products and services they want, when and how they want them.

In closing, I would like to thank our Board, management and frontline staff for doing an extraordinary job during what have been very trying times for the Group and Hong Kong retail. Your support is greatly appreciated, and I look forward to working with you in the years ahead.

Victor FUNG Kwok King
Chairman

Hong Kong, 10 March 2020

Note:

Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 3 January 2020

CEO’s Statement

In the second half of 2019, Hong Kong’s biggest societal crisis ever hit the retail industry hard. Dampened consumer sentiment, fewer tourists, reduced footfall and even store closures – both temporary and permanent – became the norm. To navigate this new business landscape, the Group relied on its tried-and-tested operating principles and continued to do its very best to serve the people of Hong Kong by providing a first-rate, heartfelt customer experience, value-added products and services, and timely offers and promotions delivered through its highly effective online-to-offline (O2O) customer relationship management (CRM) platforms, Circle K’s “OK Stamp It” and Saint Honore’s “Cake Easy”. The resulting increases in store traffic and transactions were able to offset the negative impact of the unrest in the city, helping generate relatively positive business outcomes and further bolstering Circle K and Saint Honore during a very difficult time for Hong Kong retail.

Operations Review – Circle K

As at 31 December 2019, the total number of Circle K stores in Hong Kong was 336. The Group opened 13 new Circle K stores and closed 14 during the year.

For years now, the Group has been leading a transformation of the Hong Kong retail industry in a way that taps into the trendsetting and purchasing power of the mobile generation. In 2019, our three “Plus” strategies – focusing on internet-savvy customers (“internet+”); emphasising products, promotion, place and pricing plus great customer experience (“4P’s+”); and leveraging our O2O retail model (“bricks-and-mortar+”, or online plus storefront) – once again helped us deliver solid sales and profit performances.

Circle K’s O2O CRM programme, “OK Stamp It”, continues to serve as the fulcrum for many of the Group’s marketing efforts. During the year under review, the Group delivered attractive promotions, e-stamp redemption offers, lucky draw games and more to over 1.5 million loyal members through a proprietary downloadable app. For instance, the “Shake Shake Lucky Star” lucky draw gave members the chance to win the latest iPhone 11 Pro with a net purchase of just HK$20 or more. Another example was a summertime promotion featuring imported ice cream plus great deals and prizes from Zoff, the Group’s fast-fashion eyewear franchise from Japan – an excellent illustration of how the Group’s O2O platforms enable synergistic opportunities between its businesses.

Mobile payment and gift cards have become increasingly popular, convenient, cash-free ways to purchase items. In 2019, Circle K made them even better by offering discounts in conjunction with some of Hong Kong's most-used payment platforms and brands. The Group partnered with Union Pay to launch a Union Pay QR payment option, incentivising customers with an introductory offer for an instant HK$10 discount on any purchase over HK$25. It held mobile payment joint promotions with HSBC, American Express, WeChat and AliPay. To make gift-buying easy, fast and simple, the Group also held a summertime gift card promotion by offering a HK$10 Circle K cash coupon for any gift card purchase of HK$200 or more from partners including Apple Store, Google Play, MasterCard and UnionPay.

Effective category management continued to play a big role in the Group's overall sales and marketing strategy. During the peak summer period, Circle K launched fresh new editions of its ever-popular Supersoft sandwiches as well as new "UFO Pockets", which provide customers with a light and delicious grab-and-go breakfast. Pre-ordering services also featured in the Group's category management initiatives this year.

Delivering top-notch customer experience is at the centre of virtually everything the Group does. In 2019, we developed a series of new training programmes and incentives to enhance our frontline service, build service culture and nurture customer relationships. In the area of sustainability and environmental protection, the Group was proud that Circle K was presented with the Joint Energy Saving Award by CLP for the sixth year running. The Group is also firmly committed to serving the communities where it operates. This year, Circle K employees partnered with Food Link on two important initiatives: group visits to senior citizens during festivals and holidays, and donating food items to help those in need and reduce food waste.

Operations Review – Saint Honore Cake Shop

As at 31 December 2019, the Group opened three stores and closed four stores in Hong Kong for a total of 99 across Hong Kong and Macau. The number of Saint Honore stores in Guangzhou at year-end was 27.

