Convenience Retail Asia

Convenience Retail Asia Limited

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08052

Annual Report 2010

利豐

Member of the Li & Fung Group

The 25th anniversary of Circle K Hong Kong was duly celebrated at the Senior Store Managers Meeting officiated by the Group Chairman, Dr. Victor K Fung and participated by over 600 store managers and the senior management team.

Contents

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report (the "Report"), for which the Directors of Convenience Retail Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Convenience Retail Asia Limited. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Report misleading.

Corporate Information

Executive Director
Richard YEUNG Lap Bun *(Chief Executive Officer)*

Non-executive Directors
Dr. Victor FUNG Kwok King+ *(Chairman)*
Dr. William FUNG Kwok Lun
Godfrey Ernest SCOTCHBROOK*
Jeremy Paul Egerton HOBBINS*
Louisa WONG Yuk Nor

Independent non-executive Directors
Dr. Raymond CH'IEN Kuo Fung*+
Malcolm AU Man Chung*+
Anthony LO Kai Yiu*

Group Chief Compliance Officer
James SIU Kai Lau

Company Secretary
Maria LI Sau Ping

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Head Office and Principal Place of Business
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888 Cheung Sha Wan Road
Kowloon
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Website
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Legal Advisers
Mayer Brown JSM
(as to Hong Kong Law)

Conyers Dill & Pearman, Cayman
(as to Cayman Islands Law)

Auditor
PricewaterhouseCoopers
Certified Public Accountants

Principal Banker
The Hongkong and Shanghai
Banking Corporation Limited

* *Audit Committee members*
\+ *Remuneration Committee members*

Highlights

Financial Highlights

	Change	**2010 HK$'000**	2009 HK$'000
Revenue	+6.7%	**3,575,238**	3,349,326
Financial gain on disposal of property, net of tax	+14.5%	**16,486**	14,398
Profit attributable to shareholders of the Company	+50.8%	**136,359**	90,449
Basic earnings per share (HK cents)	+50.7%	**18.67**	12.39
Dividend per share (HK cents)			
Final	+41.7%	**8.50**	6.00
Full year	+66.2%	**12.80**	7.70

Operation Highlights

- Robust sales and profit growth
- Significant improvement in Circle K Guangzhou business performance
- Increased pressure on margin due to price inflation of raw materials
- Application submitted to transfer listing from GEM to Main Board of the Stock Exchange of Hong Kong
- Strong cash position of HK$622 million without any bank borrowings

Number of Stores as of 31 December 2010

Circle K Stores	
Hong Kong	318
Guangzhou	56
Shenzhen	1
Subtotal	**375**
Franchised Circle K Stores	
Guangzhou	6
Macau	21
Zhuhai	12
Subtotal	**39**
Total number of Circle K Stores	**414**
Saint Honore Cake Shops	
Hong Kong	89
Macau	7
Guangzhou	16
Total number of Saint Honore Cake Shops	**112**
Total number of Stores under Convenience Retail Asia	**526**

Chairman's Statement

Dr. Victor FUNG Kwok King
Chairman

Financial Overview

I am pleased to report that Convenience Retail Asia Limited, together with its subsidiaries (the "Group"), achieved robust sales growth and a net profit increase of 6.7% and 30.3% respectively for 2010 as compared to 2009, excluding the non-recurring items which were the one-off gain on the disposal of two real estate properties in 2010 and 2009 as well as non-recurring expenses from the closures of stores and factory in 2009. Including the non-recurring items, the Group recorded a net profit attributable to shareholders of HK$136.4 million during the year, representing an increase of 50.8% over 2009.

For 2010, before the non-recurring items, basic earnings per share increased by 30.2% from 12.60 HK cents to 16.41 HK cents. Including the non-recurring items, basic earnings per share increased by 50.7% from 12.39 HK cents to 18.67 HK cents.

The financial position of the Group remains strong with cash and bank deposits of HK$622 million without any bank borrowings.

Review of the Hong Kong Retail Market

Despite a fragile global economic environment, 2010 for Hong Kong ended with a stable upward economic trend, underpinned by increasing visitor arrivals, steady job creation, recovery of the equity markets, and a buoyant consumer sentiment.

During the first 11 months of 2010, total retail sales in Hong Kong increased by 18.2%[1] in value and 15.5%[1] in volume. The retail sales growth was driven by a range of categories such as miscellaneous durable goods, electrical goods and photographic equipment, jewellery, watches and valuable gifts. The diversity of growth categories indicated that the overall sales growth was due to a well-balanced mix of domestic consumption as well as tourist spending.

The positive market environment provided a good backdrop for the Group's operations and strategic initiatives in Hong Kong. As a result, the Group was able to report record turnover sales and satisfactory margin performances for the year, while boosting its market competitiveness and service culture.

Note:

1. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 30 December 2010.*

Company Initiatives in the Hong Kong Operations

In a continual effort to build customer service as part of the Group's competitive edge, the service culture of Circle K Hong Kong was taken to a new level of excellence, built around the cornerstones of "speed, tidiness and friendliness".

The Group's sustained investment in staff training and the nurturing of a service culture was recognised by the industry when Circle K Hong Kong was elected 2010 Service Category Leader of the Year for the Convenience Stores Category in the Mystery Shoppers Programme organised by the Hong Kong Retail Management Association. In addition, Circle K frontline staff won a Junior Level Service & Courtesy Award, also from the Hong Kong Retail Management Association, in the Convenience Store Category.

Expanding on Circle K's brand positioning of "Always Something New", the Group launched several innovative marketing and promotional initiatives during the year that generated incremental sales by stimulating repeat purchases and fostering customer loyalty. These also drove some record daily store sales during the promotion period.

Circle K Hong Kong was also the proud winner of the Best Licensed Premium Promotion of the 7th Premier Asian Licensing Awards, co-organised by the Hong Kong Trade Development Council and the International Licensing Industry Merchandisers Association. The award was in recognition of the "Toy Story 3" OK Fun premium promotion launched during the summer of 2010, one of the most successful premium promotions to date.

Recognising the potential of e-tailing, the Group established a partnership to sell value-adding e-vouchers to e-shoppers at Taobao.com in all the Circle K stores in Hong Kong and to provide e-fulfillment services in 100 selected stores. These are just two examples of the initiatives the Group has undertaken to enhance the brand's overall convenience service offering.

2010 was a milestone year for Circle K as it marked the 25th anniversary of operations in Hong Kong. The Group launched a series of celebration programmes to commemorate the occasion, reaching out to Circle K employees, business partners and customers in Hong Kong. As store managers, senior management, and representatives from Circle K International celebrated the growth of one of Hong Kong's preferred retailing brands, the Group also looked ahead to identify and set the basis for the next stage of growth.

Review of the Retail Market on the Chinese Mainland

A combination of favourable market factors — including a strong economic recovery, policies to stimulate domestic consumption, rising wages — drove retail sales growth on the Chinese Mainland of 18.4%[2] during the first 11 months of 2010, compared to the same period in the previous year.

However, towards the end of the fourth quarter in 2010, price inflation, especially for food items, became significant. The overall consumer price index was 105.1[2] in November 2010 (assuming the same month in the previous year to be 100), while the price index for the food category was 111.7[2]. This trend became a dampening factor on consumer sentiment, thus stalling the growth momentum of retail sales for the rest of 2010.

Note:

2. *Published by the National Bureau of Statistics of China on 27 December 2010.*

Review of the Guangzhou Operations

In Guangzhou, the Group conducted an extensive store model and pricing strategy review, implemented cost-saving measures and store expense controls, and undertook infrastructure enhancements. These and other initiatives produced steady increases in the number of profit-contributing stores and improvement in gross profit. As a result, Circle K Guangzhou recorded a significant improvement in the bottom-line. The Group is now driving steadily towards breakeven for its operations in Guangzhou.

Review of the Saint Honore Cake Shop Operations

Saint Honore Cake Shop reported a year of robust growth in sales volume as well as net profit. The introduction of premium quality new products, enhancement in category management, successful marketing promotions and healthy sales performances for festive products all contributed to satisfactory growth in comparable store sales.

Despite escalating food and raw material costs, Saint Honore was able to maintain a healthy gross margin through constant reviews of its product mix and price structure as well as vigilant management of its price promotions. With the combined effect of increased sales volume and higher gross profit margin, profit contribution saw an impressive increase compared to the previous year.

Saint Honore was the proud winner of the Hong Kong Retail Management Association's 2010 Service & Courtesy Award for the Supervisory Level, a recognition of the customer service offered by frontline staff.

Corporate Governance and Sustainability

The Group is committed to upholding high standards of corporate governance and ethics, and embedding principles of transparency, accountability and responsibility in its operations.

As part of this, the Group recognises the risks posed by global climate change and thus seeks to operate in an environmentally responsible manner. Specifically, in 2010, the Group established a cross-functional Sustainability Task Force to develop and implement the Group's sustainability strategy. In 2010 the Task Force launched initiatives to measure, manage and reduce the Group's greenhouse gas emissions, energy consumption and waste generation in its offices, stores, and facilities, and where possible, in its supply chain. Some of the quick-to-execute energy-saving measures include in-store temperature adjustments, utilising energy-saving equipment, de-lamping for backrooms, and switching timers and light sensors for signage.

In addition, the Group actively outreached to customers to increase their awareness of environmental protection and to participate in various environmental initiatives. Going forward in the next three years, the Task Force will work to identify diverse ways to upgrade the sustainability of the Group's operations, and implement these in a measurable and dedicated fashion.

Outlook for 2011

In response to demand by investors and in view of the growing scale of the Group's businesses, in 2011 the Group has applied to transfer its listing from the Growth Enterprise Market ("GEM") to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It is anticipated that the approval process for the transfer will probably take a couple of months to complete.

The Group anticipates that after the official listing on the Main Board, the liquidity of Convenience Retail Asia shares will improve, which in turn will create a higher profile for the Group and its activities.

Looking ahead in 2011, the year has started with some encouraging domestic market factors in Hong Kong and on the Chinese Mainland. There is strong consumer demand which is supporting economic growth. However, concerns about inflation on the Chinese Mainland, and the uncertain recoveries in the US and the Eurozone may exert some pressure on retail market sentiment.

In particular, price inflation may persist for some time in 2011, driven by rising labour costs, escalating retail rentals for store premises and rising costs of food and raw materials. In Hong Kong, a higher minimum wage is scheduled to be introduced in May 2011. The Group is prepared to comply with the new legislation and to mitigate the rise in labour cost with initiatives to upgrade productivity and increase operational efficiency.

Maintaining profit margins will require vigilance and diligence from the management team throughout the operations. The Group will implement specific initiatives in response to these market challenges, such as maximising of store and operational productivity, reviewing margin and pricing structure, enhancing category management, increasing customer transaction and building customer loyalty with aggressive marketing programmes.

In addition to the continual expansion of its existing core businesses, the Group will also dedicate considerable resources to exploring and introducing new business formats so as to pave the way for the nurturing and development of a third core competence for future business growth.

In conclusion, I would like to take this opportunity to express my sincere appreciation to the Board of Directors, who have contributed to the Group's business performance in the past year with their valuable strategic guidance and professional counsel. I would also like to thank the management team and all the members of the Group for their consistent and dedicated effort, which have enabled the Group to deliver robust business results in a year of challenges.

Victor FUNG Kwok King
Chairman

Hong Kong, 9 March 2011

Management Discussion and Analysis

Mr. Richard YEUNG Lap Bun
Chief Executive Officer

Financial Review

The Board is pleased to report the financial results of the Group for the year ended 31 December 2010. The Group's turnover for the year and the fourth quarter increased to HK$3,575.2 million and HK$929.9 million respectively, representing growth of 6.7% and 11.3% when compared to the corresponding period in 2009.

In 2010, the turnover of the convenience store business increased by 6.6% to HK$2,882 million compared to 2009. This was mainly attributable to the opening of new stores and an increase in comparable convenience store sales (stores in existence throughout 2009 and 2010). Comparable convenience store sales in Hong Kong and Southern China increased by 5.2% and 1.4% (after adjusting for a difference in tax treatments on certain sales category in Southern China) respectively against 2009. Meanwhile, turnover for the Saint Honore Cake Shop business increased by 7.8% to HK$756.2 million year-on-year. This was mainly due to single-digit comparable store sales growth and an increase in the number of stores in 2010.

Gross margin and other income decreased from 36.9% to 36.5% of turnover for the year and from 37.2% to 36.1% of turnover for the fourth quarter against 2009. This was mainly due to an increase in cigarette sales, which has a relatively lower margin compared to other categories of the sales mix.

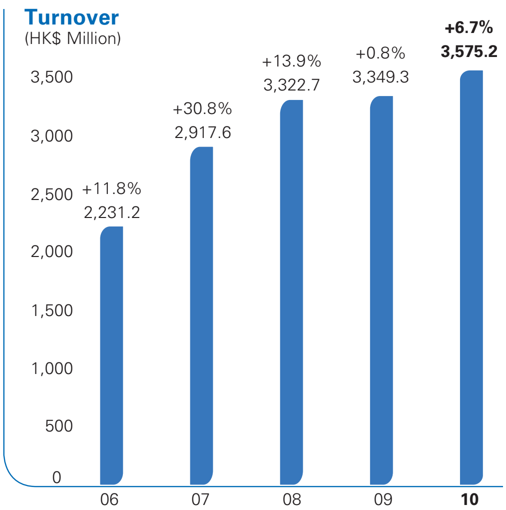
Operating expenses as a percentage of turnover decreased from 33.6% to 32.4% for the year and from 34.4% to 32% for the fourth quarter year-on-year. The decrease was mainly due to tight and careful control on operating expenses during the year.

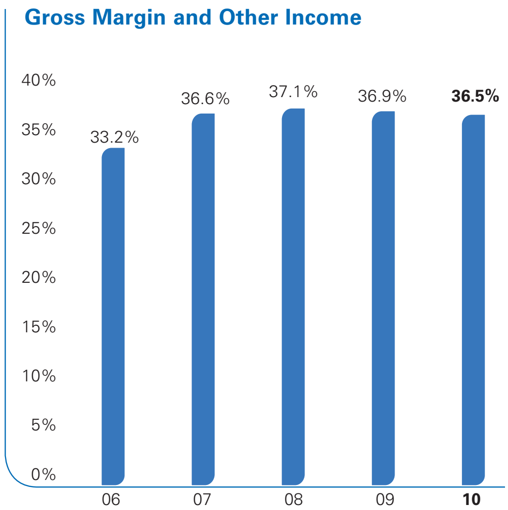
Compared to 2009, net profit attributable to shareholders, before the non-recurring items which were the one-off gain on the disposal of two real estate properties in 2010 and 2009 as well as non-recurring expenses from the closure of store and factory in 2009, increased by 30.3% and 49.5% to HK$119.9 million and HK$32.8 million for the year and fourth quarter of 2010 respectively. Including the non-recurring items, the Group recorded a net profit attributable to shareholders of HK$136.4 million during the year, representing an increase of 50.8% over last year.

