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 2020

Financial Highlights

	Change	**2020** **HK$'000**	2019 HK$'000 (Restated)
• Revenue	-0.5%	**1,191,701**	1,197,453
• Core operating profit	+50.6%	**67,456**	44,785
• Core operating profit (included interest expenses on lease liabilities)	+59.3%	**61,859**	38,824
• Profit attributable to shareholders of the Company			
Continuing Operations	+84.1%	**61,150**	33,213
Included Discontinued Operations	+1,412.9%	**3,140,446**	207,574
• Basic earnings per share (HK cents)			
Continuing Operations	+81.8%	**8.0**	4.4
Included Discontinued Operations	+1,409.9%	**410.7**	27.2
• Dividend paid per share (HK cents)			
Basic	-76.0%	**6**	25
Special	+1,733.3%	**385**	21
Total	+750.0%	**391**	46

Operation Highlights

- Full-year profit increased 1,412.9%, primarily due to the one-off gain of HK$2,879 million from the sale of Circle K Hong Kong business to the brand owner

- Net profit from Continuing Operations increased 84.1%, mainly due to an increase in festive sales and improvement in gross profit by the Saint Honore business as well as receiving certain government subsidies that offset part of the Group's operating costs during the year

- The Group maintained a healthy financial position with net cash of HK$373 million and no bank borrowings

- Challenges are expected to remain in 2021 as global economies and the local retail market struggle to recover from the pandemic

- With the payment of the special dividend before the end of the year, the Company does not intend to declare any further dividend payments in respect of the financial year ended 31 December 2020

Number of Stores as of 31 December 2020

Saint Honore Cake Shops	
Hong Kong	84
Macau	9
Guangzhou	26
Subtotal	**119**
Pâtisserie Mon cher	
Hong Kong	**1**
Total number of stores under Bakery Group	**120**
Zoff Eyewear Stores	
Hong Kong	**11**
Total number of Stores under Convenience Retail Asia	**131**

Chairman's Statement

The period under review was one of the most difficult in the history of Hong Kong retail. COVID-19 forced local companies to make profound changes to the way they do business. With the local economy in a tailspin and store traffic slowing to a trickle, many were not able to survive. To help society through difficult economic times, Circle K donated 100,000 meal boxes and 450,000 food vouchers worth HK$20 each to people in need, while Saint Honore donated HK$2 million in bread vouchers for use by a number of charitable organisations across the city. We also distributed 100,000 face masks to the elderly in February, at a time when they were difficult to obtain in Hong Kong.

Despite such troubled times, the Group was able to lean on its well-established online-to-offline (O2O) customer relationship management (CRM) programmes, engaging its loyal membership bases with minimal in-person exposure to deliver exceptional customer care and produce satisfactory financial results. The Group also showed its determination to stay ahead of the curve and deliver shareholder value, securing a deal that will reinvent Convenience Retail Asia as a leading, high-quality specialty retailer in the Greater Bay Area (GBA).

A Challenging Year for Retailers

The global pandemic followed closely on the heels of the public order events of 2019 and early 2020 to wreak even more havoc on Hong Kong's economy and retail market. Border and boundary closures and lengthy quarantine requirements all but eliminated tourists from the Chinese Mainland. Meanwhile, social distancing guidelines, bans on large group gatherings, and work- and study-from-home directives had severe effects on domestic consumer spending and store traffic.

Hong Kong retail took a major hit overall, falling 24.3% by value and 25.5% by volume[note] in 2020 compared to 2019, but the supermarket segment registered 9.7% growth in value and 4.1% by volume[note] as people continuing to shop for groceries and essentials. For convenience stores, there was a certain increase in sales of higher-value but lower-margin products, while items such as packaged beverages and ready-to-eat meals slowed along with foot traffic.

Transforming for Future Growth

For more than 35 years, we built Circle K, our flagship business, into a leading convenience retail chain in Hong Kong – an experience that served us well as we expanded and diversified into the bakery and eyewear businesses. On 7 December 2020, the Group's shareholders approved the sale of its convenience store business to the brand owner, Alimentation Couche-Tard Inc., for approximately HK$2.8 billion. This sale benefits our shareholders in a number of ways. It unlocks value and provides a healthy special cash dividend. It also enables our shareholders to benefit from a re-rating of the Group as we redirect the business towards its next round of growth. We shall now reposition the Group as a multi-brand, specialty retailer in the GBA that will generate future growth and returns in clearly defined, high-potential segments.

With the closing of the deal, Convenience Retail Asia now boasts a strong trio of attractive brands in the bakery, premium pâtisserie and fast-fashion eyewear segments: Saint Honore, Mon cher and Zoff. Our intention is to grow each of these brands into a significant business in its own right within the next few years. From time to time, we will consider refreshing our portfolio to ensure that all our businesses are growing and creating value for our shareholders. In this regard, we will continue to seek out new opportunities and add to our portfolio of speciality brands through licensing, franchising, joint ventures and acquisitions. We shall be selective in choosing appropriate projects, and we will embark upon them only if we are able to marshal the necessary resources to make each commitment a success.

Outlook

Among many other things, COVID-19 has shown how important it is to be prepared, be agile and stay relevant. Also, consumers are much more health-conscious now. They expect healthy products, clean and safe shopping environments, and less personal contact. To a large extent, these shifts in customer habits and demand can be expected to continue even after the pandemic subsides.