Although total turnover decreased compared to 2018, Saint Honore was still able to achieve low single-digit same-store sales growth despite weak sentiment in Hong Kong retail. This was due in part to strong performances by certain bakery products, which continued to record healthy year-on-year sales growth. Packaged products enjoyed double-digit growth on the back of several new launches, while innovative new items such as Nutty Chocolate Cake, Mango Lava Cake and Durian Cake were also well received by customers. In general, sales of bakery products overcame the downturn in discretionary spending that took place in the second half of the year. Sales of festive products such as mooncakes, however, were inevitably affected by the decline in tourist numbers and dampened consumer sentiment that intensified in the third quarter of the year. Foreseeing this situation, the Group exercised careful production planning and stringent cost controls to offset the impact as much as possible.

Gross profit margin saw promising improvement during the year under review following the implementation of better sourcing channels, product category rationalisation, process streamlining, equipment upgrades and enhanced procurement management. These production functions are useful for serving the Group's up-stream food manufacturing and supply chain functions, and the Group is currently exploring ways to extract more value from this considerable sourcing, manufacturing, distribution and delivery expertise. A weaker renminbi also helped contribute to better margin performance in 2019.

Saint Honore's "Cake Easy" O2O CRM programme had 630,000 members as at year-end. The platform enables the Group to engage valued members with highly targeted promotions, which drives sales, in-store traffic and customer retention as a result. This year, Saint Honore was also proud to be given "Quality E-shop Recognition" by the Hong Kong Retail Management Association.

In Guangzhou, the creative new Pandora II series of cakes, including new varieties such as "Angel's Wings" and "Good Time with Strawberries", helped drive product sales during the year under review, especially amongst younger consumers. The Group enhanced Saint Honore's digital presence with a fresh new website look and an upgraded WeChat cake order platform, and online cake sales rose considerably following these improvements. Other important initiatives included a new stamp promotion to encourage purchases and strengthen relationships with VIP customers, as well as roadshows delivering free samples of Saint Honore's delicious new cakes directly to customers.

Operations Review – Zoff

The Group's franchise for Zoff, the trendy, fast-fashion eyewear chain from Japan, continued to make positive strides in 2019. Although sales were impacted by the general reduction in discretionary spending in the second half of the year, this was mitigated by the brand's continued expansion into high-profile, high-traffic areas. The Group's portfolio of Zoff stores includes 10 locations following the opening of a new outlet at the upscale Lee Theatre Plaza in January 2020.

More than 3,500 frames are available at Zoff stores in Hong Kong. These include fashionable collections that appeal to younger generations, such as the recent Disney Series featuring Disney Princesses, "Frozen", "Star Wars", a "Night and Day" sunglasses series designed in collaboration with stylist Takashi Kumagai, a "Girls Collection" designed with popular Japanese models, and many more. During the year, the Group also held a number of successful marketing promotions for Zoff, such as the "Ice Cream Hunt" promotion in September that leveraged Circle K's extensive network of more than 300 stores.

Future Prospects

As always, the Group remains committed to serving customers from all walks of life to the very best of its ability. However, the local retail industry is currently facing an almost unprecedented amount of external difficulties. The coronavirus disease COVID-19 has seriously impacted normal day-to-day operations in the city as people cancel their travel plans to the Chinese Mainland and Hong Kong, and as local residents stay home from offices and schools. In addition, we must anticipate the possibility that sporadic public assemblies could continue to cause further societal disruptions. To weather these storms, the Group will focus on medium- and long-term growth while continuing to emphasise its core competencies.

In our on-going quest to innovate, we will move forward from a "zero-based" position – planning as if our business were just starting out – in order to keep capturing the hearts and minds of consumers. This includes striving to meet always-evolving customer needs in a rapidly responsive manner. Our proven O2O CRM business strategy will continue to drive this effort. The "OK Stamp It" and "Cake Easy" programmes have done remarkable jobs growing our customer base, generating sales and attracting footfall, and they will remain the centrepieces of our marketing efforts. We will also keep focusing on enhancing our industry-leading customer service to ensure that we are always providing an "EFS" – easy, fast and simple – experience that adds convenience to people's lives.