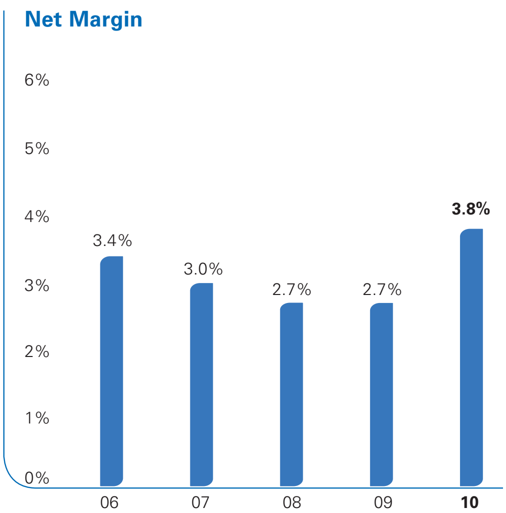
Financial Review (continued)

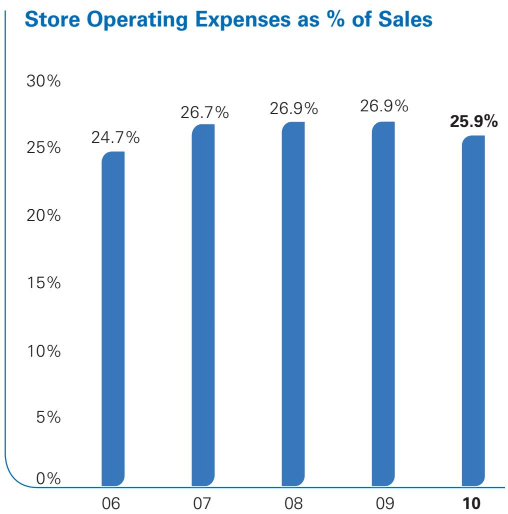
For 2010, basic earnings per share increased by 30.2% from 12.60 HK cents to 16.41 HK cents before the non-recurring items. Including the non-recurring items, basic earnings per share increased by 50.7% from 12.39 HK cents to 18.67 HK cents.

Most of the Group's cash and bank deposits were in HK dollars as well as Renminbi and deposited with major banks in Hong Kong. The majority of the Group's assets, liabilities, revenues and payments were held in either HK dollars or Renminbi. The Group had limited foreign exchange exposure in Renminbi as a result of 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 HK dollar or Renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

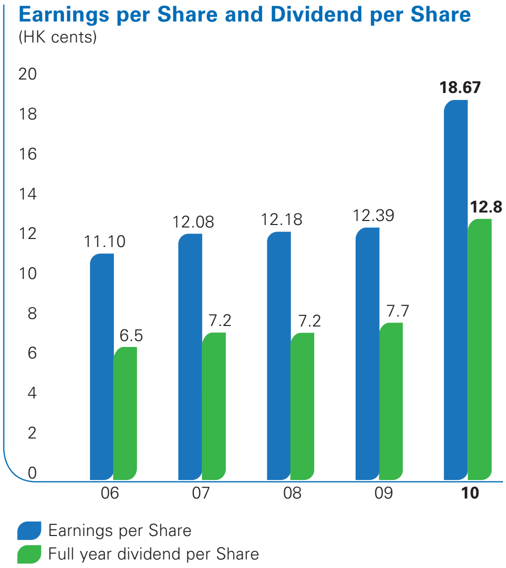


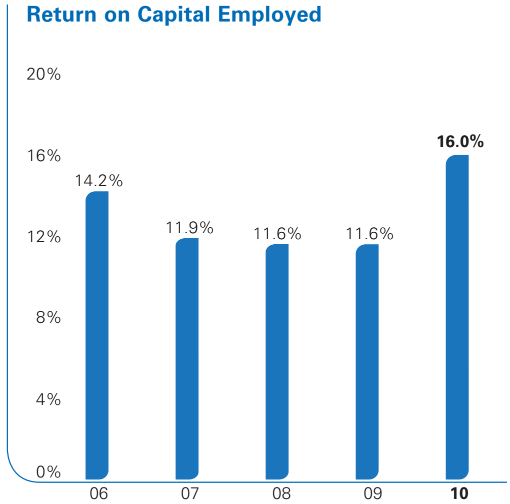


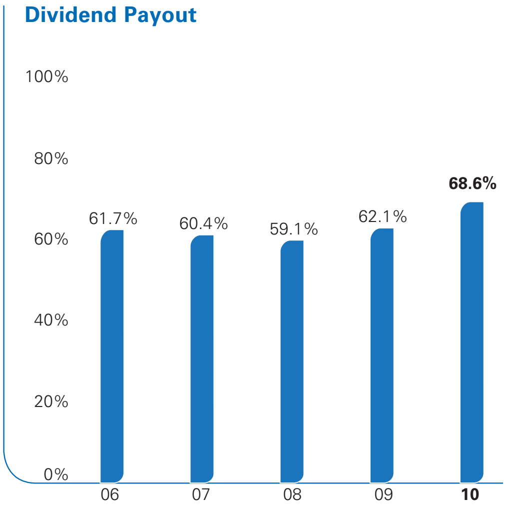


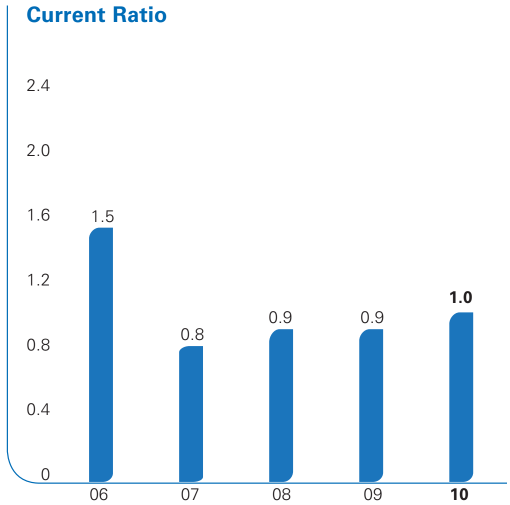


Financial Review (continued)









Operations Review – Hong Kong

As of December 2010, the Group operated a total of 407 company-owned-and-managed stores in Hong Kong under two brands, Circle K Convenience Store and Saint Honore Cake Shop, compared to a total of 381 stores in the previous year. The critical mass of the combined store network and total sales turnover positioned the Group as one of the leading retailing operators in Hong Kong.

Under the Circle K brand, there were 318 company-owned-and-managed convenience stores in Hong Kong at the end of 2010, compared to 299 stores at the end of 2009. During the past year 26 new stores were opened and seven stores were closed for a net increase of 19 new stores.

Under the Saint Honore Cake Shop brand, the Group operated a total of 89 company-owned-and-operated shops in Hong Kong at the end of 2010, compared to 82 in 2009. During the past year 10 new cake shops were opened and three cake shops were closed for a net increase of seven cake shops.

Most of the store closure decisions were made due to unacceptable rental increases demanded by landlords during lease renewals, even after extended negotiations. In such cases, agreeing with the proposed rental increases would have meant immediate as well as long-term negative impact on the stores' profitability.

In response to the overheated retail rental market, the Group preferred to adopt a pragmatic approach by giving priority to profitability considerations, for lease renewals as well as for the acquisition of new store premises.

Employees

As of 31 December 2010, the Group had a total of 5,708 employees, with 3,915 or 68.6% based in Hong Kong and 1,793 or 31.4% based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for about 35% of total headcount. In 2010 the Group's total staff cost was HK$595.5 million, compared to HK$554.8 million in 2009.

The Group offers remunerative schemes that are competitive in the market. Salary packages were supplemented by discretionary bonuses and share options for eligible employees based on individual and company performance. Additional incentives were also provided in the form of career advancement opportunities, comprehensive training and quality customer service training for the frontline operation team.

Winners of the 2010 Service and Courtesy Award from Circle K Hong Kong and Saint Honore Cake Shop photographed at the presentation ceremony organised by the Hong Kong Retail Management Association.

Employees (continued)

Notable new components were added to the year-round service training and human resource development programme. These included the Second Tier Staff Development Programme, designed to groom and prepare store assistants and supervisors to become future store managers, and the Retail Operation Management Programme.

An innovative "OK Learning Fun" incentive programme was introduced to the Group's service training, providing extra motivation to participate in the learning process by awarding credit points for each training course attended. By accumulating credit points, participants in multiple courses would eventually be able to redeem attractive prizes such as the "one-day local tour" or "all you can grab in 10 seconds" in a Circle K store.

Marketing and Promotion

Best Licensed Premium Promotion Award won by Circle K Hong Kong at the 7th Premier Asian Licensing Awards, co-organised by the Hong Kong Trade Development Council and the International Licensing Industry Merchandisers Association.

During the last quarter of 2010, the Group celebrated the 25th anniversary of Circle K Hong Kong with its loyal customers by launching a premium promotion: giving away free mini magnets in the form of iconic products retailed by the Circle K stores over the years for every purchase over HK$20. This was just a part of a multi-channel celebration programme that was created to involve various stakeholder groups; including business associates, management, frontline operations and customers.

At the end of November another major promotion was launched, the "Toy Story 3 Aliens & Friends" OK Fun promotion, which continued to the end of the year with encouraging sales results.

Due to a year of almost continuous promotional activities, the Group was able to generate a very healthy increase of 5.2% for the year in terms of comparable store sales growth.

The "Toy Story 3" OK Fun promotion launched by Circle K Hong Kong in the summer of 2010 not only generated record daily store sales, but was also elected as the Best Licensed Premium Promotion at the 7th Premier Asian Licensing Awards.

A series of television commercials were launched during the fourth quarter to enhance brand awareness of Circle K and to build on the brand positioning of "Always Something New" by introducing a range of innovative, convenient services and consumer propositions.

The Group also deployed social media to promote the Circle K brand by creating affinity groups on Facebook and upgrading the Circle K website to provide more dynamic customer interface; features included improved navigation and real-time information on products, services and internet promotions.

Category Management

The Group achieved a breakthrough in its category management programme in 2010 with the introduction of the Taodot value-adding e-voucher to all Circle K stores in Hong Kong in the last quarter of 2010. This convenient new service enables Taobao.com shoppers in Hong Kong to buy e-vouchers 24 hours a day at Circle K and use them to make purchases on Taobao.com.

In December 2010, the Group also introduced e-fulfillment service for Taobao.com at 100 Circle K stores in Hong Kong to provide Taobao.com shoppers with the convenient option of picking up their purchases at selected Circle K stores at a very reasonable delivery cost. Market response and customer feedback subsequent to the launch of the new services have been most encouraging.

With the e-commerce boom just picking up in Hong Kong, the Group has every reason to believe that introducing the e-voucher retailing service and e-fulfillment service are two timely and effective strategic moves to leverage this growing trend and build loyalty among a new generation of convenience store customers who are also frequent internet shoppers.

The introduction of the Taodot e-voucher retailing service in all Circle K stores and the e-fulfillment service at 100 Circle K stores was a market breakthrough riding on the e-commerce boom in Hong Kong.

Customer Service Excellence

The Group's consistent effort to maintain a high standard of customer service was duly recognised by the retail industry when the Group was awarded the 2010 Service Category Leader for Convenience Stores category as well as a Service Award for the Junior Frontline Level in the Hong Kong Retail Management Association's Mystery Shoppers Programme.

Several innovative initiatives were launched in the last quarter of 2010 to further upgrade overall customer service standards. The "Kare" programme was designed to promote relevant and "caring" products to customers at the right time under the right circumstances, e.g. suggestive selling of nourishing drinks, throat lozenges, moisturising lip balms and hand creams during autumn and winter.

Circle K was elected 2010 Service Category Leader of the Year in the Convenience Stores Category in the Mystery Shoppers Programme by the Hong Kong Retail Management Association, a timely industry recognition of Circle K's continuous efforts to creating a competitive edge through service excellence.

Customer Service Excellence (continued)

An important and recurrent theme in the customer service training programme was service customisation, which was introduced earlier as part of the Group's service culture to ensure that customer interface — such as greetings and goodbyes — would not become mechanical, repetitive and routine, but rather be tailored to the age, gender, time of day and state of mind of target customers.

The Group firmly believes that with these consistent efforts, customer service excellence could become a key competitive edge for Circle K over the years and further widen the gap between it and the competition.

Supply Chain Management and Logistics

The Group has been making preparations for the launch of a new call centre system in the first quarter of 2011 in order to further improve the internal communication process and data accuracy for the call centre team.

The Group was able to introduce the e-fulfillment service for Taobao.com due to the strong support of supply chain management. Online shopping orders are consolidated at the Taodot Logistics Centre in Dongguan, packed into standard-size boxes and then delivered to 100 select Circle K stores in Hong Kong by the Circle K logistics support team.

Operation Review – Guangzhou

In an effort to improve operational efficiency and align with the Hong Kong operations, Circle K Guangzhou implemented an upgrade of the Electronic Point of Sale (EPOS) system in 2010, with very visible and positive results at the frontline.

By working closely with the Saint Honore factory in Shenzhen, Circle K Guangzhou was able to integrate its food production with the Saint Honore operations, achieving economy of scale and resulting in lower production costs and instant product quality improvement.

The Group stepped up intensive training of local human resources and initiated knowledge-sharing sessions with the involvement of the Hong Kong management team. In December 2010, Total Service Management culture was relaunched in the Guangzhou operations with coaching and support provided by the senior management team from Hong Kong.

An important marketing initiative to build customer loyalty was launched for the Hot & In food services and implemented in the form of a VIP Club. More than 3,000 VIP members were recruited, and value rewards were given for repeat purchases.

The Saint Honore Operations

Saint Honore Cake Shop reported a year of robust sales growth across all markets as a result of a net increase of 11 stores during the year and satisfactory performance in comparable store sales growth in the last quarter.

The buoyant consumer sentiment in the second half of the year provided a favourable market environment for festive product sales, notably the mooncake category in the second half of the year. Sales of pound cakes, which are normally purchased for birthday celebrations and other special occasions, also benefited from consumers' high propensity to spend.

New product introductions in the cake and bread categories throughout the year helped stimulate consumption and increase transaction value due to premium pricing, which was well justified by the upgraded product quality and innovative product concepts. As a result, margin improved despite price hikes in food and raw material costs, which started to exert pressure in the last quarter of 2010.

The Group conducted regular pricing reviews and product category enhancements for its range of products across all markets in an effort to prevent potential margin erosion that could result from volatile food prices.

Satisfactory sales performance of the moon cake category contributed substantially to Saint Honore's robust sales growth in the second half of the year.

Corporate Social Responsibility

As a responsible corporate citizen, the Group regularly participated in a number of charity projects during the year. Circle K Hong Kong partnered with Heifer International Hong Kong and donated HK$250,000 to the organisation on the occasion of its 25th anniversary, which was matched dollar-to-dollar by the Li & Fung (1906) Foundation, the charitable foundation formed to support the staff of the Li & Fung Group around the world to engage in and contribute to the communities in which they live and work.

Circle K Hong Kong took part in Earth Hour 2010, organised by World Wide Fund for Nature (WWF), and switched off signage and non-essential lights at Circle K stores on 27 March 2010 from 8:30pm to 9:30pm.

The Group made a donation of HK$250,000 to the Heifer International Hong Kong to commemorate the occasion of the 25th anniversary of Circle K Hong Kong. The amount was matched dollar-to-dollar by the Li & Fung (1906) Foundation, with a total of HK$500,000 being donated.

In 2010 the Group formed a sustainability task force comprising representatives from all business units to take charge of a range of green initiatives touching every aspect of the Group's operations.