We have been able to keep pace with these changing times. We have made numerous adjustments to our operations, from product hygiene and presentation to fine-tuning our O2O business model. In addition to making life "EFS" – "easy, fast and simple" – for our customers, we are ensuring that people can get the items they need with peace of mind. As a result, we have been able to stablise Saint Honore's comparable store sales in the context of the general market contraction.

As for our employees, COVID-19 has been our top priority concern. We are pleased that our people have been safe and healthy so far. We shall continue to do our utmost to keep them that way.

We expect the coming year may also be full of surprises and challenges. But we are confident that we have the management focus, know-how, talent, proven omnichannel platforms and network to overcome them.

Our strategy and purposeful investment in our capabilities and technology – especially in the bakery segment over the years – are now beginning to bear fruit and open up avenues that will boost growth for years to come. In 2021, we expect to increase our store network for all our brands, enhance sales through O2O platforms and make important inroads into B2B, where there are a number of opportunities for our businesses.

As we enter the new year, we are optimistic that we are laying the foundation of a new Convenience Retail Asia, one with fresh avenues of growth that will benefit our shareholders, employees and the community at large.

I would like to thank our management for providing a steady hand in turbulent times, and our valued colleagues for their hard work and determination. Over the years, they have made great contributions to the success of Circle K and the Group, and I am sure they will continue to play key roles in the next chapter of our growth story.

Victor FUNG Kwok King
Chairman

Hong Kong, 23 March 2021

Note: Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 February 2021

CEO's Statement

One of the hallmarks of Convenience Retail Asia is its ability to adapt to different market situations. During the year under review, the COVID-19 pandemic caused foot traffic and consumer sentiment to plummet, putting our business to the test as we sought creative ways to drive sales while protecting the health and safety of our staff and customers.

The Group's online-to-offline (O2O) business model delivered admirable performances for its convenience store and bakery operations by enabling people to shop for their favourite products while largely avoiding in-person contact. We made life "EFS" for customers with readily available necessities, in-demand products and useful services. We achieved efficiencies and ensured food and operational safety, from our supply chain to our manufacturing facilities and stores. We saw another encouraging performance from our fast-fashion eyewear chain Zoff and introduced the pâtisserie Mon cher, both of which are extremely popular Japanese brands renowned for quality. Perhaps most importantly, our dedicated employees braved difficult conditions to once again deliver world-class service for our valued customers.

Operations Review – Saint Honore Cake Shop

As at 31 December 2020, the Group had opened five Saint Honore stores and closed 11 stores for a total of 93 across Hong Kong and Macau. The number of stores in Guangzhou at year-end was 26.

Saint Honore is a household name in Hong Kong and a leading brand in the bakery category. It also serves as the Group's primary manufacturing enterprise. During the year, business was affected by steep declines in footfall and tourism due to the pandemic, which led to a low-single-digit year-on-year drop in same-store sales. A stronger renminbi in the second half of the year also placed pressure on raw material costs. However, the business countered by leveraging its strengths in quality and innovation to develop appealing new products. It adjusted its sales and marketing strategies to account for changing consumer behaviour. It also engaged its growing base of approximately 800,000 loyal members in "Cake Easy", Saint Honore's O2O customer relationship management (CRM) programme, to further drive business and mitigate the adverse effects of COVID-19.

Social distancing guidelines and limits on group gatherings impacted birthday cake sales. However, packaged products continued to enjoy strong double-digit growth. Saint Honore also launched creative products like the Emoji Mask cake to offer customers a bit of fun during the pandemic. Average basket sizes continued to increase as customers bought more items at one time to reduce their shopping frequency. Holiday sales saw double-digit year-on-year growth due to successful marketing and promotional campaigns that also capitalised on the growing trend for families to celebrate such occasions at home.

“Cake Easy” has been growing steadily since its inception. Approximately 80% of its members are active. During the pandemic, “Cake Easy” saw an unprecedented spike as more and more people took advantage of the platform’s easy-to-use features, such as the ability to purchase cakes from home.

The Group continued to implement “lean manufacturing” projects in its factories to simplify workflow, improve operational efficiency and speed up responsiveness. Floor space optimisation helped consolidate production flow. Increased automation boosted productivity and capacity while mitigating the effects of labour shortages and costs. The Group also continued to emphasise safety and hygiene during the pandemic, providing staff with personal protection equipment (PPE) and regularly cleaning and sanitising facilities and equipment.

Saint Honore was proud to receive the “Good Employer Charter 2020” certificate from the Hong Kong Labour Department. It was also once again recognised as a “Quality E-shop” by the Hong Kong Retail Management Association, and for the first time it was awarded a “Bronze” prize in the “2020 Top 10 Quality E-Shop Awards”. Saint Honore also continued to play an active role in society. To support Hong Kong’s most vulnerable communities during the pandemic, for example, it donated HK$2 million worth of bread vouchers to Feeding Hong Kong for distribution to a number of charitable organisations across the city.

In Guangzhou, the Group created innovative new cakes with appealing designs to drive sales. Packaged products saw higher demand during the pandemic, with sales increasing approximately 20% year on year. The Group also continued leveraging omnichannel marketing to engage loyal customers and VIPs. One successful campaign was the launch of a weekly stamp promotion via WeChat, which resulted in 10% transaction growth among VIP customers. Joint promotions with UnionPay and Alipay also helped drive sales during the year.