To retain healthy profitability, the Group will manage its costs as always by seeking rental reductions and monitoring currency fluctuations. We will continue to do our part for the community and the environment. Our HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme will remain an important tool for maintaining high morale and workplace satisfaction, benefitting both staff retention and customer service excellence. Finally, but importantly, we will keep investing in our learning and development programmes to ensure that the next generation of leaders will be ready to step up and lead the Group's growth in the future.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 10 March 2020

Management Discussion and Analysis

Financial Review

In 2019, the Group's turnover increased 5.9% to HK$5,632 million. Turnover for the convenience store business increased 7.5% to HK$4,524 million with comparable store sales growing 6.1% against the same period in 2018. Turnover for the bakery business decreased 2.5% to HK$1,092 million due to reduced sales of festive products. Turnover for Developing Business increased 36% to HK$105 million due to the expansion of the Zoff store network.

Gross margin and other income as a percentage of turnover decreased slightly by 0.1% to 38%, due mainly to keen competition in the retail market and high manufacturing costs. These factors were offset by the Group's effective O2O CRM programmes – especially "OK Stamp It", which carries a membership base of 1.5 million – and strong sales of Circle K's packaged drinks and ice cream. Gross margin improved due to the depreciation of the renminbi, which resulted in lower manufacturing costs for Saint Honore.

Operating expenses as a percentage of turnover decreased from 34.1% to 33.5% against 2018. Including interest expenses on lease liabilities arising from operating leases following the adoption of new accounting standard HKFRS 16 "Leases" effective 1 January 2019, operating expenses marginally decreased from 34.1% of turnover to 33.8% against the same period in 2018. Rental and labour costs continued to rise, however, the operating expenses as a percentage of turnover decreased mainly due to the increase in turnover base.

Core operating profit before interest expenses on lease liabilities increased 19.3% to HK$256 million. Including interest expenses on lease liabilities, core operating profit increased 11.1% to HK$238 million. The Group's net profit increased 13.3% to HK$208 million for the year ended 31 December 2019. Basic earnings per share increased 13.2% from 24.03 HK cents to 27.2 HK cents.

As at 31 December 2019, the Group had a net cash balance of HK$643 million, generated mainly 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 some foreign exchange exposure in renminbi resulting from its business operations on the Chinese Mainland. 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 19 HK cents per share and a special dividend of 21 HK cents per share.

Business Model and Corporate Strategy

Convenience Retail Asia is a member of the Fung Retailing Group. It has the exclusive right to the Circle K brand name for convenience store retailing in Hong Kong and Macau and on the Chinese Mainland. It also owns the famous Saint Honore Cake Shop bakery chain, operating stores in Hong Kong, Macau and throughout the Pearl River Delta region. There are 509 Circle K and Saint Honore stores in total in Hong Kong, Macau, Guangzhou and Zhuhai. In 2017, the Group secured the Hong Kong, Macau and Southern China franchise for Zoff, Japan's leading fast-fashion eyewear chain and a highly popular brand amongst younger generations. There are currently 10 Zoff stores in high-traffic commercial locations in Hong Kong.

The Group aims to be the most innovative, customer-preferred retail chain company wherever it operates, employing a multi-pronged strategy that includes:

- Innovative products and services offered through its O2O operational and marketing platforms
- Customer-centric business focus
- Excellence in customer service
- Convenient store locations
- Highly motivated, engaged employees
- Maximised efficiency through the adoption of the latest information technology
- Synchronised supply chain management infrastructure and processes
- Continuous investment in brand-building, store networks, people development, eCRM platforms and supply chain infrastructure

The Group strives to achieve sustainable, long-term value for shareholders through a total commitment to its customers, employees and businesses. Its keys to success are excellent customer focus, innovation, flawless execution of its powerful O2O business model, ethical business practices, and strong partnerships with quality suppliers as well as the prudent, professional management of its growth and profitability.

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

Employees

As at 31 December 2019, the Group had a total of 6,700 employees, with 5,300, or 79%, based in Hong Kong and 1,400, or 21%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 39% of total headcount. Employee benefit expense for the year amounted to HK$957 million against HK$908 million in 2018.

The Group offers its staff competitive remuneration schemes, with eligible employees receiving salaries supplemented by discretionary bonuses and share options based on individual and company performance. The Group also offers career advancement opportunities as well as training in job-related skills and customer service.

The Group places high priority on staff engagement and workplace satisfaction. During the year under review, the Group's Activity Organising Board (AOB) continued to emphasise the HEARTS (Happy, Energised, Achievements, Respect, Training, Success) employee engagement programme, inviting staff to participate in activities designed to foster a happy work environment, a caring culture for employees' families and work-life balance. During summer, families joined a "Summer Adventure" event featuring confidence-building outdoor activities guided by professional coaches. Employees also showed their community spirit by taking part in the Flag Day event organised by the Tung Wah Group of Hospitals (TWGH) and visiting the elderly at the TWGH's Lim Por Yen Integrated Home Care Services Centre.