Education seminars for department managers, carbon footprint workshops for technical teams, bulk purchase of LED lighting and the conversion of T8 fluorescent light tubes to T5 are just a few examples of the total effort to move towards more sustainable business operations.

Future Prospects

The year 2011 has started with as many uncertainties across the global economic horizon as in 2010, despite the remarkable recovery achieved on the Chinese Mainland and in Hong Kong during the year.

Imminent threats to the operating environment include the projected short supply of agricultural products due to climate change, the resulting price inflation of food and raw materials, the inevitable increases in minimum wages and the continual escalation of retail rental. These external as well as domestic market factors add up to a market scenario that is full of challenges for any retail operator.

Even though the Group was encouraged by a year of record growth in 2010, strategic planning for 2011 and beyond reflects more cautious optimism.

On the conservative side, the Group will dedicate substantial management efforts to protecting its margin performance in order to mitigate increases in food and raw material costs, wages and retail rental. It is most likely that the solution will not be found in one or two management initiatives, but a comprehensive review of the business model to achieve the following objectives: continuous improvement in overall productivity; regular enhancement of the sourcing process, the product mix and the pricing structure; and significant growth in comparable store sales and store network to increase critical mass. Given its track record over the past year, the Group has every confidence to believe that there will be room for further manoeuvring.

In a more optimistic and aggressive move, the Group is committed to embarking on an exploration of new business formats to ride on the latest consumer trends. The Group believes that the great period of growth for consumer products in the Chinese Mainland markets is yet to come, since the Central Government has now geared up to shift the economic model from being export-driven to consumer-driven instead. With its experience in retailing operations and supply chain management, the Group would like to take advantage of this market opportunity and be well prepared for further business growth with new ventures in new market sectors.

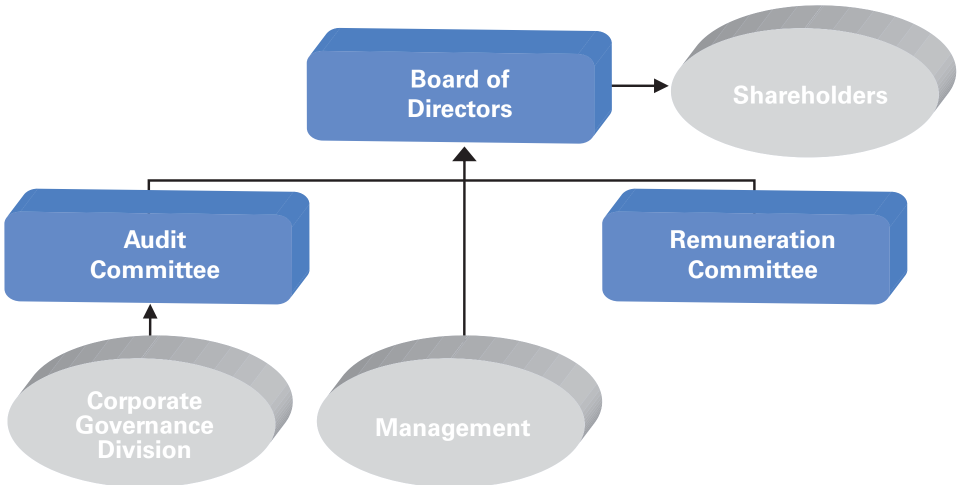
The Group is in a strong financial position to invest time and human resources into an innovative business format that will make good use of its cash reserves in order to maximise future growth potential. Criteria for embarking on such business ventures are high profit margin, relevance to the current operational model and broad-based mass market growth potential.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 9 March 2011

Corporate Governance Report

The Board of Directors and management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasise transparency, accountability and independence. Set out below are those principles of corporate governance as adopted by the Company.



The Board

Board Composition

The Board is structured to ensure it is of a high calibre and has a balance of skills, experience and knowledge desirable for effective leadership of the Group. As at 31 December 2010, the Board comprised the non-executive Chairman, one executive Director (the Chief Executive Officer) and seven non-executive Directors (of whom three are independent), whose biographical details and relevant relationships are set out in the Directors and Senior Management Profile section on pages 39 to 43.

Chairman and Chief Executive Officer

In order to reinforce independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer are held separately by Dr. Victor Fung Kwok King and Mr. Richard Yeung Lap Bun. Their respective responsibilities are clearly established and defined by the Board in writing. The Chairman is responsible for overseeing the proper functioning of the Board with good corporate governance practices and procedures, whilst the Chief Executive Officer is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

The Board (continued)

Roles and Responsibilities of the Board and Delegation to Management

The Board is responsible for setting the overall Group strategies and making decisions on major operational and financial matters as well as investments. The Board reserves for its decision or consideration matters involving:

- Recommendations on Directors' appointment or re-appointment;
- Composition and terms of reference of Board committees;
- Major acquisitions and disposals;
- Annual budgets;
- Annual, half year and quarterly financial statements;
- Approval of major capital transactions;
- Corporate governance; and
- Other significant operational and financial matters.

The non-executive Directors, who offer diverse industry expertise and do not involve in the day-to-day management of the Group, serve the important functions of advising the management on strategies, ensuring high standards of financial and other mandatory reporting, and providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

The Board (continued)

Roles and Responsibilities of the Board and Delegation to Management (continued)

The general management and day-to-day decisions and matters are delegated to the management, such matters include:

- Preparation of annual, half year and quarterly financial statements for Board approval before public reporting;
- Execution of business strategies and initiatives adopted by the Board;
- Monitoring of budgets;
- Implementation of adequate system of internal controls and risk management procedures; and
- Compliance with relevant statutory requirements, rules and regulations.

The Board and management fully appreciate their respective roles and responsibilities, and are supportive of the development of a healthy corporate governance culture.

Board and Committee Meetings

The Board held four meetings in 2010 (with an average attendance rate of directors of about 92%). The Chairman holds at least one meeting annually with the non-executive Directors (including independent non-executive Directors) without the executive Director present.

The dates of the 2010 Board meetings and committee meetings were determined in the last quarter of 2009 to facilitate maximum attendance of Directors. Any amendments to this schedule were notified to Directors within a reasonable time before a regular Board meeting/committee meeting.

The Board meeting agenda is set by the Chairman in consultation with members of the Board. Notice of at least 14 days is given of a regular Board meeting. Agenda and accompanying board papers are sent in full to all Directors at least three days before the intended date of meeting so as to give the Directors sufficient time to prepare before the meeting. Draft minutes are sent to all Directors for their comment within a reasonable time after the meeting. The Board formally adopts the draft minutes at the subsequent meeting.

The committee meeting agenda is set by the respective committee chairman and notice of at least 14 days is also given. Agenda and accompanying papers are sent in full to all committee members at least three days before the intended date of meeting. Draft minutes are sent to all committee members for their comment within a reasonable time after the meeting. Each committee formally adopts the draft minutes at the subsequent meeting.

The adopted minutes of the Board meetings and committee meetings are kept by the Company Secretary and are open for inspection by all Directors.

The Board (continued)

Board and Committee Meetings (continued)

Details of the attendance at Board and committee meetings held in 2010 are set out in the following table:

	No. of meetings **attended**/held		
	Board	**Audit Committee**	**Remuneration Committee**
Non-executive Directors:			
Dr. Victor FUNG Kwok King *(Group Chairman and Chairman of Remuneration Committee)*	**4**/4	–	**1**/1
Dr. William FUNG Kwok Lun	**4**/4	–	–
Mr. Godfrey Ernest SCOTCHBROOK	**4**/4	**4**/4	–
Mr. Jeremy Paul Egerton HOBBINS	**4**/4	**3**/4	–
Ms. Louisa WONG Yuk Nor	**4**/4	–	–
Independent non-executive Directors:			
Dr. Raymond CH'IEN Kuo Fung *(Chairman of Audit Committee)*	**2**/4	**3**/4	**0**/1
Mr. Malcolm AU Man Chung	**3**/4	**3**/4	**1**/1
Mr. Anthony LO Kai Yiu	**4**/4	**4**/4	–
Executive Director:			
Mr. Richard YEUNG Lap Bun *(Chief Executive Officer)*	**4**/4	–	–
Group Chief Compliance Officer:			
Mr. James SIU Kai Lau	**4**/4+	**4**/4+	**1**/1+
Average attendance rate of directors	about 92%	85%	about 67%
Dates of meeting	10 March 2010 10 May 2010 2 August 2010 4 November 2010	10 March 2010 10 May 2010 2 August 2010 4 November 2010	10 March 2010

\+ *Attended Board and committee meetings as a non-member*

The Board (continued)

Independence of Non-Executive Directors

The Board has received from each independent non-executive Director an annual written confirmation of his independence in accordance with Rule 5.09 of the GEM Listing Rules. The Board considers that all of the independent non-executive Directors to be independent.

Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence.

Appointment and Re-appointment of Directors

The Chairman, in consultation with other Board members, nominates an individual for a new appointment as the Company's Director, in particular for independent non-executive Director. Under the guidelines on appointment and re-appointment of Directors as endorsed by the Board on 7 March 2007, the new appointee needs to have appropriate professional knowledge and industry experience, personal ethics, integrity, personal skills and be able to contribute sufficient time for the proper functioning of the Board. No new Director was appointed during the year ended 31 December 2010.

Non-executive Directors were appointed for an initial term of three years and will continue in office thereafter subject to termination by not less than three months' prior notice in writing by either party to the other. In addition, all Directors including the non-executive Directors are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting at least once every three years pursuant to the Company's Articles of Association and the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

Potential Conflict of Interest

If a potential conflict of interest involving a substantial shareholder or a Director arises, the matter will be discussed at a meeting instead of being dealt with by written resolution. Directors who have a potential conflict of interest shall not be counted in the quorum of the meeting and must abstain from voting on the relevant resolutions. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The Board (continued)

Other Matters Concerning Directors

All members of the Board have separate and independent access to the Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company. Written procedures are put in place for Directors to seek independent professional advice in performing their Directors' duties at the Company's expense. No request was made by any Director for such independent professional advice in 2010.

Each Director ensures that he or she can give sufficient time and attention to the affairs of the Company. The Directors are requested to disclose to the Company on a periodic basis the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations.

All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations.

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

Independent Reporting of Corporate Compliance Function

The Board recognises the importance of independent reporting of the corporate compliance function. The Group Chief Compliance Officer, as appointed by the Board, attended all Board and committee meetings in 2010 to advise on corporate governance matters covering risk management and compliance issues relating to business operations, mergers and acquisitions, accounting and financial reporting.

Board Committees

The Board has established the Audit Committee and Remuneration Committee (all chaired by non-executive Directors) with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. To further reinforce independence, both committees have been structured to include a majority of independent non-executive Directors.

Both 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.

Audit Committee

The Audit Committee was established in January 2001 to review the Group's financial reporting, internal controls, corporate governance and risk management matters and to make recommendations to the Board. Its current members include:

Dr. Raymond CH'IEN Kuo Fung* – *Committee Chairman*
Mr. Malcolm AU Man Chung*
Mr. Anthony LO Kai Yiu*
Mr. Godfrey Ernest SCOTCHBROOK+
Mr. Jeremy Paul Egerton HOBBINS+

* *Independent non-executive Director*
\+ *Non-executive Director*

All committee members possess appropriate professional qualifications, accounting and related financial management expertise as required under the GEM Listing Rules.

The Audit Committee met four times in 2010 (with an average attendance rate of 85%) to consider and review with senior management and the Company's internal (Corporate Governance Division ("CGD")) and external auditors various matters as set out in the Audit Committee's terms of reference, which included the following:

- the audit plans, findings and reports of CGD and external auditor;
- the independence of external auditor, their related terms of engagement and fees;
- the Group's accounting principles and practices, compliance with listing rules and statutory requirements, connected transactions, internal controls, risk management and financial reporting matters (including the annual, half year and quarterly financial statements before recommending to the Board for approval); and
- the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, as well as their training programmes and budget.

Board Committees (continued)

Audit Committee (continued)

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.

Under the Group's policy, employees can report any concerns, including actual or potential misconduct, possible impropriety or fraud in financial reporting, accounting practices and internal control matters, to either senior management or the Group Chief Compliance Officer. No incident of fraud or misconduct that has material effect on the Company's financial statements and overall operations was reported by employees in 2010.

External Auditor's Independence

In order to enhance independent reporting by external auditor, part of the Audit Committee meetings was attended only by the Committee members and the external auditor. In addition, the external audit engagement partner is subject to periodical rotation. A policy restricting the employment of employees or former employees of the external auditor at senior executive or financial positions within the Group has also been put in place.

A policy on the provision of non-audit services by the external auditor has been established since 2005 which includes prohibition of specified non-audit services to be performed by the external auditor. Other non-audit services, with fees above a threshold and are considered not to affect the independence of the external auditor, require prior approval of the Audit Committee.

For the year ended 31 December 2010, the following fees paid or payable to the external auditor have been endorsed by the Audit Committee:

	HK$'000
Annual audit fees	1,819
Non-audit services fees (including review of half year financial statements and tax services)	382
Total	2,201

Prior to the commencement of the audit of the Company's financial statements for the year ended 31 December 2010, the Audit Committee received written confirmation from the external auditor on their independence as required by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Audit Committee is satisfied with the review of audit fees and scope, effectiveness of the audit process, independence and objectivity of the external auditor, PricewaterhouseCoopers ("PwC"), and has recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2011 at the forthcoming annual general meeting.

Board Committees (continued)

Remuneration Committee

The Remuneration Committee was established in January 2005 and its current members include:

Dr. Victor FUNG Kwok King+ – *Committee Chairman*
Dr. Raymond CH'IEN Kuo Fung*
Mr. Malcolm AU Man Chung*

+ *Non-executive Director*
* *Independent non-executive Director*

The Remuneration Committee is responsible for reviewing the Group's remuneration and human resources policy and making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management, including the allocation of share options to employees under the Company's Share Option Scheme.

The Remuneration Committee met once in 2010 (with an attendance rate of about 67%) to review the fees to Directors. Written resolutions were also signed by members of the Remuneration Committee during the year in relation to the allotment of shares upon exercise of share options by the employees.

Remuneration Policy for Executive Director

Remuneration for executive Director includes fees, basic salary, bonus based on performance and share options which are designed to align Director's interest with maximising the Company's long term shareholder value. The executive Director is not allowed to approve his own remuneration.

Remuneration Policy for Non-Executive Directors

Remuneration for non-executive Directors comprises Directors' fees which are subject to assessment and recommendation by the Remuneration Committee for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings.

Details of Directors' emoluments of the Company are set out in note 14 to the consolidated financial statements on pages 93 to 95.

Code of Conduct and Business Ethics

The Group places great emphasis on staff's ethical standards and integrity in all aspects of its operations. Guidelines of the Group's business ethical practices as endorsed by the Board are set out in the Company's Code of Conduct and Business Ethics. All Directors and staff are expected to share the same responsibilities to comply with the Code at all times. For ease of reference and as a constant reminder to all staff, a copy of the guidelines is posted on the Company's internal electronic bulletin board.

Directors' Securities Transactions

The Group has adopted procedures governing Directors' securities transactions in compliance with Rules 5.48 to 5.67 of the GEM Listing Rules. Specific confirmation of compliance has been obtained from all Directors. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines which are of no less exacting terms than those set out in the GEM Listing Rules. No incident of non-compliance was noted by the Company in 2010.