Operations Review – Mon cher

In September 2020, the Group obtained the franchise licence to operate the premium Japanese pâtisserie chain Mon cher in Hong Kong and Macau and commenced operation of its first store, located in Sogo Department Store in Causeway Bay, Hong Kong. Established in Osaka in 2003, Mon cher is a well-developed brand famous for its signature Dojima cream rolls. Mon cher can be expanded via different business models, including premium cake shops, cafés and online channels.

Mon cher is a valuable addition to the Group’s portfolio. Given the Group’s vast experience in the manufacturing, marketing and sale of cake and bakery products, and backed by its comprehensive production facilities, the brand should be able to be built into a leading premium brand in its category in Hong Kong and Macau. Mon cher also represents a great fit as the Group reinvents itself around a business model centred on high-quality specialty products and services.

Operations Review – Zoff

The Group's franchise of the popular Japanese fast-fashion eyewear chain Zoff exemplifies its vision to be a leader in high-quality specialty products and services. Patrons can walk into any one of Zoff's 11 convenient locations in Hong Kong, select their favourite frames and have them fitted with lenses in 30 minutes or less. Stores carry more than 1,300 SKUs, and new products are launched every two weeks. In just three short years, Zoff has become the Hong Kong category leader in brand awareness, demonstrating the local appeal of Japanese quality and the Group's ability to build brands.

During the year we introduced several new collections. "Romantic Ladies", "Peanuts 70th Anniversary" and "'50s American Classic" frame collections proved popular with consumers. We introduced "Advance Progressive" and "T8 Transition" lenses, the latter of which was the first for a fast-fashion eyewear chain. We continued to promote our popular "ZOFF+PROTECT", "SMART" and "Sports" anti-bacterial eyewear to help people stay safe during the pandemic, as well as "PC" blue light cut lenses for those spending more time studying or working from home. We also carried out more cross-promotions with Fung Group companies, credit card companies and shopping malls. Overall, we were able to maintain sales momentum despite a soft market, particularly in comparison to our competitors.

To protect against COVID-19, we execute a rigorous series of preventive cleaning and sanitisation measures at all our Zoff stores on a daily basis to safeguard our customers and colleagues. Furthering Zoff's commitment to social responsibility, we have been collaborating with "Child Eye Care", a non-governmental organisation ("NGO") initiated by the Hong Kong Health Care Alliance to help children with myopia, to provide preliminary eye examinations and online surveys for youngsters.

Discontinued Operations – Circle K

Circle K remained a trusted leader in retail. Loyal customers used the innovative, award-winning O2O CRM platform "OK Stamp It" to order their favourite products from the comfort of home and take advantage of value-added, cost-saving promotions and offers. "OK Stamp It" also demonstrated the ability of the Group's omnichannel business model to engage consumers and drive sales in difficult as well as favourable retail markets.

The Group continued to design successful marketing campaigns. It introduced a collection of limited-edition items themed on a popular Korean cartoon character to offer fun for "OK Stamp It" members during the pandemic. A series of "thankful" campaigns offered customers special deals on popular products, wellness items and necessities. An even wider range of takeaway meals and drinks made it easier for people to eat quality, affordable meals at home. The Group also introduced a Circle K house-brand face mask to provide the public with a steady supply of high-quality, reasonably priced masks.

On the services front, a collaboration with PayMe provided an easy, contactless payment experience at Circle K stores for more than 2 million of the app's users. AliPayHK users were able to link their accounts to their "OK Stamp It" memberships and earn e-stamps – and loyalty rewards – even faster. Gift cards remained popular, too; during the year, we launched iTunes Pass with 10% bonus value and "Le Petit Prince" limited-edition Octopus cards.

In category management, the Simply Great Submarine proved to be a popular lunchtime option. The "Ice Cold Beer Festival" featured international brews and local draught beer for customers to drink at home. In late 2020, customers were invited to try a "taste of the world" with more than 40 different confectionary products from across the globe.

Many of the Group's social outreach activities focused on helping communities combat the pandemic. The Group donated HK$1 million to local NGOs, partners and their outreach programmes. Circle K also donated HK$9 million in meal box and cash coupons to the Community Chest for those in need.

Circle K received the "Smart Energy Award 2020" from CLP for its efforts in environmental protection. The Group was also proud that "OK Stamp It" received two regional awards for its "Public Transport Fare Subsidy Campaign" at *Marketing Magazine*'s "Loyalty & Engagement Awards". The O2O customer loyalty programme won Silver for "Best Engagement Campaign – Mass Audience" and Bronze in the "Best Use of Rewards & Incentives" category.

On 7 December 2020, the Group announced that nearly 100% of its shareholders had approved the sale of its Circle K convenience store business in Hong Kong to Alimentation Couche-Tard Inc., owner of the Circle K brand, for a consideration of approximately HK$2.8 billion. The deal was completed on 21 December 2020 and a special dividend was paid before the end of the year.

Future Prospects

The Group is moving forward with three strong businesses: Saint Honore bakeries, Mon cher premium pâtisserie and Zoff fast-fashion eyewear. Our proven track record building brands in Hong Kong and the Greater Bay Area, deep local knowledge, world-class customer experience, unsurpassed operational excellence and talented staff position us well for medium- to long-term growth.