Health and Safety

One of the Group's most important areas of concern is safeguarding the health and safety of its customers and staff. The Group complies with local regulations in the markets where it operates to ensure world-class safety and hygiene. It also boasts facilities that meet the highest global standards. Saint Honore's factories in Hong Kong and Shenzhen are both ISO 9001-accredited. The Shenzhen factory has also earned Hazard Analysis and Critical Control Points (HACCP) food safety accreditation, while its in-house microbiological laboratory is certified by the China National Accreditation Services (CNAS) for conformity assessment.

The Group provides comprehensive food safety, workplace safety and hygiene training to staff, as well as protective clothing and equipment where required. Regular inspections are carried out to ensure that the Group's factories and stores meet relevant compliance guidelines. The Group provides staff training on the "5S" principles of "sort, straighten, shine, standardise and sustain". In 2019, the Group also hosted health-related events for staff including a Cardiology Health Talk and an Occupational Health Talk as well as a Seasonal Influenza Vaccination programme.

Sustainability and Corporate Social Responsibility

Convenience Retail Asia is part of the Fung Retailing Group, which acts in accordance with the United Nations Global Compact's principles on human rights, labour, anti-corruption efforts, environmental protection and sustainability. The Group also operates according to a comprehensive voluntary framework for proactive sustainability, community outreach and employment strategies that covers areas including carbon reduction, promoting environmental awareness in the community, expanding the Group's social and community outreach programmes, and ensuring a safe, healthy, balanced and empowering workplace. The Group also only partners with suppliers who comply with its Supplier Code of Conduct, which sets out principles and practices relating to labour, ethical conduct, work safety and environmental protection.

In 2019, the Group once again carried out a number of programmes that aimed to shrink its carbon footprint and promote sustainability amongst staff and the community. Circle K and Saint Honore reduced their consumption of single-use plastic at stores by replacing plastic utensils with bamboo and paper versions and designating Saturdays and Sundays as "no straw days" – measures that helped drive encouraging decreases in single-use plastic. The Group was also invited by the Environmental Protection Department to join the Single Use Beverage Packaging Working Group and help draft a proposal for recycling single-use plastics in Hong Kong. Elsewhere, Saint Honore set up a solar panel at its Shenzhen factory to provide supplementary power for equipment and reduce energy consumption.

This year, Circle K Convenience Stores (HK) Limited and Saint Honore Cake Shop Limited received the "15 Years Plus Caring Company Logo" and "10 Years Plus Caring Company Logo", respectively, from the Hong Kong Council of Social Service. These awards recognise efforts to promote corporate social responsibility under the criteria of caring for the community, employees and the environment. Zoff also contributed to the community through a variety of initiatives. These included serving as a "Darkness to Go" Action Partner with Orbis for raising funds to help combat blindness, and holding an "Eyecare Talk and Eye Examination" for people in need with the TWGH's Jockey Club Shatin Integrated Services Centre. Activities such as these helped raise Zoff's brand profile and established the chain as a valuable and socially responsible member of the community.

Also during the year, Convenience Retail Asia was again awarded a Special Mention in the Non-Hang Seng Index (Small Market Capitalisation) Category of the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance Awards 2019. Further environmental, social and governance information will be provided in a separate report on the Company's website.

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 2019, together with the audited comparative figures for the corresponding year ended 31 December 2018. 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	**2019 HK$'000**	2018 HK$'000
Revenue	*2*	**5,632,340**	5,320,077
Cost of sales	*3*	**(3,613,216)**	(3,409,248)
Gross profit		**2,019,124**	1,910,829
Other income	*2*	**120,791**	115,672
Store expenses	*3*	**(1,493,026)**	(1,428,956)
Distribution costs	*3*	**(170,724)**	(164,071)
Administrative expenses	*3*	**(220,268)**	(218,976)
Core operating profit		**255,897**	214,498
Interest (expenses)/income, net	*4*	**(12,728)**	2,355
Profit before income tax		**243,169**	216,853
Income tax expenses	*5*	**(35,595)**	(33,650)
Profit attributable to shareholders of the Company		**207,574**	183,203
Earnings per share (HK cents)			
Basic	*6*	**27.2**	24.03
Diluted	*6*	**27.2**	24.03