Directors' Interests

Details of Directors' interests in the shares of the Company and certain major associated corporations are set out in the Directors' Report on pages 53 to 55.

Directors' and Auditor's Responsibilities for Financial Statements

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on pages 59 and 60 respectively.

Internal Control and Risk Management

The Board recognises the importance of internal controls to safeguard shareholders' interests and investments and the Group's assets, as well as to manage business risks.

The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and that it aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Audit Committee reports to the Board on any material issues and makes relevant recommendations.

The Board has delegated to executive management the design, implementation and ongoing monitoring of the system of internal controls covering financial, operational and compliance controls and risk management procedures. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis.

Control Environment

The Group operates within an established control environment, which is consistent with the principles outlined in "Internal Control and Risk Management – A Basic Framework" issued by HKICPA. The scope of internal controls for the Group relates to three major areas: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

The Group maintains a tailored governance framework with defined lines of responsibility and appropriate delegation of authority.

Internal Control and Risk Management (continued)

Financial Risk Management

The Board approves the Group's Three-Year Business Plan and annual budgets, reviews the Group's operating and financial performance and key performance indicators against the budgets on a quarterly basis. Executive management closely monitors actual financial performance of the Group on a monthly basis.

The Group adopts a principle of minimising financial risks. Details of the Group's financial risk management (encompassing foreign exchange risk, credit risk, liquidity risk and interest rate risk) are set out in note 3 to the consolidated financial statements on pages 80 to 82.

Operational Control Management

Corporate policies and procedures covering key risks and control standards have been established and implemented. Control procedures are put in place in connection with the approval of the Group's major business transactions and investments, and the monitoring of daily operations of the Group's businesses.

Regulatory Compliance Control Management

The Corporate Compliance Group (comprising CGD and Corporate Secretarial Division), under the supervision of the Group Chief Compliance Officer, in conjunction with our external advisors reviews the adherence to relevant laws and regulations, compliance with listing rules, public disclosure requirements and our standards of compliance practices.

Internal and External Auditors

The staff of CGD (Internal Audit) independently review the controls and evaluate their adequacy, effectiveness and compliance. In addition, CGD staff regularly visit the Group's offices, factories and selected stores in Hong Kong, Macau and on the Chinese Mainland to help embedding the compliance culture in the Group's business practices by performing on-site reviews.

The Audit Committee approved the current Three-Year Internal Audit Plan (2008 to 2010) that is linked to the Group's Three-Year Business Plan. The Internal Audit Plan is based on a risk assessment methodology and covers the Group's major operations over a three-year period. The scope of the internal audit review covers all material controls including financial, operational and compliance controls, as well as risk management policies and procedures. Summary of the scope of reviews and key recommendations is reported to the Audit Committee on a quarterly basis. The implementation of all agreed recommendations is being followed up on a three-month basis.

As part of the annual review of the effectiveness of the Group's system of internal controls, CGD independently reviews the Internal Control Self-Assessment Checklist completed by management, and assesses the adequacy and effectiveness of the internal controls implemented. CGD's review also considers the adequacy of resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and financial reporting function. The outcome of the review is reported to the Audit Committee.

Internal Control and Risk Management (continued)

Internal and External Auditors (continued)

The external auditor performs independent statutory audit on the Group's financial statements. As part of the audit engagement, the external auditor also reports to the Audit Committee any significant deficiencies in the Group's internal control system which might come to their attention during the course of audit. The external auditor noted no significant internal control deficiencies in their audit for the financial year ended 31 December 2010.

Overall Assessment

Based on the assessments made by senior management, CGD (Internal Audit) and the external auditor for the year ended 31 December 2010, the Audit Committee considered that:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorisation and the financial statements were reliable for publication.

- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

- the resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and financial reporting function were adequate.

Compliance with Code on Corporate Governance Practices of GEM Listing Rules

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2010.

Shareholders' Rights

Under the Company's Articles of Association, on the written requisition of shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, the Board shall convene an extraordinary general meeting for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of the requisition.

Any proposal to be tabled at general meetings of the Company for consideration can be put forward in writing to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The detailed procedures vary depending on whether the proposal constitutes an ordinary resolution or a special resolution or whether the proposal relates to the election of an individual other than a Director of the Company as a Director.

Shareholders' Rights (continued)

The Company has since 2007 conducted all voting at general meetings by poll. Notice to shareholders will be sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's principal place of business in Hong Kong. Other general enquiries can be directed to the Company through the Company's website.

Investor Relations and Communication

The Company continues to pursue a policy of promoting transparency in corporate communication and investor relations. Regular communication programmes include conducting analyst briefing in person and/or via email at the quarterly results announcements, participation in investor conferences, arranging company visits and ad hoc meetings with institutional shareholders and analysts.

As one of the channels to promote effective communication with the investors and the general public, the Company also maintains a corporate website (www.cr-asia.com) to disseminate electronically company announcements, shareholder information and other relevant financial and non-financial information on a timely basis. The website is hyperlinked to the Li & Fung Group website for transparency and investors' ease of reference.

The Board confirmed that there were no significant changes in the Company's Articles of Association during 2010 which affected the Company's operations and reporting practices.

Key calendar events for shareholders' attention and share information including market capitalisation as at 31 December 2010 are set out in the Information for Investors section on page 44.

Annual General Meeting

The annual general meeting ("AGM") provides an opportunity for communication between the Board and the shareholders of the Company. All shareholders have proper notice of the AGM at which Directors and chairmen or members of the committees are available to answer questions on the business.

The most recent AGM of the Company was held at the Auditorium, 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong on 10 May 2010 at 4:00 p.m. The notice of AGM, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders at least 20 clear business days prior to the meeting. Separate resolutions were proposed in respect of each substantially separate issue. Members of the Audit Committee and Remuneration Committee were available to answer questions from shareholders.

At the AGM, all resolutions as set out in the notice were put to vote by way of poll by the shareholders. An explanation was provided of the detailed procedures for conducting a poll. The Company's branch share registrar in Hong Kong, Tricor Abacus Limited, was appointed as the scrutineer at the AGM for the purpose of vote-taking.

Investor Relations and Communication (continued)

Annual General Meeting (continued)

The major items discussed and the percentage of votes cast in favour of the resolutions relating to those items are set out below:

Ordinary resolutions passed	Percentage of votes cast
• To receive and adopt the audited financial statements and reports of the Directors and the Auditor of the Company and its subsidiaries for the year ended 31 December 2009	99.99%
• To declare a final dividend of 6 HK cents per share	100%
• To re-elect Mr. Jeremy Paul Egerton Hobbins, Dr. Raymond Ch'ien Kuo Fung and Mr. Richard Yeung Lap Bun as Directors	99.99% in respect of each individual resolution
• To fix the fees to the Directors	99.99%
• To re-appoint PwC as Auditor and to authorise the Board to fix their remuneration	99.99%
• To grant a general mandate to the Directors to allot and issue additional shares not exceeding 20% of the issued share capital of the Company	77.66%
• To grant a general mandate to the Directors to repurchase shares of the Company not exceeding 10% of the issued share capital of the Company	100%
• To extend the general mandate given to the Directors to allot and issue additional shares of an amount not exceeding the aggregate amount of shares repurchased by the Company	77.66%
• To terminate the Existing Share Option Scheme and adopt the New Share Option Scheme	99.99%

All resolutions put to shareholders at the aforesaid AGM were passed. The results of the poll were published on the Company's website and the GEM website on the business day following the AGM.

Corporate Communication

Open and active communication between management and staff drives continuous improvement and is vital to the Group's success. As part of the Group's entrepreneurial corporate culture and business policy, annual Business Planning Conference and quarterly Store Manager Meetings (with active participation of the Chief Executive Officer and all senior managers) as well as Meet The Staff Meetings are held to review strategic objectives and business performance, and to create a sense of staff ownership to foster effective communication across the Group.

Monthly management meetings are held for senior executives to formulate company-wide policies and practices, and to report and discuss significant issues affecting the Group.

A corporate intranet has been established to facilitate easy access by staff to corporate information in relation to policies, codes of practice and other staff communication. A monthly newsletter on customer service is circulated to all staff.

The Group also publishes a regular newsletter to provide staff with reports on the Group's latest development, directives and initiatives, the Group's functions, staff movement and staff recreational activities.

Corporate Social Responsibility and Sustainability

The Group is highly aware of its responsibility towards the society and the environment. While striving to create long term value for its shareholders, the Group also seeks to maintain sustainable relationship with its stakeholders.

The Group fully recognises the risks posed by climate change and is committed to be environmentally responsible as a corporate citizen. More importantly, the Group believes that sustainable operations make good business sense. Not only is it conducive to cost saving, but through implementation of the sustainability initiatives we are able to build a strong link with our customers and the communities in which we operate, who are becoming more and more environmentally conscious. Hence, being environmentally responsible has become an important pillar of the Group's corporate culture and is an essential part of the Group's upheld principle of operating with integrity.

Human Resources

The Group believes that investing in its people is about investing in the future and that future success is dependent on the quality, breadth and depth of its learning and development programmes. The Group continued to dedicate considerable efforts into staff training, career development and staff well-being in 2010.

The Group adopts an equal opportunity policy without any form of discrimination on grounds such as race, religion, sex, marital status, age and disability in connection with all human resources matters. This covers selection and recruitment, training and development, appraisal and promotion, transfer, compensation and benefits, redundancy and dismissal, and lastly, retirement.

Corporate Social Responsibility and Sustainability (continued)

Human Resources (continued)

In 2010, Circle K Hong Kong and Saint Honore Hong Kong were awarded the title and logo of Manpower Developer 1st under the Manpower Developer Award Scheme launched by Employees Retraining Board. This was the first award scheme in Hong Kong to assess the manpower development strategies and practices of business organisations. The major five assessment criteria were "Leading a Learning Culture", "Resources Planning", "Training and Development System", "Performance Management" and "Corporate Social Responsibility in Manpower Development". This award represented a public recognition of Circle K and Saint Honore's commitment and achievement in manpower training and development.

People development has always been an important element of the Group's service excellence initiative. A leadership training programme "CARE for your staff, be a Credible Leader" was created for Circle K store managers in the first six months of 2010.

In order to groom and retain selected frontline talents, another newly designed "Second Tier Staff Development Programme" was introduced. Target participants were the potential store managers. The main objective was to enhance their retail operation knowledge, coaching ability and service skills.

From July to December 2010, Circle K launched the "OK Learning Fun" incentive programme for store staff, so as to promote an enjoyable and fun atmosphere for learning. Upon completing certain training programmes, competition and skill set examination, staff could gain credit points for redemption of prizes such as "all you can grab in 10 seconds" in a Circle K store, one-day local tour and so forth.

The annual store manager meeting for Saint Honore was held in December 2010 and over 170 staff from frontline and head office attended the event. During the meeting, the management of Saint Honore Hong Kong communicated to the attendees the results and performance of 2010 as well as business goals and actions for 2011.

The Group implements a policy of sponsoring its staff to attend job-related training and self-improvement programmes. Management development programmes are also conducted for senior employees in 2010.

In addition to these development initiatives, the Group offers competitive remuneration schemes to its staff. Discretionary bonuses and share options are also granted to eligible staff based on individual and Group performance.

Workplace Safety and Hygiene

Circle K Hong Kong and Saint Honore Hong Kong are signatories of the workplace safety and hygiene charter and are committed to maintaining a safe and hygienic workplace in strict compliance with all the safety and hygienic practices outlined in the charter. In-house safety training programmes were conducted regularly in addition to the safety training courses provided by the Labour Department. The staff also attended in-house hygiene training programmes regularly.

Corporate Social Responsibility and Sustainability (continued)

Workplace Safety and Hygiene (continued)

Small work teams comprising staff from different departments were established to reinforce workplace safety concept and to design effective communication tools (for example proper hand washing procedures) for bringing the staff's attention to personal hygiene at office and store levels.

The Work Safety Committee of Saint Honore Hong Kong continued to play its role in educating and training factory staff and logistics staff on work safety and hygiene. In 2010, Saint Honore Hong Kong has successfully passed the mandatory external audit of Workplace Safety required by the government.

The Safety Committee of Saint Honore manufacturing team provides training to all its new staff on basic work safety and hygiene guidelines, supplemented with periodic update briefing.

The Group is pleased to see its work related injury cases remain at a low level. Efforts have been expended to improve on these figures through staff training, enhanced systems, procedures and equipment.

Bakery products sold in our stores are subject to high standard of quality assurance. There are in-house laboratories in our factories and a comprehensive quality assurance system has been put in place to ensure that bakery products sold in our stores are subject to high standard of food safety monitoring.

Environmental Protection

The Group strives to be environmentally responsible by adopting good environmental practices in respect of office premises, stores, factories, equipment and consumption of resources, and by supporting practical measures and policies aiming at protecting and preserving the environment of the regions in which it operates.

The Corporate Sustainability Task Force (comprising managers from business units under the supervision of Mr. Pak Chi Kin, Chief Operating Officer of the Group) continued to operate in 2010 to coordinate various sustainability programs. An education campaign was launched with the aim of changing the fundamental of staff's behaviour relating to environmental protection. In addition, eco-tours to Little Gardener – World Wide Fund for Nature ("WWF") Island House Conservation Studies Centre and to Mai Po (both supported by the Li & Fung (1906) Foundation) were organised.

Since 7 July 2009, when the Government of the Hong Kong Special Administrative Region implemented a new policy of imposing an environmental levy for plastic bags, the Circle K convenience store chain in Hong Kong has operated in full compliance at the frontline. The success of the scheme's implementation was clearly indicated by the significantly reduced number of plastic bags being handed out with the levy.

In addition to full compliance with the new legislation, the Group went one step further to embrace the spirit of environmental protection and rolled out energy saving and waste reduction initiatives in all aspects of the Group's operations, resulting in an effective reduction of carbon footprint as well as energy consumption in the past twelve months.

Corporate Social Responsibility and Sustainability (continued)

Environmental Protection (continued)

An idea of "Green Office" was implemented in 2010 – T8 fluorescent tubes were replaced with energy efficient T5 fluorescent tubes, the right number of fluorescent tubes were installed in each area of the office, natural lighting was effectively used, light switches by zone were installed at specific working areas, the last colleague who left the working area was requested to switch off the air conditioner and lighting, green tips were available in every corner of the office, paper printing was discouraged and so forth.

As part of the Group's commitment to be environmentally responsible, Circle K Hong Kong has since 2007 started to reduce electricity consumption at all stores, such as using T5 fluorescent tubes for front store and walk-in cooler, using LED lights for shop signage, reducing unnecessary lighting installation at back store, using timer to control the operating hour of bakery display lights, raising air conditioner temperature at front store by 2.5ºC and so forth.

Saint Honore Hong Kong has been conscientiously reducing electricity consumption by using energy saving light bulbs. At the end of 2010, the lighting at the in-store bakeries of 80% of Saint Honore stores in Hong Kong had been changed to T5 fluorescent tubes. Initiated by the efforts of both operations and logistics teams since 2009, Saint Honore Hong Kong was able to consolidate the routes and substantially reduce the total number of deliveries to stores, resulting in the reduction of fuel consumption and carbon emission.