Challenges remain in the near term as Hong Kong works to overcome the devastating impacts of COVID-19. Our top priority is ensuring the safety of our customers and our businesses. We must also continue to respond quickly and effectively to changing shopping habits and spending patterns. To keep delivering shareholder value, we will strive to mitigate renminbi fluctuations and negotiate favourable rents. We will also emphasise lean manufacturing to further optimise our production processes, and monitor how the global pandemic may be affecting our suppliers so as to avoid disruptions to our supply chain.

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) – will be our roadmap on our journey of reinvention. We are also excited about the future for Zoff and Mon cher, both of which will further establish the Group as a leader in high-quality specialty retail.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 23 March 2021

Management Discussion and Analysis

Financial Review

In 2020, the Group's turnover of the Continuing Operations decreased 0.5% to HK$1,192 million. Turnover for the bakery business decreased 1.4% to HK$1,077 million as comparable store sales in Hong Kong saw a low single-digit drop, despite higher sales of festive products. Turnover for the Zoff eyewear business increased 10.7% to HK$115 million on the back of outlet expansion, though transaction numbers were seriously impacted by the reduction in foot traffic in commercial and tourist districts resulting from the COVID-19 outbreak.

Gross margin and other income as a percentage of turnover increased 1.6% to 55.6% due to favourable impacts from the depreciation of the renminbi, which resulted in lower manufacturing costs for Saint Honore, and the subsidies received from the Hong Kong Government's Anti-epidemic Fund.

Operating expenses as a percentage of turnover decreased to 49.9% from 50.3% in the previous year. This was mainly due to rental and utility concessions, and subsidies received from the Hong Kong Government's Employment Support Scheme. Including interest expenses on lease liabilities arising from operating leases, operating expenses decreased to 50.4% of turnover from 50.8%.

Core operating profit before interest expenses on lease liabilities increased 50.6% to HK$67 million. Including interest expenses on lease liabilities, core operating profit increased 59.3% to HK$62 million.

Net profit of the Continuing Operations increased 84.1% to HK$61 million. Net profit including Discontinued Operations increased 1,412.9% to HK$3,140 million due to the Group's sale of its Circle K convenience store business in Hong Kong to the brand owner, Alimentation Couche-Tard Inc.. This includes the results of the Discontinued Operations of HK$3,079 million, which comprise the net profit of the convenience store operations in Hong Kong before the sale of HK$200 million and the related disposal gain of HK$2,879 million.

For 2020, basic earnings per share for Continuing Operations increased 81.8% to 8.0 HK cents from 4.4 HK cents, and basic earnings per share including Discontinued Operations increased 1,409.9% to 410.7 HK cents from 27.2 HK cents.

As at 31 December 2020, the Group had a net cash balance of HK$373 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 Group shall also consider setting up standby banking facilities for use on potential projects and in daily operations.

With the payment of the special dividend made on 30 December 2020, the Company does not intend to declare any further dividend payments in respect of the financial year ended 31 December 2020.

Business Model and Corporate Strategy

Convenience Retail Asia is a member of the Fung Retailing Group. It owns the famous Saint Honore Cake Shop bakery chain, operating stores in Hong Kong, Macau and throughout the Pearl River Delta region. As at 31 December 2020, there were 119 Saint Honore stores in total across Hong Kong, Macau and Guangzhou. 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 among younger generations. There are currently 11 Zoff stores in high-traffic commercial locations in Hong Kong. In 2020, the Group obtained the franchise licence to operate Mon cher, a premium Japanese cake and pâtisserie chain, in Hong Kong and Macau. There is currently one location in Hong Kong with more openings planned.

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 outlet 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 2020, the Group had a total of 2,700 employees, with 1,400, or 52%, based in Hong Kong and 1,300, or 48%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 18% of total headcount. Employee benefit expenses for the year amounted to HK$433 million compared to HK$450 million in 2019.

The Group offers competitive remuneration schemes to eligible employees that include salary packages as well as discretionary bonuses based on individual and company performance. Employees may also take advantage of comprehensive job-related skill enhancement programmes and attractive career advancement opportunities. Frontline staff receive thorough training in delivering quality customer service, a critical aspect of the Group's business model. During the pandemic, the Group has also endeavoured to provide stable, secure work environments for its valued staff by improving efficiencies throughout its operations to create a more agile organisation that can adapt to down cycles.

Ensuring workplace satisfaction and retaining talented, passionate employees are key to delivering consistently first-rate customer service. Therefore, the Group makes great effort to support its staff and their families, especially in difficult times. Each year, the HEARTS (Happy, Energised, Achievements, Respect, Training and Success) employee engagement programme, supported by the Activity Organising Board (AOB), co-ordinates a number of career development and work-life balance initiatives to help our colleagues succeed in their jobs and personal lives. Community activities also contribute to workplace satisfaction while fostering staff camaraderie. During the year under review, employees gave back to society by spending time with the elderly, donating PPE to those in need, participating in recycling and food waste reduction programmes, and more.

In 2020, Circle K and Saint Honore were honoured to receive the "15 Years Plus Caring Company Logo" and "10 Years Plus Caring Company Logo", respectively, from the Hong Kong Council of Social Service. Zoff was also awarded its first "Caring Company Logo". These awards are given in recognition of companies that demonstrate care for the community, employees and the environment.