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
Profit attributable to shareholders of the Company	**207,574**	183,203
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(601)**	(1,566)
Total comprehensive income attributable to shareholders of the Company	**206,973**	181,637

Consolidated Balance Sheet
As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Fixed assets		**246,181**	349,965
Right-of-use assets		**704,655**	-
Investment properties		**24,289**	25,363
Lease premium for land		**123,153**	32,216
Intangible assets		**357,465**	357,465
Financial asset at fair value through other comprehensive income		**1,895**	1,895
Rental and other long-term deposits		**88,713**	97,216
Deferred tax assets		**13,733**	14,114
		1,560,084	878,234
Current assets			
Inventories		**212,644**	198,866
Rental deposits		**68,945**	58,289
Trade receivables	*8*	**75,954**	73,939
Other receivables, deposits and prepayments		**87,030**	91,329
Restricted bank deposit		**223**	-
Cash and cash equivalents		**642,639**	507,694
		1,087,435	930,117
Total assets		**2,647,519**	1,808,351
Equity			
Share capital		**76,256**	76,253
Reserves		**649,538**	614,557
Total equity		**725,794**	690,810
Liabilities			
Non-current liabilities			
Lease liabilities		**306,983**	-
Long service payment liabilities		**14,599**	14,949
Deferred tax liabilities		**10,519**	10,160
		332,101	25,109
Current liabilities			
Trade payables	*9*	**700,157**	662,784
Other payables and accruals		**272,560**	247,207
Lease liabilities		**406,064**	-
Taxation payable		**41,561**	13,268
Cake coupons		**169,282**	169,173
		1,589,624	1,092,432
Total equity and liabilities		**2,647,519**	1,808,351

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	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 2018	76,246	200,445	177,087	20,002	15,445	36	161,414	650,675
Profit attributable to shareholders of the Company	-	-	-	-	-	-	183,203	183,203
Exchange differences	-	-	-	-	-	(1,566)	-	(1,566)
Total comprehensive income for the year	-	-	-	-	-	(1,566)	183,203	181,637
Issue of new shares	7	182	-	-	-	-	-	189
Employee share option benefit	-	23	-	-	2,658	-	509	3,190
Dividends paid	-	-	-	-	-	-	(144,881)	(144,881)
	7	205	-	-	2,658	-	(144,372)	(141,502)
At 31 December 2018	76,253	200,650	177,087	20,002	18,103	(1,530)	200,245	690,810
At 1 January 2019	**76,253**	**200,650**	**177,087**	**20,002**	**18,103**	**(1,530)**	**200,245**	**690,810**
Profit attributable to shareholders of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**207,574**	**207,574**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**(601)**	**-**	**(601)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(601)**	**207,574**	**206,973**
Issue of new shares	**3**	**94**	**-**	**-**	**-**	**-**	**-**	**97**
Employee share option benefit	**-**	**12**	**-**	**-**	**2,070**	**-**	**1,222**	**3,304**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(175,390)**	**(175,390)**
	3	**106**	**-**	**-**	**2,070**	**-**	**(174,168)**	**(171,989)**
At 31 December 2019	**76,256**	**200,756**	**177,087**	**20,002**	**20,173**	**(2,131)**	**233,651**	**725,794**

Notes to the Consolidated Financial Statements

1. Basic of preparation and accounting policies

(a) Basic of preparation

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 financial assets at fair value through other comprehensive income.

As at 31 December 2019, the Group had net current liabilities of HK$502,189,000 (2018: HK$162,315,000). 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. Based on the Group's history of its operating performance, availability of banking facilities and its expected future working capital requirements, 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 interpretation of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2019 and relevant to its operations:

HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements Project	Annual Improvements 2015-2017 Cycle

The adoption of new and amended standards and interpretation of HKFRS does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies, except the impacts of the adoption of HKFRS 16 "Leases" is disclosed in note 1b.

The Group has not early adopted the following new and amended standards and interpretations of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2020.

HKAS 1 and HKAS 8 Amendments	Definition of Material
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 3 Amendment	Definition of a Business
HKFRS 7 Amendment	Financial Instruments: Disclosures
HKFRS 9 Amendment	Financial Instruments
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 17	Insurance Contracts

None of the above is expected to have a significant effect on the consolidated financial statements of the Group.

(b) Change in accounting policy

The Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.4% and 4.8% for leases in Hong Kong and Macau, and the Chinese Mainland respectively.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determing the lease term where the contract contains options to extend or terminate the lease.