Saint Honore Hong Kong has been using bio-degradable materials for some parts of its mooncake packaging since 2007. In 2010, Saint Honore Hong Kong reduced and downsized the overall use of packaging materials of mooncake by about 20%; adopted packaging materials that were recyclable and with minimum environmental impact on post-consumption management; and supported and facilitated recovery and recycling of used packaging materials.

T5 fluorescent tubes have also been used in Saint Honore factories. Recycling of containers and materials has been implemented, together with the sale of empty flour bags and egg shells. The manufacturing team has initiated a project on the reduction of electricity consumption and carbon emission.

The Group actively supported the inspiring event in the fight against climate change – Earth Hour organised by WWF on 27 March 2010 from 8:30 p.m. to 9:30 p.m.. Signages at the front doors of all Circle K stores in Hong Kong (except MTR stores and mini-stores) as well as lightings in the beverage cabinets at MTR stores and mini-stores were switched off. Signages and spot lights at the front doors, air-conditioning and lightings at the in-store bakeries were switched off at all Saint Honore stores in Hong Kong and Macau.

Supported by the Li & Fung (1906) Foundation, some of the staff participated in the eco-talk conducted by WWF in July 2010 on climate change and low carbon living. The presenters suggested an array of ways to lead a low carbon lifestyle in terms of clothing, food, accommodation and transportation.

Community Involvement

As a responsible corporate citizen, the Group cares about the well-being of the community where it is conducting its businesses. The Group is committed to engaging in charitable projects through two channels. The first supports community activities led by the Li & Fung (1906) Foundation, a Hong Kong registered charity whose purpose is to support the staff of the Li & Fung Group around the world to engage in and contribute to the communities in which they live and work. The second is by direct staff involvement in activities organised by leading charities.

Corporate Social Responsibility and Sustainability (continued)

Community Involvement (continued)

Activities in 2010 included:

- Fund-raising for the earthquake victims in Haiti. Staff donations were matched dollar-to-dollar by the Li & Fung (1906) Foundation. All donations went towards World Vision International, Red Cross and other local relief organisations to support the relief work including personal hygiene parcels, family kits, water purification tablets, temporary shelters and emergency medical services.

- Fund-raising for the earthquake victims in Yushu County, Qinghai Province, China. Staff donations were also matched dollar-to-dollar by the Li & Fung (1906) Foundation. All funds were donated to Red Cross and other local relief organisations to support the relief necessities.

- "Red Décor Day", a fund-raising campaign organised by Hong Kong Red Cross. The Li & Fung (1906) Foundation matched the funds raised by the colleagues on a dollar-to-dollar basis.

- Participation in the following activities:

  - Standard Chartered Hong Kong Marathon. Li & Fung Group was nominated the second runner-up of the "Most Supportive Group Award".

  - Tree Planting Challenge organised by Friends of the Earth, with the sponsorship of the Li & Fung (1906) Foundation. The main theme was "Plant a Wish for a Better Climate". There were three Corporate Charity Teams who were required to complete the planting of 30 to 50 seedlings during a 13 km hiking course within six hours.

  - "Job Shadowing Day" organised by Junior Achievement Hong Kong, which allowed secondary school students to shadow a workplace mentor as he or she goes through a normal day on the job. Participating students were given opportunities to gain an in-depth understanding of the Group's businesses and to experience workplace activities.

  - Used Book Recycling Campaign of World Vision Hong Kong by donating used books at specific book collection points. The aim of the campaign was to raise funds for a high school in Shaanxi Province, China.

  - "Walking with Lingnanians" fundraising walkathon organised by Lingnan University, which was aimed to support their student development and promote the excellence of liberal arts education. The Li & Fung (1906) Foundation, which supported the event, was awarded "The Largest Number of Participants Champion".

  - Heifer charity projects, details of which are set out in the Management Discussion and Analysis section on page 18.

Directors and Senior Management Profile

Executive Director

Richard YEUNG Lap Bun – *Chief Executive Officer*

Mr. Yeung, aged 54, has over 20 years of experience in general management, food distribution and supply chain management. He is responsible for overseeing the Group's operations, marketing, logistics and supply chain management and he is actively involved in new business development in the Chinese Mainland. He is also the Compliance Officer of the Company under Rule 5.19 of the GEM Listing Rules. Prior to joining the Group in October 1998, he spent about ten years in senior positions at HAVI Food Services Group, managing the supply chain of McDonald's Restaurants in various countries in Asia. Mr. Yeung graduated from the University of Hawaii with a Bachelor of Business Administration degree. Mr. Yeung also holds a Master degree in Business Administration from the California State University of Los Angeles and is a Certified Public Accountant. He is also a director of Li & Fung (Retailing) Limited, a substantial shareholder of the Company.

Non-executive Directors

Dr. Victor FUNG Kwok King – *Chairman*

Dr. Fung, aged 65, brother of Dr. William Fung Kwok Lun, has been a non-executive Director of the Company since January 2001. Dr. Fung is Group Chairman of the Li & Fung group of companies including publicly listed Li & Fung Limited, Trinity Limited, the Company and the formerly listed Integrated Distribution Services Group Limited (which was privatised in October 2010). He is also a director of King Lun Holdings Limited, Li & Fung (1937) Limited and Li & Fung (Retailing) Limited (substantial shareholders of the Company). Dr. Fung holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. Dr. Fung is an independent non-executive director of BOC Hong Kong (Holdings) Limited in Hong Kong and Baosteel Group Corporation in the People's Republic of China. He retired as independent non-executive director of Orient Overseas (International) Limited and non-executive director of Hup Soon Global Corporation Limited both in April 2009 and also retired as an independent non-executive director of CapitaLand Limited in April 2010. In public service, Dr. Fung became Honorary Chairman of the International Chamber of Commerce in July 2010 following two years as its Chairman. He is also Chairman of the Greater Pearl River Delta Business Council, a member of the Chinese People's Political Consultative Conference, a member of the Commission on Strategic Development of the Hong Kong Government and a vice chairman of China Centre for International Economic Exchanges. From 1991 to 2000, Dr. Fung was Chairman of the Hong Kong Trade Development Council, and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. He was Chairman of the Hong Kong Airport Authority from June 1999 to May 2008, Chairman of The Council of The Hong Kong University from September 2001 to November 2009 and Chairman of the Hong Kong – Japan Business Co-operation Committee from September 2004 to September 2010. In 2003 and 2010, the Hong Kong Government awarded Dr. Fung the Gold Bauhinia Star and the Grand Bauhinia Medal respectively for his distinguished service to the community.

Non-executive Directors (continued)

Dr. William FUNG Kwok Lun

Dr. Fung, SBS, OBE, JP, aged 62, brother of Dr. Victor Fung Kwok King, is the Group Managing Director of Li & Fung Limited and a non-executive director of Trinity Limited and Integrated Distribution Services Group Limited of the Li & Fung Group. Dr. Fung is a non-executive Director of the Company since January 2001 and is also a director of the substantial shareholders of the Company, King Lun Holdings Limited, Li & Fung (1937) Limited and Li & Fung (Retailing) Limited. Dr. Fung has held key positions at major trade and business organisations. He is the past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Hong Kong Committee for the Pacific Economic Cooperation Council. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and holds a Master degree in Business Administration from the Harvard Graduate School of Business. He was awarded the degree of Doctor of Business Administration, honoris causa by the Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Currently, Dr. Fung is an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited (appointed in February 2010) and The Hongkong and Shanghai Hotels, Limited (appointed in January 2011), and is also an independent director of Singapore Airlines Limited of Singapore. Dr. Fung retired as a non-executive director of HSBC Holdings plc of United Kingdom in May 2010.

Godfrey Ernest SCOTCHBROOK

Mr. Scotchbrook, aged 64, prior to re-designation as non-executive Director in August 2005, had been an independent non-executive Director of the Company since November 2002. Mr. Scotchbrook presently serves as an independent director of Del Monte Pacific Limited (a company engaged in the production, marketing and distribution of premium branded food and beverage products) and a non-executive director of Boustead Singapore Limited (a company engaged in engineering services and geo-spatial technology) in Singapore. Mr. Scotchbrook was a founder of Scotchbrook Communications Ltd., a firm specialising in investor relations, issues management, corporate positioning and public affairs; and is a veteran in corporate governance. He is a Fellow of the Hong Kong Management Association and also of the British Chartered Institute of Public Relations.

Jeremy Paul Egerton HOBBINS

Mr. Hobbins, aged 63, is also a director of various companies within the Li & Fung Group including Li & Fung (1937) Limited (a substantial shareholder of the Company), the publicly listed Trinity Limited and formerly listed Integrated Distribution Services Group Limited. He is also the Deputy Chairman of Trinity Limited. Mr. Hobbins joined the Li & Fung Group in 1999 and was Group Managing Director of Li & Fung (Retailing) Limited and previous Deputy Chairman of Li & Fung (Distribution) Limited. Prior to joining the Li & Fung Group, Mr. Hobbins was the Chief Executive of Inchcape Marketing Services – Asia Pacific and was also the Chief Executive Officer of Inchcape Marketing Services Limited which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the Group Management Board of Inchcape plc and a director of Inchcape NRG, a business machines joint-venture with Ricoh. Previously, he was the Chief Executive Officer of Inchcape Berhad, prior to which he was the Chief Executive Officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group, he was the President and Chief Executive Officer of the Campbell Soup Company, UK & Ireland, and previously was President of the Dairy Division of Ault Foods, Canada. He has also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes. Mr. Hobbins completed Advanced Management Programmes at the London Business School, Imede and Insead.

Louisa WONG Yuk Nor

Ms. Wong, aged 61, joined Li & Fung (Retailing) Limited in April 1998 as a director responsible for strategic planning, marketing and communication for the Li & Fung Retailing group. Ms. Wong graduated from the University of Hong Kong with a Bachelor of Arts degree and has more than 20 years of professional experience in marketing and advertising. Prior to joining Li & Fung (Retailing) Limited, Ms. Wong was the Managing Director of a leading 4A advertising agency Foote, Cone and Belding Limited for many years.

Independent non-executive Directors

Dr. Raymond CH'IEN Kuo Fung

Dr. Ch'ien, aged 59, is an independent non-executive Director of the Company since January 2001. Dr. Ch'ien is Chairman of CDC Corporation as well as Chairman and a director respectively of its subsidiaries, China.com Inc. and CDC Software Corporation. Additionally, he is Chairman of MTR Corporation Limited and Hang Seng Bank Limited. Dr. Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Mercantile Exchange Limited, The Wharf (Holdings) Limited, Swiss Reinsurance Company Limited and China Resources Power Holdings Company Limited (appointed in April 2010). Formerly, Dr. Ch'ien was director of HSBC Holdings plc, VTech Holdings Limited and Inchcape plc. In public service, Dr. Ch'ien is Chairman of the Hong Kong/European Union Business Cooperation Committee, an honorary President and past Chairman of the Federation of Hong Kong Industries and a former Hong Kong member of the APEC Business Advisory Council. He was appointed a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference in January 2008. From 1992 to 1997, Dr. Ch'ien was a member of the Executive Council of Hong Kong, then under British Administration. He was appointed a member of the Executive Council of the Hong Kong Special Administrative Region on 1 July 1997 and served until June 2002. Dr. Ch'ien received a doctoral degree in Economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal. In 2008, Dr. Ch'ien was awarded The Honour of Chevalier de l'Ordre du Merite Agricol of France.

Malcolm AU Man Chung

Mr. Au, aged 61, is an independent non-executive Director of the Company since January 2001. Mr. Au holds a Bachelor of Science degree in Chemical Engineering and a Master of Science degree in Food Science both from the University of Wisconsin, USA and a Master of Business Administration degree from the University of Toronto, Canada. Mr. Au is also a non-executive director of China-Hongkong Photo Products Holdings Limited, a listed company in Hong Kong and Eu Yan Sang International, a listed company in Singapore.

Anthony LO Kai Yiu

Mr. Lo, aged 62, is an independent non-executive Director of the Company since August 2005. Mr. Lo is Chairman of Shanghai Century Capital Limited and has over 30 years of experience in banking, finance and investments. Mr. Lo also serves as an independent non-executive director of Hong Kong listed Playmates Holdings Limited, Tristate Holdings Limited, IDT International Limited and Lam Soon (Hong Kong) Limited. He is also an independent non-executive director of The Taiwan Fund, Inc., a company listed on the New York Stock Exchange, and Mecox Lane Limited, a company listed on Nasdaq in October 2010. Mr. Lo was former Chairman and Co-Chief Executive Officer of Shanghai Century Acquisition Corporation (a company formerly listed on the American Stock Exchange). Since 1998 to May 2006, he was a member of the listing committee of The Stock Exchange of Hong Kong Limited. Mr. Lo is qualified as a chartered accountant with the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants.

Group Chief Compliance Officer

James SIU Kai Lau

Mr. Siu, aged 66, joined the Group in 2005 as Group Chief Compliance Officer. He first joined the Li & Fung Limited group in 1993 as Chief Financial Officer until 1996 when he became its Chief Compliance Officer. He is an executive director of Li & Fung (1937) Limited, a substantial shareholder of the Li & Fung group of companies including publicly listed Li & Fung Limited, Trinity Limited and the Company of which he is also their respective Group Chief Compliance Officer. Prior to joining Li & Fung Group, Mr. Siu was the partner-in-charge (1981 – 1989) of the Hong Kong audit practice of Coopers & Lybrand (currently PricewaterhouseCoopers) specialising in advising corporate clients on mergers, acquisitions, finance and on public listings. His community work includes currently serving as member of the Supervisory Board of the Hong Kong Housing Society and former Chairman of its Audit Committee (2001 – 2006) and a member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (2002 – 2006). Mr. Siu was a member of the Securities and Futures Commission Dual Filing Advisory Group (2004 – 2010) and was the Deputy Chairman of the Corporate Governance Committee of the HKICPA (2007). He is a Fellow of both the Institute of Chartered Accountants in Australia and the HKICPA. He is also a Fellow member of the Hong Kong Institute of Directors. Mr. Siu holds a Bachelor of Economics degree from University of Tasmania, Australia.

Senior Management

PAK Chi Kin – *Chief Operating Officer*

Mr. Pak, aged 52, has over 20 years of experience in the retailing and food distribution business. He is currently the Chief Operating Officer of the Group responsible for overseeing the Circle K operations of Hong Kong and providing strategic guidance, leadership support and advice to the operations of the Group jointly with the Chief Executive Officer. Prior to joining the Group in May 1999, Mr. Pak had been the senior manager at HAVI Food Services Group in charge of the distribution of food products and logistics services to McDonald's Restaurants. Graduated from the University of Hong Kong with a Bachelor degree of Science in Engineering, he also holds a Master degree of Science in Engineering from the University of Hong Kong. Mr. Pak is a member of the executive committee of the Hong Kong Retail Management Association and also a member of the Retail Industry Training Advisory Committee – Qualifications Framework.