Health and Safety

The COVID-19 pandemic has underscored the importance of having a strong health and safety culture in place, particularly for businesses with frequent interactions between frontline staff and customers. The Group has been closely monitoring the latest developments regarding the novel coronavirus and is careful to follow the latest guidelines issued by local health authorities. It has also taken a number of proactive steps to ensure that its employees can work with peace of mind. These include carrying out regular, thorough sanitisation of equipment and facilities; optimising process flows and store layouts for miminal person-to-person contact; installing partitions and air purifiers in workplaces; and introducing work-from-home arrangements for staff. The Group has also established a fund to provide staff with free PPE and support those whose household incomes have been affected by COVID-19.

In its day-to-day operations, the Group operates its facilities to the highest global standards to ensure world-class safety and hygiene. 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. Staff receive comprehensive food safety, workplace safety and hygiene training – supplemented by thorough instruction in pandemic prevention – and are provided with protective clothing and equipment where necessary. The Group also carries out regular inspections to ensure that factories and stores continue to meet relevant compliance guidelines. Staff also receive training on the “5S” principles of “sort, straighten, shine, standardise and sustain”.

Sustainability and Corporate Social Responsibility

As a member of the Fung Group, the Group adheres to the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability.

The Group is committed to achieving sustainable operations. It practices reducing, re-using and recycling wherever possible to help protect the environment, conserve natural resources and create cost savings. It also uses energy-efficient equipment and low-carbon fuels to reduce carbon emissions.

During the year, Convenience Retail Asia received a “Gold Award” in the Non-Hang Seng Index (Small Market Capitalisation) Category of the Hong Kong Institute of Certified Public Accountants’ Best Corporate Governance Awards 2020. Further environmental, social and governance policies and performance 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 2020, together with the audited comparative figures for the corresponding year ended 31 December 2019. 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	**2020 HK$'000**	2019 HK$'000 (Restated)
Continuing Operations			
Revenue	*2*	**1,191,701**	1,197,453
Cost of sales	*3*	**(553,236)**	(565,518)
Gross profit		**638,465**	631,935
Other income	*2*	**24,531**	15,111
Store expenses	*3*	**(453,073)**	(442,848)
Distribution costs	*3*	**(59,422)**	(62,055)
Administrative expenses	*3*	**(83,045)**	(97,358)
Core operating profit		**67,456**	44,785
Interest expenses, net	*4*	**(4,532)**	(2,876)
Profit before income tax		**62,924**	41,909
Income tax expenses	*5*	**(1,774)**	(8,696)
Profit for the year from Continuing Operations		**61,150**	33,213
Discontinued Operations			
Profit for the period/year from Discontinued Operations	*10*	**3,079,296**	174,361
Profit attributable to shareholders of the Company		**3,140,446**	207,574
Earnings per share (HK cents)			
Basic/diluted earnings per share	*6*		
Continuing Operations		**8.0**	4.4
Included Discontinued Operations		**410.7**	27.2

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Profit attributable to shareholders of the Company	**3,140,446**	207,574
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Actuarial losses on post employment benefit obligation, net of tax	**(7,097)**	-
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**2,229**	(601)
Total comprehensive income attributable to shareholders of the Company	**3,135,578**	206,973
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	**60,181**	32,612
Discontinued Operations	**3,075,397**	174,361
	3,135,578	206,973

Consolidated Balance Sheet
As at 31 December 2020

	Note	**2020 HK$'000**	2019 HK$'000
Assets			
Non-current assets			
Fixed assets		**158,356**	246,181
Right-of-use assets		**189,698**	704,655
Investment properties		**29,866**	24,289
Lease premium for land		**63,962**	123,153
Intangible assets		**357,465**	357,465
Financial asset at fair value through other comprehensive income		**-**	1,895
Rental and other long-term deposits		**27,752**	88,713
Deferred tax assets		**15,628**	13,733
		842,727	1,560,084
Current assets			
Inventories		**32,776**	212,644
Rental deposits		**18,492**	68,945
Trade receivables	*8*	**16,395**	75,954
Other receivables, deposits and prepayments		**38,138**	87,030
Restricted bank deposit		**239**	223
Cash and cash equivalents		**373,143**	642,639
		479,183	1,087,435
Non-current assets classified as assets held for sale		**22,256**	-
		501,439	1,087,435
Total assets		**1,344,166**	2,647,519

Consolidated Balance Sheet (continued)
As at 31 December 2020

	Note	**2020 HK$'000**	2019 HK$'000
Equity			
Share capital		**77,624**	76,256
Reserves		**501,230**	649,538
Total equity		**578,854**	725,794
Liabilities			
Non-current liabilities			
Lease liabilities		**92,832**	306,983
Long service payment liabilities		**5,729**	14,599
Deferred tax liabilities		**9,264**	10,519
		107,825	332,101
Current liabilities			
Trade payables	*9*	**67,276**	700,157
Other payables and accruals		**308,836**	272,560
Lease liabilities		**112,204**	406,064
Taxation payable		**5,236**	41,561
Cake coupons		**163,935**	169,282
		657,487	1,589,624
Total equity and liabilities		**1,344,166**	2,647,519