(ii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

(iii) Adjustments recognised in the consolidated balance sheet

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

HK$'000	31 December 2018 (as previously reported)	Impact on Adoption of HKFRS16	**1 January 2019 (restated)**
Non-current assets			
Fixed assets	349,965	(98,532)	**251,433**
Right-of-use assets	-	649,349	**649,349**
Lease premium for land	32,216	96,013	**128,229**
Current assets			
Other receivables, deposits and prepayments	91,329	(2,417)	**88,912**
Non-current liabilities			
Lease liabilities	-	(270,844)	**(270,844)**
Current liabilities			
Lease liabilities	-	(377,122)	**(377,122)**
Other payables and accruals	(247,207)	3,553	**(243,654)**

(iv) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2. Revenue, other income and segment information

The Group is principally engaged in the operation of chains of convenience stores and bakeries, and developing businesses mainly included eyewear business. Revenues recognised during the year are as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Merchandise sales revenue	**4,523,772**	4,206,751
Bakery sales revenue	**1,003,589**	1,036,115
Developing businesses revenue	**104,979**	77,211
	5,632,340	5,320,077
Other income		
Service items and miscellaneous income	**120,791**	115,672

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 principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of convenience store, bakery and developing businesses. For convenience store segment, revenues are mainly derived from a broad range of merchandise sales. For bakery segment, revenues are mainly comprised of sale of bakery and festival products. For developing businesses segment, revenues are mainly derived from the sale of eyewear products. 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 2019 and 2018 are as follows:

	2019				
	Convenience Store	**Bakery**		**Developing Businesses**	
	HK	**HK & Others**	**Chinese Mainland**	**HK**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total segment revenue	**4,523,772**	**1,028,029**	**98,549**	**104,979**	**5,755,329**
Inter-segment revenue	**-**	**(122,989)**	**-**	**-**	**(122,989)**
Revenue from external customers	**4,523,772**	**905,040**	**98,549**	**104,979**	**5,632,340**
Total segment other income	**114,113**	**12,799**	**2,266**	**46**	**129,224**
Inter-segment other income	**(3,616)**	**(4,817)**	**-**	**-**	**(8,433)**
Other income	**110,497**	**7,982**	**2,266**	**46**	**120,791**
	4,634,269	**913,022**	**100,815**	**105,025**	**5,753,131**
Core operating profit/(loss)	**198,608**	**54,751**	**(388)**	**2,926**	**255,897**
Core operating profit/(loss) (included interest expenses on lease liabilities)	**186,698**	**51,578**	**(2,063)**	**2,086**	**238,299**
Depreciation and amortisation	**(345,246)**	**(116,595)**	**(21,212)**	**(20,904)**	**(503,957)**
Depreciation and amortisation (excluded depreciation on right-of-use assets)	**(29,620)**	**(35,834)**	**(5,217)**	**(4,100)**	**(74,771)**

	2018				
	Convenience Store	Bakery		Developing Businesses	
	HK	HK & Others	Chinese Mainland	HK	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	4,206,751	1,051,326	116,367	77,211	5,451,655
Inter-segment revenue	-	(131,578)	-	-	(131,578)
Revenue from external customers	4,206,751	919,748	116,367	77,211	5,320,077
Total segment other income	110,626	10,723	2,328	140	123,817
Inter-segment other income	(4,303)	(3,832)	-	(10)	(8,145)
Other income	106,323	6,891	2,328	130	115,672
	4,313,074	926,639	118,695	77,341	5,435,749
Core operating profit/(loss)	172,022	48,669	(5,203)	(990)	214,498
Depreciation and amortisation	(28,398)	(38,650)	(7,039)	(1,948)	(76,035)

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 (included interest expenses on lease liabilities).

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the consolidated profit and loss account and interest (expenses)/income, net in note 4, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue includes inter-product segment revenue of HK$88,885,000 (2018: HK$83,969,000) and inter-geographic segment revenue of HK$34,104,000 (2018: HK$47,609,000).