Carrina CHAN Wong Man Li – *Managing Director, Saint Honore Cake Shop, Hong Kong and Macau*

Mrs. Chan, aged 48, has over 20 years of experience in the retail chain industry. She is responsible for the Saint Honore Cake Shop retail operations in Hong Kong and Macau. She also took up the advisory role for the Group's cake shop operation in Guangzhou. Mrs. Chan holds a Master degree in Business Administration jointly conferred by the J.L. Kellogg Graduate School of Management, Northwestern University in the United States and the Hong Kong University of Science and Technology. She also holds a Bachelor degree in Administrative Studies from the Trent University in Canada. Mrs. Chan joined Saint Honore group in 1986 and was promoted to the position of Managing Director in 1996. Mrs. Chan is a member of the advisory board of the Business School of the Hong Kong University of Science and Technology.

Senior Management (continued)

Raphael KAN Wing Chuen – *Managing Director, Saint Honore Food Manufacturing*

Mr. Kan, aged 59, has over 30 years of experience in manufacturing and logistics management with multinationals and local companies in Hong Kong and Southern China. Previously the General Manager of Convenience Retail Southern China, he was transferred to the position of Managing Director of Saint Honore Food Manufacturing in March 2007 and is currently responsible for managing the manufacturing functions of Saint Honore group including the factories in Hong Kong, Shenzhen, Guangzhou and Macau. Prior to joining the Group in February 2000, he was the General Manager of HAVI Food Services Group and IDS Logistics (HK) Limited, and was responsible for providing supply chain management services to multinational clients of the companies. After joining the Group, he was appointed as General Manager for Southern China and responsible for the Group's expansion into the PRC market. He graduated from the McGill University of Canada with a Bachelor degree in Mechanical Engineering. He also holds a Master degree in Business Administration from the University of East Asia, Macau.

LAI Chun Pang – *Director and General Manager – Convenience Retail Southern China*

Mr. Lai, aged 49, was promoted as Director and General Manager of Convenience Retail Southern China in October 2009, and responsible for the business of Circle K and Saint Honore in Southern China. He has been working for the Group since 1987 and was the General Manager – Operations in Circle K Hong Kong from 2006. He holds a Bachelor degree of Arts with Honours in Business Studies and a Master degree of Arts in International Business Management from the City University of Hong Kong.

Sam HUI Chi Ho – *Group Finance Director*

Mr. Hui, aged 36, has extensive experience in finance and accounting in the retailing industry. Prior to joining the Group in July 2004, he was the manager of PricewaterhouseCoopers, and was responsible for providing assurance and business advisory services to a wide range of well established wholesaling and retailing clients. Mr. Hui graduated from the Hong Kong University of Science and Technology with a Bachelor degree in Business Administration majoring in Accounting and also holds a Master degree in Business Administration from the University of Hong Kong. He is a Fellow member of the Hong Kong Institute of Certified Public Accountants and also a member of CFA Institute.

Information for Investors

Listing Information

Listing	Hong Kong Stock Exchange (GEM Board)
Stock code	08052

Key Dates

9 March 2011	Announcement of 2010 Final Results
1 May to 5 May 2011 (both days inclusive)	Closure of Register of Shareholders
5 May 2011	Annual General Meeting
6 May 2011	Despatch of 2010 Final Dividend warrants

Share Information

Board lot size	2,000 shares
Shares outstanding as at 31 December 2010	731,567,974 shares
Market capitalisation as at 31 December 2010	HK$2,311,755,000
Earnings per share for 2010	
Interim	7.9 HK cents
Full year	18.67 HK cents
Dividend per share for 2010	
Interim	1.9 HK cents
Special	2.4 HK cents
Final	8.5 HK cents
Full year	12.8 HK cents

Share Registrar & Transfer Offices

Principal:
Butterfield Fulcrum Group (Cayman) Limited
P.O. Box 609
Butterfield House
68 Fort Street
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch:
Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Enquiries Contact

Mr. Sam HUI Chi Ho
Group Finance Director

Telephone	2991 6300
Fax	2991 6302
E-mail	investor@cr-asia.com

Convenience Retail Asia Limited
5th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon
Hong Kong

Website

www.cr-asia.com

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2010.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the operation of chains of convenience stores and bakeries under the tradename of Circle K and Saint Honore respectively in Hong Kong and the Chinese Mainland.

An analysis of the Group's performance for the year by business segments and by geographical segments is set out in note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 61.

The Directors had declared an interim dividend of 1.9 HK cents per share, totaling HK$13,868,000, and a special dividend of 2.4 HK cents per share, totaling HK$17,518,000, which were paid on 31 August 2010.

The Directors recommended the payment of a final dividend of 8.5 HK cents per share, totaling HK$62,197,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$314,000.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 26 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2010 calculated under the Companies Law (2009 Revision) of the Cayman Islands, amounted to HK$337,553,000 (2009: HK$334,895,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands.

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2010 are set out in note 18 to the consolidated financial statements.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 122.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

Share Options

Pursuant to the share option scheme adopted by the Company on 6 January 2001 and as amended on 24 April 2002 (the "2001 Share Option Scheme"), the Board of Directors may, at its discretion, grant options to any qualifying participants entitling them to subscribe for shares of the Company.

The operation of the 2001 Share Option Scheme was terminated by the Company on 10 May 2010. No further options will be granted under the 2001 Share Option Scheme but in all other respects the provisions of the 2001 Share Option Scheme shall remain in full force and effect. All options granted prior to the termination of the 2001 Share Option Scheme and not then exercised shall remain valid.

On 10 May 2010, the Company adopted a new share option scheme (the "2010 Share Option Scheme") pursuant to which the Board of Directors may, at its discretion, grant options to any qualifying participants entitling them to subscribe for shares of the Company. As at 31 December 2010, no share options were granted, exercised, lapsed or cancelled under the 2010 Share Option Scheme.

Share Options (continued)

A summary of the major terms of the abovementioned 2001 Share Option Scheme and the 2010 Share Option Scheme is as follows:

(i) Purpose of the Share Option Schemes

The purpose of the Share Option Schemes is to attract and retain the best quality employees for the development of the Company's businesses and to provide additional incentives or rewards to selected qualifying participants of the Share Option Schemes for their contribution to the creation of the Company's shareholders value.

(ii) Qualifying participants

Any employee (whether full time or part time employee including any executive or non-executive Directors of the Company or any Affiliate (the "Affiliate") as defined in the Scheme) or any consultant, agent, advisor, business alliance, joint venture partner or supplier of goods or services to the Group or any Affiliate or any employee of the business alliance, joint venture partner or supplier of goods or services to the Group or any Affiliate.

(iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options granted/to be granted under the 2001 Share Option Scheme or the 2010 Share Option Scheme must not exceed 10% of the shares in issue as at the date of approval of the respective share option scheme.

The total number of shares available for issue, save for those already granted, under the 2010 Share Option Scheme is 72,991,597, representing approximately 9.98% of the issued share capital of the Company as at the date of this Report.

(iv) Limit for each participant

The total number of shares issued and to be issued upon exercise of the options (whether exercised or outstanding) in any 12-month period granted to each qualifying participant must not exceed 1% of the shares in issue, unless specially approved by the independent shareholders of the Company.

(v) Option period

In respect of any particular option, such period as the Board may in its absolute discretion determine, save that such period shall not expire less than three years nor more than ten years from the commencement date (the "Commencement Date"). The Commencement Date is deemed to have taken effect from the date on which that option was offered to the qualifying participants.

Share Options (continued)

(vi) Amount payable on application or acceptance

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the Commencement Date. An offer of the grant of the option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the relevant option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration of the grant thereof is received by the Company.

(vii) Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but it shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the Commencement Date (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Commencement Date on which there were dealings in shares on the Stock Exchange and (iii) the nominal value of a share.

(viii) The remaining life of the 2010 Share Option Scheme

The Board shall be entitled at any time within ten years commencing on 10 May 2010 to offer the grant of an option to any qualifying participants.

Share Options (continued)

Details of the movement of share options under the 2001 Share Option Scheme during the year ended 31 December 2010 are as follows:

(A) Continuous contract employees

Number of share options									
As at 1 January 2010	Granted (Note 1)	Exercised (Note 2)	Lapsed (Note 3)	Expired (Note 4)	As at 31 December 2010	Exercise price HK$	Grant date	Exercisable from	Exercisable until
418,000	–	–	–	(418,000)	–	2.86	4 May 2005	4 May 2006	3 May 2010
332,000	–	–	–	(332,000)	–	2.86	4 May 2005	4 May 2007	3 May 2010
1,588,000	–	(1,524,000)	–	(64,000)	–	2.53	14 September 2005	14 September 2006	13 September 2010
140,000	–	(100,000)	(16,000)	(24,000)	–	2.53	14 September 2005	14 September 2007	13 September 2010
756,000	–	(28,000)	(56,000)	–	672,000	2.905	10 March 2006	10 March 2007	9 March 2011
450,000	–	–	(86,000)	–	364,000	2.905	10 March 2006	10 March 2008	9 March 2011
374,000	–	–	(42,000)	–	332,000	2.93	29 August 2006	29 August 2007	28 August 2011
126,000	–	–	(14,000)	–	112,000	2.93	29 August 2006	29 August 2008	28 August 2011
1,104,000	–	–	(28,000)	–	1,076,000	3.00	30 March 2007	30 March 2008	29 March 2012
310,000	–	–	(62,000)	–	248,000	3.00	30 March 2007	30 March 2009	29 March 2012
2,720,000	–	–	(160,000)	–	2,560,000	3.39	3 May 2007	3 May 2009	2 May 2012
2,680,000	–	–	(120,000)	–	2,560,000	3.39	3 May 2007	3 May 2010	2 May 2013

Share Options (continued)

(A) Continuous contract employees (continued)

Number of share options									
As at 1 January 2010	Granted (Note 1)	Exercised (Note 2)	Lapsed (Note 3)	Expired (Note 4)	As at 31 December 2010	Exercise price HK$	Grant date	Exercisable from	Exercisable until
2,680,000	–	–	(120,000)	–	2,560,000	3.39	3 May 2007	3 May 2011	2 May 2014
508,000	–	–	(50,000)	–	458,000	3.46	19 November 2007	19 November 2009	18 November 2012
700,000	–	–	(60,000)	–	640,000	3.46	19 November 2007	19 November 2010	18 November 2013
700,000	–	–	(80,000)	–	620,000	3.46	19 November 2007	19 November 2011	18 November 2014
740,000	–	–	–	–	740,000	2.04	21 December 2009	21 December 2010	20 December 2014
180,000	–	–	(60,000)	–	120,000	2.04	21 December 2009	21 December 2011	20 December 2014
16,506,000	–	(1,652,000)	(954,000)	(838,000)	13,062,000				

Share Options (continued)

(B) Directors

	Number of share options									
	As at 1 January 2010	Granted	Exercised	Lapsed	Expired	As at 31 December 2010	Exercise price HK$	Grant date	Exercisable from	Exercisable until
Richard Yeung Lap Bun	400,000	–	–	–	–	400,000	3.39	3 May 2007	3 May 2009	2 May 2012
	400,000	–	–	–	–	400,000	3.39	3 May 2007	3 May 2010	2 May 2013
	400,000	–	–	–	–	400,000	3.39	3 May 2007	3 May 2011	2 May 2014
Louisa Wong Yuk Nor	200,000	–	–	–	–	200,000	3.39	3 May 2007	3 May 2009	2 May 2012
	200,000	–	–	–	–	200,000	3.39	3 May 2007	3 May 2010	2 May 2013
	200,000	–	–	–	–	200,000	3.39	3 May 2007	3 May 2011	2 May 2014
	1,800,000	–	–	–	–	1,800,000				

Notes:

1. *During the year, no share options were granted.*

2. *Share options to subscribe for 1,652,000 shares were exercised during the year. The weighted average closing market price per share immediately before the dates on which the options were exercised was approximately HK$3.01.*

3. *Share options to subscribe for 954,000 shares lapsed during the year following the cessation of employment of certain grantees.*

4. *Share options to subscribe for 838,000 shares expired during the year following the expiry of the options.*

Save as disclosed above, as at 31 December 2010, none of the Directors, chief executives, management shareholders or substantial shareholders of the Company or their respective associates have been granted any other share options under the 2001 Share Option Scheme or the 2010 Share Option Scheme.

Directors

The Directors during the year and up to the date of this Report were:

Non-executive Directors
Dr. Victor FUNG Kwok King
Dr. William FUNG Kwok Lun
Dr. Raymond CH'IEN Kuo Fung*
Mr. Malcolm AU Man Chung*
Mr. Anthony LO Kai Yiu*
Mr. Godfrey Ernest SCOTCHBROOK
Mr. Jeremy Paul Egerton HOBBINS
Ms. Louisa WONG Yuk Nor

Executive Director
Mr. Richard YEUNG Lap Bun

* *Independent non-executive Directors*

In accordance with Article 87 of the Company's Articles of Association, Dr. Victor Fung Kwok King, Mr. Malcolm Au Man Chung and Ms. Louisa Wong Yuk Nor will retire at the forthcoming annual general meeting. Ms. Louisa Wong Yuk Nor has decided not to stand for re-election due to other commitments. The other retiring Directors, being eligible, will offer themselves for re-election.

Non-executive Directors were appointed for an initial term of three years and will continue in office thereafter subject to termination by not less than three months' prior notice in writing by either party to the other. In addition, all Directors including the non-executive Directors are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting at least once every three years pursuant to the Company's Articles of Association and the Code on Corporate Governance Practices.

Directors' Service Contracts

The executive Director has entered into a service contract with the Company for an initial term of three years commencing on 1 January 2001 and will continue in office thereafter subject at all times (including the initial three years period) to termination by not less than three months' prior notice in writing by either party to the other.

Save as disclosed, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under "Connected Transactions" stated below and note 31 "Related Party Transactions" to the consolidated financial statements.

Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Certain Major Associated Corporations

As at 31 December 2010, the interests and short positions of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and certain of its major associated corporations (Note 1) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained by the Company pursuant to section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the Directors under the GEM Listing Rules and/or the Code of Conduct for dealings in securities adopted by the Company, were as follows:

The Company

Long positions in shares and the underlying shares of equity derivatives

	Number of shares					
Name of Directors	**Personal interests**	**Family interests**	**Corporate/ Trust interests**	**Number of underlying shares (share options)**	**Total interests**	**Approximate percentage of interests**
Dr. Victor Fung Kwok King	–	–	373,692,000 *(Note 2)*	–	373,692,000	51.08%
Dr. William Fung Kwok Lun	–	–	373,692,000 *(Note 2)*	–	373,692,000	51.08%
Mr. Richard Yeung Lap Bun	19,196,000	–	–	1,200,000 *(Note 3)*	20,396,000	2.78%
Ms. Louisa Wong Yuk Nor	1,588,000	–	–	600,000 *(Note 4)*	2,188,000	0.29%
Dr. Raymond Ch'ien Kuo Fung	1,000,000	–	–	–	1,000,000	0.13%
Mr. Jeremy Paul Egerton Hobbins	180,000	–	–	–	180,000	0.02%

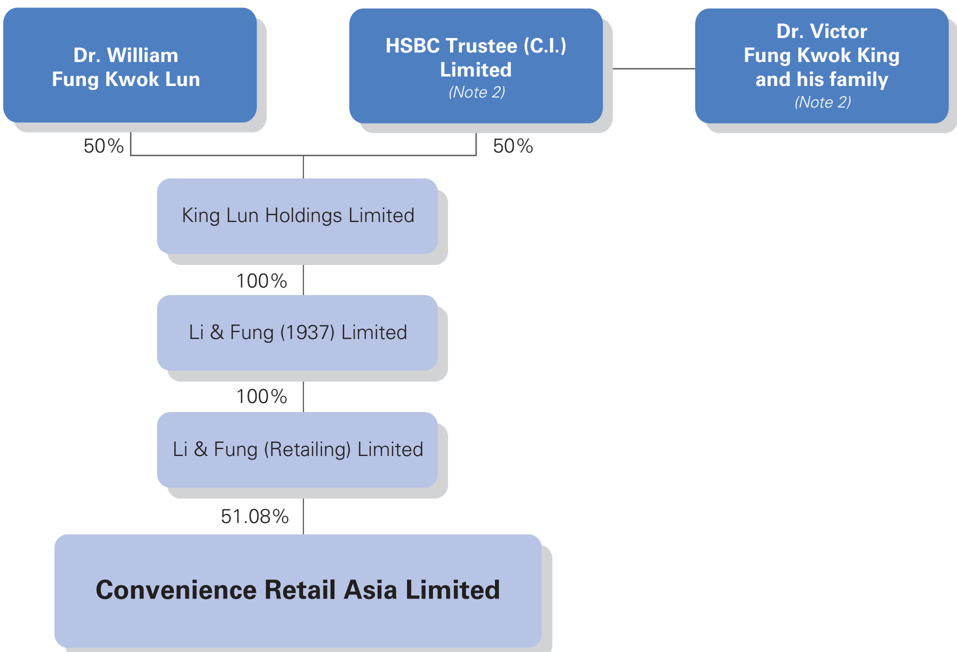
Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Certain Major Associated Corporations (continued)

Major associated corporations

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Name of associated corporations	Class of shares	Number of (i) shares	Number of (ii) underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Dr. Victor Fung Kwok King	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	*(Note 5)*	100%
	LiFung Trinity Limited	Ordinary share	1	–	*(Note 6)*	100%
Dr. William Fung Kwok Lun	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate interests *(Note 5)*	100%
	LiFung Trinity Limited	Ordinary share	1	–	Corporate interests *(Note 6)*	100%

As at 31 December 2010, the interests of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun in the shares of the Company are summarised in the following chart:



Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Certain Major Associated Corporations (continued)

Notes:

1. *Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun by virtue of their interests in King Lun Holdings Limited ("King Lun") and the Company are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under SFO. A waiver from full compliance from Rule 18.15 of the GEM Listing Rules for the disclosure of Directors' interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 20 January 2011. Accordingly, the companies under the section headed "Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations" are only the major associated corporations of the Company and are not intended to be exhaustive.*

2. *King Lun through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited ("LFR") (a wholly owned subsidiary of Li & Fung (1937) Limited ("LF (1937)")) held 373,692,000 shares in the Company. 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr. Victor Fung Kwok King, the remaining 50% is owned by Dr. William Fung Kwok Lun.*

3. *On 3 May 2007, Mr. Richard Yeung Lap Bun was granted share options pursuant to the 2001 Share Option Scheme of the Company to subscribe for a total of 1,200,000 shares at an exercise price of HK$3.39 per share. The options are to be vested in Mr. Richard Yeung Lap Bun in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Upon confirmation of vesting, the options in relation to the performance year 2007 and 2008 became exercisable during the period from 3 May 2009 to 2 May 2012 and from 3 May 2010 to 2 May 2013 respectively. The remaining lot of options in relation to the performance year 2009 would be exercisable during the period of 3 May 2011 to 2 May 2014.*

4. *On 3 May 2007, Ms. Louisa Wong Yuk Nor was granted share options pursuant to the 2001 Share Option Scheme of the Company to subscribe for a total of 600,000 shares at an exercise price of HK$3.39 per share. The options are to be vested in Ms. Louisa Wong Yuk Nor in three equal lots in relation to the performance year 2007, 2008 and 2009 respectively. Upon confirmation of vesting, the options in relation to the performance year 2007 and 2008 became exercisable during the period from 3 May 2009 to 2 May 2012 and from 3 May 2010 to 2 May 2013 respectively. The remaining lot of options in relation to the performance year 2009 would be exercisable during the period of 3 May 2011 to 2 May 2014.*

5. *King Lun through its wholly owned subsidiary, LF (1937) held 13,800,000 shares in Li & Fung (Distribution) Limited. Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) as set out in Note 2 above.*

6. *King Lun through its indirect wholly owned subsidiary, LFR held 1 share in LiFung Trinity Limited. Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are deemed to have interests in the share through their respective interests in King Lun and LF (1937) and indirect interests in LFR as set out in Note 2 above.*

Save as disclosed above, as at 31 December 2010, none of the Directors, chief executives and their associates had any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

Interests and Short Positions of Shareholders in the Shares and Underlying Shares of the Company

As at 31 December 2010, the interests and short positions of shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

Long positions in shares

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	373,692,000	Trustee *(Note 1)*	51.08%
King Lun Holdings Limited	373,692,000	Corporate interests *(Note 1)*	51.08%
Aberdeen Asset Management Plc and its associates	84,220,000	Other *(Note 2)*	11.51%
Arisaig Asia Consumer Fund Limited ("Arisaig Asia")	92,580,000	Other	12.65%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	92,580,000	Other *(Note 3)*	12.65%
Lindsay William Ernest Cooper ("Mr. Cooper")	92,580,000	Corporate interests *(Note 4)*	12.65%

Notes:

1. *These shares were held by LFR. King Lun indirectly owns 100% interests in LFR through its wholly owned subsidiary, LF (1937). All of HSBC Trustee (C.I.) Limited, King Lun, LF (1937) and LFR are taken to be interested in the shares pursuant to SFO. Please refer to Note 2 in the above section headed "Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations".*

2. *Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group") held the shares on behalf of accounts managed by the Aberdeen Group.*

3. *These shares were held by Arisaig Asia of which Arisaig Partners is the fund manager.*

4. *These shares were held by Arisaig Asia of which Arisaig Partners is the fund manager. Arisaig Partners is indirectly owned as to 33.33% by Mr. Cooper through a chain of companies, namely, through Skye Partners Limited (directly owned as to 33.33% by Mr. Cooper), and in turn Skye Partners Limited wholly owns Arisaig Partners (Holdings) Ltd., which in turn wholly owns Arisaig Partners.*

Save as disclosed above, as at 31 December 2010, the Company had not been notified of any other shareholders' interests or short positions as recorded in the register required to be kept under section 336 of SFO.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float as allowed by the Stock Exchange during the year and up to the date of this Report.

Directors' Benefits from Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Options" above, at no time during the year was the Company, its holding companies or its subsidiaries a party to any arrangements to enable the Directors of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Major Customers and Suppliers

The percentage of purchases for the year attributable to the Group's major suppliers is as follows:

– the largest supplier	21%
– five largest suppliers combined	48%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had an interest in the five largest suppliers noted above.

During the year, the Group sold less than 30% of its goods and services to its five largest customers.

Connected Transactions

During the year, the Group had various transactions with related parties (details are set out in note 31 to the consolidated financial statements on pages 120 and 121). The following transactions are expected to continue on an on-going basis and will constitute continuing connected transactions (exempt from independent shareholders' approval requirements) of the Company:

		HK$'000
1.	Net purchases of products from IDS (Hong Kong) Limited ("IDS (HK)") *(Note 1)*	11,287
2.	Rentals for the leasing and/or licensing of properties from Li & Fung (1937) Limited ("LF (1937)") and its associates *(Note 2)*	6,712

Notes:

1. *This refers to the net purchases of various products (being food and non-food products) by Circle K Convenience Stores (HK) Limited and members of the Group from IDS (HK), an associate of the Company's controlling shareholder, on its standard terms of business pursuant to the agreement dated 6 December 2007 (details of which were disclosed in the announcement dated 6 December 2007).*

2. *This refers to the rentals for the leasing and/or licensing of properties by the Group from LF (1937) (the controlling shareholder of the Company) and its associates under a master agreement signed on 18 December 2009 for a term of three years commencing from 1 January 2010 and ending on 31 December 2012 (details of which were disclosed in the announcement dated 18 December 2009).*

On 5 November 2010, the Company signed a master agreement with LF (1937) regarding the purchases of various products (being both food and non-food products) by the Group from LF (1937) and its associates for a term commencing from 1 January 2011 and ending on 31 December 2012 (details of which were disclosed in the announcement dated 5 November 2010). Such agreement constituted continuing connected transaction of the Company (exempt from independent shareholders' approval requirements).

The independent non-executive Directors confirmed that the above transactions have been entered into on normal commercial terms no less favourable to the Group than terms available from independent third parties and each of these transactions has been entered into in the ordinary course of business of the Group, and is fair and reasonable to the Company and in the interests of the shareholders of the Company as a whole. In addition, all the disclosure requirements in connection with the above transactions pursuant to Chapter 20 of the GEM Listing Rules have been duly complied with by the Company.

In accordance with paragraph 20.38 of the GEM Listing Rules, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the continuing connected transactions mentioned in items 1 and 2 above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor confirmed that the continuing connected transactions:

(a) have been approved by the Board of Directors of the Company;

(b) have been entered into in accordance with the relevant agreements governing the transactions; and

(c) have not exceeded the relevant caps as disclosed in previous announcements.

Contracts with Controlling Shareholders

Save as disclosed under "Connected Transactions" above and note 31 "Related Party Transactions" to the consolidated financial statements, no other contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries were entered into or existed during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Interest in Competing Business

During the year, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2010, the Directors have selected suitable and relevant accounting policies and applied them consistently as stated in note 2 to the consolidated financial statements; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 9 March 2011

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Independent Auditor's Report
to the shareholders of Convenience Retail Asia Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Convenience Retail Asia Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 121, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2011

Consolidated Profit and Loss Account

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	**3,575,238**	3,349,326
Cost of sales	6	**(2,346,370)**	(2,181,565)
Gross profit		**1,228,868**	1,167,761
Other income	5	**76,948**	67,052
Other gain/(loss), net	7	**15,261**	(2,177)
Store expenses	6	**(925,242)**	(899,814)
Distribution costs	6	**(85,622)**	(83,062)
Administrative expenses	6	**(151,075)**	(143,571)
Operating profit		**159,138**	106,189
Interest income	8	**5,970**	3,354
Profit before income tax		**165,108**	109,543
Income tax expenses	9	**(28,749)**	(19,094)
Profit attributable to shareholders of the Company	10 & 27	**136,359**	90,449
Earnings per share			
Basic (HK cents)	11	**18.67**	12.39
Diluted (HK cents)	11	**18.67**	12.39
Dividends	12	**93,583**	56,204

The notes on pages 69 to 121 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit attributable to shareholders of the Company	**136,359**	90,449
Other comprehensive income/(loss) for the year, net of tax		
Exchange differences	**403**	(16)
Total comprehensive income attributable to shareholders of the Company	**136,762**	90,433

The notes on pages 69 to 121 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Non-current assets				
Fixed assets	*15*	**309,196**	300,717	389,935
Lease premium for land	*16*	**33,098**	32,517	33,571
Intangible assets	*17*	**357,465**	357,465	357,465
Available-for-sale financial asset	*19*	**1,895**	1,895	1,895
Rental and other long-term deposits		**47,878**	43,597	59,584
Bank deposits	*24*	**97,729**	149,400	–
Deferred tax assets	*20*	**9,449**	9,754	8,280
		856,710	895,345	850,730
Current assets				
Inventories	*21*	**147,281**	127,920	118,255
Rental deposits		**34,654**	28,178	21,068
Trade receivables	*22*	**34,170**	29,531	35,066
Other receivables, deposits and prepayments		**62,050**	56,153	74,650
Taxation recoverable		**–**	1,039	82
Asset held for sale	*23*	**–**	20,537	–
Bank deposit	*24*	**70,000**	–	–
Cash and cash equivalents	*24*	**454,227**	365,888	418,490
		802,382	629,246	667,611
Current liabilities				
Trade payables	*25*	**468,255**	432,696	438,442
Other payables and accruals		**177,438**	143,194	143,400
Taxation payable		**8,612**	9,585	12,848
Cake coupons		**123,810**	124,228	125,398
		778,115	709,703	720,088
Net current assets/(liabilities)		**24,267**	(80,457)	(52,477)
Total assets less current liabilities		**880,977**	814,888	798,253

Consolidated Balance Sheet (continued)

As at 31 December 2010

	Note	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Financed by:				
Share capital	*26*	**73,157**	72,992	72,992
Reserves	*27*	**714,275**	665,219	653,197
Proposed dividend	*27*	**62,197**	43,795	40,145
Shareholders' funds		**849,629**	782,006	766,334
Non-controlling interests		**–**	–	(8,256)
		849,629	782,006	758,078
Non-current liabilities				
Long service payment liabilities	*28*	**20,397**	20,993	22,533
Deferred tax liabilities	*20*	**10,951**	11,889	17,642
		880,977	814,888	798,253

On behalf of the Board

Victor FUNG Kwok King
Director

Richard YEUNG Lap Bun
Director

The notes on pages 69 to 121 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Non-current assets			
Investments in and loan to subsidiaries	*18*	**654,538**	672,838
Fixed assets	*15*	**4,730**	–
Other long term deposits		**34**	–
Bank deposits	*24*	**–**	70,000
		659,302	742,838
Current assets			
Amounts due from subsidiaries	*18*	**110,142**	94,286
Rental deposits		**989**	–
Other receivables, deposits and prepayments		**1,368**	1,004
Bank deposit	*24*	**70,000**	–
Cash and cash equivalents	*24*	**38,270**	182,875
		220,769	278,165
Current liabilities			
Amounts due to subsidiaries	*18*	**454,185**	608,555
Other payables and accruals		**14,655**	4,369
Taxation payable		**192**	192
		469,032	613,116
Net current liabilities		**(248,263)**	(334,951)
Total assets less current liabilities		**411,039**	407,887
Financed by:			
Share capital	*26*	**73,157**	72,992
Reserves	*27*	**275,356**	291,100
Proposed dividend	*27*	**62,197**	43,795
		410,710	407,887
Non-current liabilities			
Long service payment liabilities	*28*	**329**	–
		411,039	407,887

On behalf of the Board

Victor FUNG Kwok King
Director

Richard YEUNG Lap Bun
Director

The notes on pages 69 to 121 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to shareholders of the Company							Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1 January 2009	72,992	281,614	177,087	13,433	11,729	8,678	200,801	(8,256)	758,078
Profit attributable to shareholders of the Company	–	–	–	–	–	–	90,449	–	90,449
Exchange differences	–	–	–	–	–	(16)	–	–	(16)
Total comprehensive income for the year	–	–	–	–	–	(16)	90,449	–	90,433
Employee share option benefit	–	–	–	–	2,032	–	1,004	–	3,036
Dividends	–	–	–	–	–	–	(52,554)	–	(52,554)
Acquisition of additional interest in subsidiary *(note 18)*	–	–	–	–	–	–	(25,243)	8,256	(16,987)
	–	–	–	–	2,032	–	(76,793)	8,256	(66,505)
At 31 December 2009	72,992	281,614	177,087	13,433	13,761	8,662	214,457	–	782,006

The notes on pages 69 to 121 are an integral part of these consolidated financial statements.