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	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 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
At 1 January 2020	**76,256**	**200,756**	**177,087**	**20,002**	**20,173**	**(2,131)**	**233,651**	**725,794**
Profit attributable to shareholders of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**3,140,446**	**3,140,446**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**2,229**	**-**	**2,229**
Actuarial losses on post employment benefit obligation								
Gross	**-**	**-**	**-**	**-**	**-**	**-**	**(8,460)**	**(8,460)**
Tax	**-**	**-**	**-**	**-**	**-**	**-**	**1,363**	**1,363**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**2,229**	**3,133,349**	**3,135,578**
Issue of new shares	**1,368**	**54,695**	**-**	**-**	**-**	**-**	**-**	**56,063**
Employee share option benefit	**-**	**8,169**	**-**	**-**	**(19,567)**	**-**	**12,214**	**816**
Transfer to retained earnings	**-**	**-**	**(177,087)**	**-**	**-**	**-**	**177,087**	**-**
Dividends paid	**-**	**(263,620)**	**-**	**-**	**-**	**-**	**(3,075,777)**	**(3,339,397)**
	1,368	**(200,756)**	**(177,087)**	**-**	**(19,567)**	**-**	**(2,886,476)**	**(3,282,518)**
At 31 December 2020	**77,624**	**-**	**-**	**20,002**	**606**	**98**	**480,524**	**578,854**

Notes to the Consolidated Financial Statements

1. Basis of preparation and accounting policies

(a) Basis 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 2020, the Group had net current liabilities of HK$156,048,000 (2019: HK$502,189,000). 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 of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2020 and relevant to its operations:

HKAS 1 and HKAS 8 Amendment	Definition of material
HKAS 39, HKFRS 7 and HKFRS 9 Amendment	Hedge accounting
HKFRS 3 Amendment	Definition of a business
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting

The adoption of new and amended standards 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 early adoption of HKFRS 16 Amendment: COVID-19 Related Rent Concessions is disclosed in note 1b.

1. Basis of preparation and accounting policies (continued)

(a) Basis of preparation (continued)

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 2021.

HKAS 1 Amendment	Classification of Liabilities as Current or Non-current
HKAS 16 Amendment	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 Amendment	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 Amendment	Reference to the Conceptual Framework
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 17	Insurance Contracts
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 Cycle

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 early adopted HKFRS 16 Amendment: COVID-19 Related Rent Concessions, which is effective for annual reporting period on or after 1 June 2020, for the Group's reporting period commencing 1 January 2020. The amendment allows lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the revised lease payments are substantially the same as, or less than the consideration for the lease immediately preceding the change;
- reduction in lease payments relates to payment due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.

Rent concessions fulfilling the above conditions are recognised in the consolidated profit and loss account over the period in which they cover.

2. Revenue, other income and segment information

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

	2020 **HK$'000**	2019 HK$'000 (Restated)
Revenue		
Bakery sales revenue	**1,077,163**	1,092,474
Developing businesses revenue	**114,538**	104,979
	1,191,701	1,197,453
Other income		
Service and miscellaneous income	**16,451**	15,111
Government subsidies *(note)*	**8,080**	-
	24,531	15,111

Note:

The Government subsidies were granted under the Anti-epidemic Fund for helping the retail industry stay afloat during the challenge of COVID-19.

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 bakery and developing businesses. 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.

2. Revenue, other income and segment information (continued)

Segment information (continued)

The segment information provided to the management for the reportable segments for the years ended 31 December 2020 and 2019 are as follows:

	2020			
	Bakery		Developing Businesses	
Continuing Operations	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	**1,018,608**	**86,916**	**114,538**	**1,220,062**
Inter-segment revenue	**(28,361)**	**-**	**-**	**(28,361)**
Revenue from external customers	**990,247**	**86,916**	**114,538**	**1,191,701**
Other income	**20,822**	**2,667**	**1,042**	**24,531**
	1,011,069	**89,583**	**115,580**	**1,216,232**
Core operating profit				
Continuing Operations	**62,400**	**1,902**	**3,154**	**67,456**
Discontinued Operations				**226,037**
				293,493
Core operating profit (included interest expenses on lease liabilities)				
Continuing Operations	**58,927**	**584**	**2,348**	**61,859**
Discontinued Operations				**214,119**
				275,978
Continuing Operations				
Depreciation	**(123,616)**	**(29,470)**	**(27,812)**	**(180,898)**
Depreciation (excluded depreciation on right-of-use assets)	**(36,184)**	**(3,731)**	**(5,564)**	**(45,479)**

2. Revenue, other income and segment information (continued)

Segment information (continued)

	2019			
	Bakery		Developing Businesses	
Continuing Operations	HK & Others HK$'000 (Restated)	Chinese Mainland HK$'000 (Restated)	HK HK$'000 (Restated)	Group HK$'000 (Restated)
Total segment revenue	1,028,029	98,549	104,979	1,231,557
Inter-segment revenue	(34,104)	-	-	(34,104)
Revenue from external customers	993,925	98,549	104,979	1,197,453
Other income	12,799	2,266	46	15,111
	1,006,724	100,815	105,025	1,212,564
Core operating profit/(loss)				
Continuing Operations	42,247	(388)	2,926	44,785
Discontinued Operations				211,112
				255,897
Core operating profit/(loss) (included interest expenses on lease liabilities)				
Continuing Operations	38,801	(2,063)	2,086	38,824
Discontinued Operations				199,475
				238,299
Continuing Operations				
Depreciation	(129,152)	(21,212)	(20,904)	(171,268)
Depreciation (excluded depreciation on right-of-use assets)	(40,117)	(5,217)	(4,100)	(49,434)

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, 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 represents inter-geographic segment revenue.