The segment assets and liabilities as at 31 December 2019 and 2018 are as follows:

	2019				
	Convenience Store	**Bakery**		**Developing Businesses**	
		HK & Others	**Chinese Mainland**		
	HK			**HK**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total segment assets	**1,228,148**	**866,340**	**86,322**	**78,083**	**2,258,893**
Total segment assets include: Additions to segment non-current assets	**401,193**	**128,894**	**6,385**	**31,834**	**568,306**
Total segment liabilities	**1,339,350**	**451,741**	**26,800**	**51,754**	**1,869,645**

	2018				
	Convenience Store	Bakery		Developing Businesses	
		HK & Others	Chinese Mainland		
	HK			HK	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment assets	745,659	739,014	51,741	31,974	1,568,388
Total segment assets include: Additions to segment non-current assets	26,091	34,584	353	11,899	72,927
Total segment liabilities	782,731	276,633	16,386	18,363	1,094,113

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:

	2019	2018
	HK$'000	HK$'000
Segment assets for reportable segments	**2,258,893**	1,568,388
Unallocated:		
Deferred tax assets	**13,733**	14,114
Corporate bank deposits	**374,893**	225,849
Total assets per consolidated balance sheet	**2,647,519**	1,808,351

Reportable segment liabilities are reconciled to total liabilities as follows:

	2019	2018
	HK$'000	HK$'000
Segment liabilities for reportable segments	**1,869,645**	1,094,113
Unallocated:		
Deferred tax liabilities	**10,519**	10,160
Taxation payable	**41,561**	13,268
Total liabilities per consolidated balance sheet	**1,921,725**	1,117,541

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$5,379,312,000 (2018: HK$5,048,341,000), and the total of its revenue from other countries is HK$253,028,000 (2018: HK$271,736,000) for the year ended 31 December 2019.

The total of non-current assets other than financial asset at fair value through other comprehensive income and deferred tax assets located in Hong Kong is HK$1,418,702,000 (2018: HK$785,646,000), and the total of these non-current assets located in other countries is HK$125,754,000 (2018: HK$76,579,000) as at 31 December 2019.

As of 31 December 2019, cake coupons related to contracts with customers is HK$169,282,000 (2018: HK$169,173,000). During the year, revenue recognised in the consolidated profit and loss account related to carried-forward cake coupons is HK$30,814,000 (2018: HK$48,110,000).

3. Expenses by nature

	2019	2018
	HK$'000	HK$'000
Auditor's remuneration		
Audit services	**2,080**	2,080
Non-audit services	**970**	622
Cost of inventories sold	**3,371,595**	3,165,653
Delivery charges	**92,772**	91,663
Depreciation of owned fixed assets	**69,115**	73,829
Depreciation of right-of-use assets	**429,186**	-
Depreciation of investment properties	**966**	976
Depreciation of lease premium for land	**4,690**	1,230
Employee benefit expense	**956,865**	908,028
Losses on disposal of fixed assets/right-of-use assets	**776**	3,652
Gain on disposal of lease premium for land	**-**	(2,947)
Short-term lease payment	**143,523**	544,757
Variable lease payment	**3,545**	4,967
Utilities	**88,899**	85,177
Foreign exchange losses	**1,052**	3,193
Other expenses	**331,200**	338,371
Total cost of sales, store expenses, distribution costs and administrative expenses	**5,497,234**	5,221,251

4. Interest (expenses)/income, net

	2019	2018
	HK$'000	HK$'000
Interest income on bank deposits	**4,870**	2,355
Interest expenses on lease liabilities	**(17,598)**	-
	(12,728)	2,355

5. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2019 and 2018. 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 to the consolidated profit and loss account represents:

	2019	2018
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**28,499**	25,783
Overseas profits tax	**6,402**	5,612
Deferred income tax	**694**	2,255
	35,595	33,650

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:

	2019	2018
	HK$'000	HK$'000
Profit before income tax	**243,169**	216,853
Calculated at a taxation rate of 16.5%	**40,123**	35,781
Effect of different taxation rates in other jurisdictions	**(1,222)**	(1,172)
Income not subject to taxation	**(1,960)**	(2,700)
Expenses not deductible for tax purposes	**3,500**	3,073
Tax losses not recognised	**1,185**	2,138
Reversal of previously recognised tax losses	**558**	569
Utilisation of tax losses previously not recognised	**(5,029)**	(1,869)
Over provision in prior year	**(1,560)**	(2,170)
	35,595	33,650

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.

	2019	2018
	HK$'000	HK$'000
Profit attributable to shareholders of the Company	**207,574**	183,203
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**762,557,802**	762,508,913
Adjustment for:		
Share options	**9,603**	21,904
Weighted average number of ordinary shares for diluted earnings per share	**762,567,405**	762,530,817

7. Dividends

	2019 **HK$'000**	2018 HK$'000
Interim dividend, proposed of 6 HK cents (2018: 5 HK cents) per share	**45,754**	38,127
Final dividend, proposed of 19 HK cents (2018: 17 HK cents) per share	**144,887**	129,630
Special dividend, proposed of 21 HK cents (2018: nil) per share	**160,139**	-
	350,780	167,757

At a meeting held on 10 March 2020, the Directors proposed a final dividend of 19 HK cents per share (to be distributed out of the Company's retained earnings) and a special dividend of 21 HK cents per share (to be distributed out of the Company's share premium). These proposed dividends are not reflected as dividend payable in these consolidated financial statements.

8. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2019, the aging analysis by invoice date of trade receivables is as follows:

	2019 **HK$'000**	2018 HK$'000
0-30 days	**61,705**	49,813
31-60 days	**8,237**	16,510
61-90 days	**2,781**	2,938
Over 90 days	**3,231**	4,678
	75,954	73,939

9. Trade payables

At 31 December 2019, the aging analysis by invoice date of the trade payables is as follows:

	2019 **HK$'000**	2018 HK$'000
0-30 days	**438,642**	424,278
31-60 days	**152,094**	146,618
61-90 days	**73,922**	60,915
Over 90 days	**35,499**	30,973
	700,157	662,784

10. Event after the balance sheet date

After the outbreak of the coronavirus disease COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented in China and Hong Kong. The Group expects local retail business to be greatly impacted and this may potentially affect the Group's business performance in the first half of 2020. Management has taken relevant actions to minimise the unfavourable impact to the Group. The Group will pay close attention to the development and evaluate its impact on the financial position and operating results.

Corporate Governance

The Board 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 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 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. Such committees are provided with sufficient resources to discharge their duties and have access to independent professional advice if considered necessary at the Company's expense.

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 2019 Annual Report.

Audit Committee

The Audit Committee met four times in 2019 (with an average attendance rate of 90%) 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 Audit Committee has authority to investigate any activity within its terms of reference and has full access to and the cooperation of management. It has direct access to CGD and the external auditor, and full discretion to invite any management to attend its meetings.

The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted a Code for Securities Transactions by Directors and Relevant Employees (the "Securities Code") 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. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the Securities 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 2019.

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 2019 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 2019:

- The risk management and internal control systems, as well as accounting systems of the Group remained in place and were 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 the Group's policies under management's authorisation, and the financial statements were reliable for publication.

- There was an ongoing process 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 been in full compliance with all of the code provisions set out in the CG Code and Corporate Governance Report throughout the year ended 31 December 2019.

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 recommended to pay to the shareholders of the Company a final dividend (to be distributed out of the Company's retained earnings) of 19 HK cents (2018: 17 HK cents) per share and a special dividend (to be distributed out of the Company's share premium) of 21 HK cents (2018: nil) per share respectively, for the year ended 31 December 2019. Together with the interim dividend of 6 HK cents (2018: 5 HK cents) per share paid by the Company on 12 September 2019, the proposed final and special dividends make a total dividend of 46 HK cents (2018: 22 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.

It is a policy of the Company that, on an annual basis, the Company will distribute, as normal dividend, not less than 50% of the Group's net profit to the shareholders. The actual distribution percentage will be considered and determined by the Board based on the operating results, cash flow, financial position, business prospects, statutory and regulatory restrictions relating to dividend distributions and other factors the Board considers appropriate.

Annual General Meeting

The Annual General Meeting of the Company will be held at 4:00 p.m. on Wednesday, 29 April 2020 at 7th 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 *2020*
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., 23 April
Record Date *(note ii)*	23 April
For determining shareholder's entitlement to the proposed dividends:	
Latest time to lodge transfer documents with share registrar *(note i)*	4:30 p.m., 6 May
Closure of Register of Members *(note iii)*	7 to 8 May (both days inclusive)
Record Date *(note ii)*	8 May
Expected despatch date of dividend warrants	19 May

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than the respective latest time mentioned above.

(ii) Shareholders who are eligible to attend and vote at the Annual General Meeting are those whose names appear on the Register of Members of the Company as at the close of business on Thursday, 23 April 2020. Shareholders who are entitled to the dividends are those whose names appear on the Register of Members of the Company as at the close of business on Friday, 8 May 2020.

(iii) 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, 10 March 2020

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 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.