2. Revenue, other income and segment information (continued)

Segment information (continued)

The segment assets and liabilities as at 31 December 2020 and 2019 are as follows:

	2020			
	Bakery		**Developing Businesses**	
	HK & Others	**Chinese Mainland**	**HK**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Total segment assets	**924,248**	**102,891**	**64,659**	**1,091,798**
Total segment assets include:				
Additions to segment non-current assets	**117,456**	**27,011**	**11,135**	**155,602**
Total segment liabilities	**678,133**	**30,379**	**42,300**	**750,812**

	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 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

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.

2. Revenue, other income and segment information (continued)

Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	2020 **HK$'000**	2019 HK$'000
Segment assets for reportable segments	**1,091,798**	2,258,893
Unallocated:		
Deferred tax assets	**15,628**	13,733
Corporate bank deposits	**236,740**	374,893
Total assets per consolidated balance sheet	**1,344,166**	2,647,519

Reportable segment liabilities are reconciled to total liabilities as follows:

	2020 **HK$'000**	2019 HK$'000
Segment liabilities for reportable segments	**750,812**	1,869,645
Unallocated:		
Deferred tax liabilities	**9,264**	10,519
Taxation payable	**5,236**	41,561
Total liabilities per consolidated balance sheet	**765,312**	1,921,725

The Group is domiciled in Hong Kong. The result of its revenue of Continuing Operations from external customers in Hong Kong is HK$955,769,000 (2019 Restated: HK$944,425,000), and the total of revenue of Continuing Operations from external customers from other countries is HK$235,932,000 (2019 Restated: HK$253,028,000) for the year ended 31 December 2020.

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$715,430,000 (2019: HK$1,418,702,000), and the total of these non-current assets located in other countries is HK$111,669,000 (2019: HK$125,754,000) as at 31 December 2020.

As of 31 December 2020, cake coupons related to contracts with customers is HK$163,935,000 (2019: HK$169,282,000). During the year, revenue recognised in the consolidated profit and loss account related to carried-forward cake coupons is HK$34,138,000 (2019: HK$30,814,000).

3. Expenses by nature from Continuing Operations

	2020 **HK$'000**	2019 HK$'000 (Restated)
Auditor's remuneration		
Audit services	**1,278**	1,296
Non-audit services	**545**	560
Cost of inventories sold	**341,873**	347,725
Delivery charges	**27,621**	31,580
Depreciation of fixed assets	**41,403**	45,390
Depreciation of right-of-use assets	**135,419**	121,834
Depreciation of investment properties	**963**	966
Depreciation of lease premium for land	**3,113**	3,078
Impairment of fixed assets	**2,533**	-
Impairment of right-of-use assets	**12,487**	-
Employee benefit expense	**432,939**	450,034
Losses on disposal of fixed assets/right-of-use assets	**2,356**	232
Short-term and variable lease payments *(note)*	**8,935**	27,512
Utilities	**29,055**	33,582
Foreign exchange (gains)/losses	**(1,991)**	1,370
Other expenses	**110,247**	102,620
Total cost of sales, store expenses, distribution costs and administrative expenses	**1,148,776**	1,167,779

Note:

Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$5,902,000 (2019: nil) for the year ended 31 December 2020.

4. Interest expenses, net from Continuing Operations

	2020 **HK$'000**	2019 HK$'000 (Restated)
Interest income on bank deposits	**1,065**	3,085
Interest expenses on lease liabilities	**(5,597)**	(5,961)
	(4,532)	(2,876)

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 2020 and 2019. 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:

	2020	2019
	HK$'000	HK$'000
		(Restated)
Current income tax		
Hong Kong profits tax	**1,494**	797
Overseas profits tax	**5,218**	6,402
Deferred income tax (credit)/charge	**(4,938)**	1,497
	1,774	8,696

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:

	2020	2019
	HK$'000	HK$'000
		(Restated)
Profit before income tax	**62,924**	41,909
Calculated at a taxation rate of 16.5%	**10,383**	6,915
Effect of different taxation rates in other jurisdictions	**(1,306)**	(1,222)
Income not subject to taxation	**(10,654)**	(243)
Expenses not deductible for tax purposes	**3,012**	3,082
Tax losses not recognised	**921**	1,184
Reversal of previously recognised tax losses	**375**	558
Utilisation of tax losses previously not recognised	**(620)**	(1,411)
Over provision in prior year	**(337)**	(167)
	1,774	8,696

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.

	2020 HK$'000	2019 HK$'000
Profit attributable to shareholders of the Company		
Continuing Operations	**61,150**	33,213
Discontinued Operations	**3,079,296**	174,361
	3,140,446	207,574
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**764,670,385**	762,557,802
Adjustment for:		
Share options	**-**	9,603
Weighted average number of ordinary shares for diluted earnings per share	**764,670,385**	762,567,405

7. Dividends

	2020	2019
	HK$'000	HK$'000
Interim dividend, proposed of 6 HK cents (2019: 6 HK cents) per share	**45,816**	45,754
Final dividend, proposed of nil HK cents (2019: 19 HK cents) per share	**-**	144,887
Special dividend, proposed of 385 HK cents (2019: 21 HK cents) per share	**2,988,543**	160,139
	3,034,359	350,780

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 2020, the aging analysis by invoice date of trade receivables is as follows:

	2020	2019
	HK$'000	HK$'000
0-30 days	**12,686**	61,705
31-60 days	**1,899**	8,237
61-90 days	**1,002**	2,781
Over 90 days	**808**	3,231
	16,395	75,954

9. Trade Payables

At 31 December 2020, the aging analysis by invoice date of the trade payables is as follows:

	2020	2019
	HK$'000	HK$'000
0-30 days	**35,964**	438,642
31-60 days	**25,173**	152,094
61-90 days	**1,408**	73,922
Over 90 days	**4,731**	35,499
	67,276	700,157

10. Discontinued Operations

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

(a) Results of the Discontinued Operations included in the Consolidated Profit and Loss Account

	For the period ended 21 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Revenue	**4,717,057**	4,523,772
Cost of sales	**(3,413,478)**	(3,136,540)
Gross profit	**1,303,579**	1,387,232
Other income	**117,086**	114,113
Store expenses	**(939,153)**	(1,056,157)
Distribution costs	**(115,062)**	(111,166)
Administrative expenses	**(140,413)**	(122,910)
Core operating profit	**226,037**	211,112
Interest expenses, net	**(10,349)**	(9,852)
Profit before income tax and gain on disposal	**215,688**	201,260
Income tax expenses	**(15,364)**	(26,899)
Profit before gain on disposal	**200,324**	174,361
Gain on disposal of Discontinued Operations	**2,878,972**	-
Profit for the period/year from Discontinued Operations	**3,079,296**	174,361

Notes:

(i) Transactions of purchases, other income, store expenses and administrative expenses with Continuing Operations amounting to HK$137,571,000 (2019: HK$140,889,000) were not yet eliminated for the period/year ended 31 December 2020.

(ii) The Government subsidies amounted to HK$10,120,000 were granted under the Anti-epidemic Fund for helping the retail industry stay afloat during the challenge of COVID-19.

10. Discontinued Operations (continued)

(a) Results of the Discontinued Operations included in the Consolidated Profit and Loss Account (continued)

Core operating profit is stated after crediting and charging the following:

	For the period ended 21 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Auditor's remuneration		
Audit services	**802**	784
Non-audit services	**307**	410
Cost of inventories sold	**3,376,774**	3,112,712
Delivery charges	**60,171**	63,801
Depreciation of fixed assets	**21,600**	23,725
Depreciation of right-of-use assets	**345,836**	307,352
Depreciation of lease premium for land	**1,570**	1,612
Impairment of fixed assets	**458**	-
Impairment of right-of-use assets	**9,521**	-
Employee benefit expense *(note i)*	**434,306**	506,831
Foreign exchange gains	**(62)**	(318)
Losses on disposal of fixed assets	**474**	544
Short-term and variable lease payment *(note ii)*	**38,907**	125,060
Utilities	**40,412**	55,317
Other expenses	**277,030**	228,943
Total cost of sales, store expenses, distribution costs and administrative expenses	**4,608,106**	4,426,773

Notes:

(i) The Government has launched the Employment Support Scheme (ESS) under the Anti-epidemic Fund to provide time-limited financial support to employers for paying wages of employees. The Discontinued Operations has received subsidies of HK$116,399,000 from the ESS for the period of June to November 2020.

(ii) Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$32,123,000 for the period ended 21 December 2020.

10. Discontinued Operations (continued)

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

	For the period ended 21 December 2020 HK$'000
Item that will not be reclassified subsequently to profit or loss	
Actuarial loss on post employment benefit obligation	
Gross	**(4,669)**
Tax	**770**
	(3,899)

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

	For the period ended 21 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Net cash generated from operating activities	**512,008**	588,251
Net cash used in investing activities	**(60,058)**	(26,619)
Net cash used in financing activities	**(800,611)**	(437,482)
(Decrease)/Increase in cash and cash equivalents	**(348,661)**	124,150

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, as well as on regulatory compliance matters.

Full details of the Company's corporate governance practices are set out in the Company's 2020 Annual Report.

Audit Committee

The Audit Committee met four times in 2020 (with an average attendance rate of 94%) 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 2020 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 on terms no less exacting than those of 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 2020.

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 2020 which has been confirmed by senior management by the completion of an Internal Control and Risk Management 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 2020:

- 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 2020.

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 did not recommend to declare final dividend (2019: 19 HK cents per share) for the year ended 31 December 2020. The Company paid a total dividend of HK$3.91 (2019: 46 HK cents) per share to the shareholders for the year, including the interim dividend of 6 HK cents (2019: 6 HK cents) per share paid on 10 September 2020 and the special dividend of HK$3.85 (2019: 21 HK cents) per share paid on 30 December 2020.

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, 26 May 2021 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 Date

	Hong Kong Time *2021*
For determining shareholder's right to attend and vote at Annual General Meeting:	
Latest time to lodge transfer documents with share registrar *(i)*	4:30 p.m., 20 May
Record date *(ii)*	20 May

Notes:

(i) To be eligible to attend and vote at the Annual General Meeting, 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 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, 20 May 2021.

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

Hong Kong, 23 March 2021

As at the date of this announcement, Executive Director of the Company is Mr Richard Yeung Lap Bun; 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 Anthony Lo Kai Yiu, Mr Zhang Hongyi and Dr Sarah Mary Liao Sau Tung.