	Attributable to shareholders of the Company							Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1 January 2010	72,992	281,614	177,087	13,433	13,761	8,662	214,457	–	782,006
Profit attributable to shareholders of the Company	–	–	–	–	–	–	136,359	–	136,359
Exchange differences	–	–	–	–	–	403	–	–	403
Total comprehensive income for the year	–	–	–	–	–	403	136,359	–	136,762
Issue of new shares	165	4,025	–	–	–	–	–	–	4,190
Employee share option benefit	–	1,301	–	–	(867)	–	1,418	–	1,852
Dividends	–	–	–	–	–	–	(75,181)	–	(75,181)
	165	5,326	–	–	(867)	–	(73,763)	–	(69,139)
At 31 December 2010	73,157	286,940	177,087	13,433	12,894	9,065	277,053	–	849,629

The notes on pages 69 to 121 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	*29*	**238,803**	187,685
Hong Kong profits tax paid		**(26,045)**	(27,235)
Overseas income tax paid		**(3,271)**	(3,308)
Net cash generated from operating activities		**209,487**	157,142
Cash flows from investing activities			
Purchase of fixed assets		**(76,918)**	(59,080)
Purchase of lease premium for land		**(1,496)**	–
Proceeds from disposal of fixed assets		**38,395**	48,496
Increase in bank deposits		**(17,729)**	(150,000)
Interest received		**5,870**	3,354
Net cash used in investing activities		**(51,878)**	(157,230)
Cash flows from financing activities			
Proceeds from issuance of shares		**4,190**	–
Dividends paid		**(75,181)**	(52,554)
Net cash used in financing activities		**(70,991)**	(52,554)
Increase/(decrease) in cash and cash equivalents		**86,618**	(52,642)
Cash and cash equivalents at 1 January		**365,888**	418,490
Effect of foreign exchange rate changes		**1,721**	40
Cash and cash equivalents at 31 December		**454,227**	365,888

The notes on pages 69 to 121 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Convenience Retail Asia Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the operation of chains of convenience stores and bakeries under the trademark of Circle K and Saint Honore respectively in Hong Kong, Macau and the Chinese Mainland.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has its primary listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board of Directors has approved for the application of a transfer of listing from the GEM to the Main Board of the Stock Exchange on 9 March 2011.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 9 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates and judgements are significant to the consolidated financial statements, are disclosed in note 4.

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 2010 and relevant to its operations:

HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
Annual Improvements Project	Improvements to HKFRSs 2009
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The adoption of such new and amended standards and interpretation does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies except HKAS 17 Amendment, "Leases", which is included in the Annual Improvements Project.

HKAS 17 Amendment, "Leases", requires leasehold land to be classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (i.e. the transaction price) of certain land held by the Group amounted to substantially all of the fair value of the land as if it was freehold, it has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

Effect of adopting HKAS 17 Amendment on the consolidated balance sheet and consolidated profit and loss account are as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Increase/(decrease) in assets			
Fixed assets	**83,784**	86,754	141,303
Lease premium for land	**(83,784)**	(86,754)	(141,303)

	31 December 2010 HK$'000	31 December 2009 HK$'000	31 December 2008 HK$'000
Increase/(decrease) in expenses			
Depreciation	**2,252**	3,055	3,150
Amortisation	**(2,252)**	(3,055)	(3,150)

The following new and amended standards and interpretations of HKFRS are mandatory for accounting periods beginning on or after 1 January 2010 but they are not relevant to the Group's operations:

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKAS 39 Amendment	Eligible Hedged Items
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Embedded Derivatives
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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 2011. The adoption of such new and amended standards and interpretations will have no material impact on the consolidated financial statements and will not result in substantial changes to the Group's accounting policies.

HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 1 Amendment	Severe Hyperinflation of Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendment	Disclosures – Transfers of Financial Assets
HKFRS 9	Financial Instruments
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Classification of Rights Issues
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	Improvements to HKFRSs 2010

Certain comparative information in the consolidated financial statements has been reclassified to conform to the current year's presentation.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill *(note 2f)*. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses *(note 2g)*. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in other comprehensive income.

(iii) Group companies

The results and financial position of all of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land is stated at cost without amortisation. Leasehold land classified as finance lease and properties are depreciated on a straight-line basis over the unexpired term of the leases of 24 years to 43 years. Leasehold improvements are depreciated on a straight-line basis over the leases of 3 years to 10 years. Other fixed assets are depreciated at rates sufficient to write off their costs over their expected useful lives on a straight-line basis. The principal annual rates are as follows:

Equipment, furniture and fixtures	10% to $33^1/_3$%
Motor vehicles	$16^2/_3$% to 25%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fixed assets (continued)

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the consolidated profit and loss account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(note 2g)*.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment.

(ii) Trademarks

Acquired trademarks have an infinite useful life and are carried at historical cost without amortisation. Trademarks are tested annually for impairment and carried at cost less accumulated impairment losses.

(g) Impairment of investments in subsidiaries and non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Asset held for sale

A property is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell if its carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(i) Financial assets

The Group classifies its investments as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

Classification

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables, bank deposits and cash and cash equivalents in the consolidated balance sheet *(note 2k and 2l)*.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

(iii) Financial assets at fair value through profit or loss

Financial assets are classified in this category as designated at fair value through profit or loss at inception by management. They are classified as current assets if they are expected to be realised within twelve months of the balance sheet date.

Recognition and measurement

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

Recognition and measurement (continued)

Gains or losses arising from changes in fair value of financial assets at fair value through profit or loss are presented in the consolidated profit and loss account in the period in which they arise. Dividend income from the financial assets at fair value through profit or loss is recognised in the consolidated profit and loss account in other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated profit and loss account as gains and losses from investment securities.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

In the case of loans and receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the impairment loss is recognised in the consolidated profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an asset's fair value using an observable market price. If the amount of the impairment loss decreases in a subsequent period, the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories

Inventories comprising merchandises and bakery products are stated at the lower of cost and net realisable value. The cost of inventories is calculated on the weighted average basis including all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the consolidated profit and loss account.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(n) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Current and deferred income tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group pays contributions to an independently administered fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. Contributions to the fund by the Group and employees are calculated as a percentage of employees' salaries.

The assets of the fund are held separately from those of the Group in the independently administered fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(iv) Long service payment liabilities

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed by using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the consolidated profit and loss account so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefit become vested.

(v) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated profit and loss account, and a corresponding adjustment to equity employee share-based compensation reserve over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's business. Revenue is shown net of discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised when a product is sold to the customer. Payments that are related to cake coupons not yet redeemed by the customers are deferred and shown as cake coupons in the consolidated balance sheet. Cake coupons surrendered in exchange for products or upon expiry during the period are recognised as revenue in the consolidated profit and loss account using the weighted average cake coupon sale value.

(ii) Sales of services are recognised in the accounting period in which the services are rendered.

(iii) Interest income is recognised on a time proportion basis using the effective interest method.

(s) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

(t) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(i) Foreign exchange risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has insignificant exposure to foreign exchange risk as substantially all sales and purchases transactions, recognised assets and liabilities are primarily denominated in the functional currency of the operations to which they relate.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(ii) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, bank deposits, trade receivables, rental deposits and other receivables. The carrying amounts of these balances represent the maximum exposure to credit risk in relation to financial assets and the Group regularly monitored the level of these balances.

The majority of the Group's trade receivables are supplier rebate and promotion fees receivables. The Group mitigates its exposure to risk relating to the trade receivables by performing regular reviews of the aging profile of trade receivables. The Group has no significant concentrations of credit risk, with exposure spread over a large number of debtors.

Retail sales are usually paid in cash. The Group mitigates its exposure to risk relating to cash at bank and bank deposits by placing them with renowned financial institutions registered in Hong Kong and the Chinese Mainland. All bank deposits and majority of cash and cash equivalents are placed in banks with high credit rankings. Rental deposits are also placed with various landlords in Hong Kong and the Chinese Mainland and are due upon the expiry of the tenancy agreements and handover of the leased premises. The Group did not experience any default by the landlords and there is no material concentration of credit risk for rental deposits due to a large number of landlords.

(iii) Liquidity risk

The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank deposits and banking facilities considered to be adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. All of the Group's financial liabilities, including trade payables of HK$468,255,000 (2009: HK$432,696,000) and other payables and accruals of HK$177,438,000 (2009: HK$143,194,000) are contractually maturing within one year. On company level, all the balances with subsidiaries are repayable on demand.

(iv) Interest rate risk

The Group has no significant interest-bearing assets, except the cash at bank and bank deposits, which are exposed to changes in market interest rates. It is the Group's policy to maintain surplus cash with an appropriate portfolio of short-term and long-term deposits.

If the interest rates had been increased/decreased by 50 basis-point and all other variables were held constant, the Group's net profit would have been increased/decreased by HK$2,216,000 (2009: HK$1,768,000) for the year ended 31 December 2010.

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the total shareholders' equity as shown in the consolidated balance sheet. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long-term.

(c) Fair value estimation

The Group adopted the HKFRS 7 Amendments for financial instruments that are measured in the consolidated balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Quoted prices in active markets for identical assets or liabilities (level 1)
(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
(iii) Inputs for the asset or liability that are not based on observable market data (level 3)

The Group's assets that are measured at fair value as at 31 December 2010 are as follows:

	2010	2009
	HK$'000	HK$'000
Bank deposits designated as:		
Financial assets at fair value through profit or loss (level 2)	**80,000**	79,400
Available-for-sale financial asset (level 3)	**1,895**	1,895
	81,895	81,295

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of fixed assets

The Group conducts impairment reviews of fixed assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the higher of the amount of value-in-use or fair value less costs to sell. These calculations require the use of judgements and estimates.

(b) Estimated impairment of intangible assets

The Group tests annually whether goodwill and trademarks have suffered any impairment, in accordance with the accounting policy stated in note 2f. The recoverable amounts of goodwill and trademarks are determined based on fair value less costs to sell calculations and royalty relief valuation method. These calculations require the use of estimates *(note 17)*.

(c) Estimated useful lives of trademarks

Trademarks represent the power of Saint Honore brand which the Group's management consider to have indefinite useful lives due to the enduring nature of the brand. These estimates are based on the historical experience of the actual useful lives of trademarks of similar nature and functions. Periodic review could result in a change in useful lives and consequently amortisation expenses in future periods.

(d) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the options as stated in note 26. Where the outcome of the number of options that are exercisable is different, such difference will impact the consolidated profit and loss account in the subsequent remaining vesting period of the relevant share options.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	Group	
	2010	2009
	HK$'000	HK$'000
Revenue		
Merchandise sales revenue	**2,881,951**	2,702,403
Bakery sales revenue	**693,287**	646,923
	3,575,238	3,349,326
Other income		
Service items and miscellaneous income	**76,948**	67,052

Segment information

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

The management considers the business from both a product and geographic perspective. From a product perspective, management assesses the performance of convenience store and bakery business. For convenience store segment, revenues are mainly derived from a broad range of merchandise sales. For bakery segment, revenues are mainly comprised of bakery and festival products. Geographically, the management considers the performance of retailing business in Hong Kong and others, and the Chinese Mainland.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)

Segment information (continued)

The segment information provided to the management for the reportable segments for the year ended 31 December 2010 and 2009 are as follows:

	2010				
	Convenience Store		Bakery		
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	Group HK$'000
Total segment revenue	2,767,805	114,155	734,763	44,194	3,660,917
Inter-segment revenue	(9)	–	(85,352)	(318)	(85,679)
Revenue from external customers	2,767,796	114,155	649,411	43,876	3,575,238
Total segment other income	74,904	1,228	3,138	62	79,332
Inter-segment other income	–	(132)	(2,252)	–	(2,384)
Other income	74,904	1,096	886	62	76,948
	2,842,700	115,251	650,297	43,938	3,652,186
Profit/(loss) after tax	112,371	(23,650)	46,508	1,130	136,359
Profit/(loss) after tax includes:					
Depreciation	(27,975)	(7,555)	(29,674)	(1,246)	(66,450)
Amortisation	–	(500)	(584)	–	(1,084)
Interest income	5,564	40	249	117	5,970
Income tax expenses	(23,441)	–	(5,104)	(204)	(28,749)

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)

Segment information (continued)

	2009				
	Convenience Store		Bakery		
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	Group HK$'000
Total segment revenue	2,568,163	134,249	672,614	43,645	3,418,671
Inter-segment revenue	(9)	–	(67,450)	(1,886)	(69,345)
Revenue from external customers	2,568,154	134,249	605,164	41,759	3,349,326
Total segment other income	64,513	2,156	2,950	20	69,639
Inter-segment other income	–	(91)	(2,496)	–	(2,587)
Other income	64,513	2,065	454	20	67,052
	2,632,667	136,314	605,618	41,779	3,416,378
Profit/(loss) after tax	102,948	(41,689)	31,184	(1,994)	90,449
Profit/(loss) after tax includes:					
Depreciation (Restated)	(30,095)	(11,319)	(33,236)	(2,427)	(77,077)
Amortisation (Restated)	–	(447)	(612)	–	(1,059)
Interest income	3,179	26	123	26	3,354
Income tax (expenses)/credit	(21,886)	–	2,131	661	(19,094)

Revenue between segments is carried out at arm's length. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that of the consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of profit after tax.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)

Segment information (continued)

The segment assets and liabilities as at 31 December 2010 and 2009 are as follows:

	As at 31 December 2010				
	Convenience Store		**Bakery**		
	HK & Others HK$'000	**Chinese Mainland HK$'000**	**HK & Others HK$'000**	**Chinese Mainland HK$'000**	**Group HK$'000**
Total segment assets	**434,647**	**60,570**	**703,897**	**21,887**	**1,221,001**
Total segment assets include:					
Additions to segment non-current assets	**54,731**	**5,775**	**21,425**	**914**	**82,845**
Total segment liabilities	**531,748**	**27,273**	**225,106**	**5,773**	**789,900**

	As at 31 December 2009				
	Convenience Store		Bakery		
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	Group HK$'000
Total segment assets	412,369	64,966	733,650	20,142	1,231,127
Total segment assets include:					
Additions to segment non-current assets	20,455	3,075	35,108	442	59,080
Total segment liabilities	475,036	29,820	210,993	5,262	721,111

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.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)

Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	2010 **HK$'000**	2009 HK$'000
Segment assets for reportable segments	**1,221,001**	1,231,127
Unallocated:		
Deferred tax assets	**9,449**	9,754
Taxation recoverable	**–**	1,039
Corporate bank deposits	**428,642**	282,671
Total assets per consolidated balance sheet	**1,659,092**	1,524,591

Reportable segment liabilities are reconciled to total liabilities as follows:

	2010 **HK$'000**	2009 HK$'000
Segment liabilities for reportable segments	**789,900**	721,111
Unallocated:		
Deferred tax liabilities	**10,951**	11,889
Taxation payable	**8,612**	9,585
Total liabilities per consolidated balance sheet	**809,463**	742,585

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$3,338,918,000 (2009: HK$3,106,979,000), and the total of revenue from external customers from other countries is HK$236,320,000 (2009: HK$242,347,000) for the year ended 31 December 2010.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$680,660,000 (2009: HK$664,270,000), and the total of these non-current assets located in other countries is HK$66,977,000 (2009: HK$70,026,000) as at 31 December 2010.

6. EXPENSES BY NATURE

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Amortisation of lease premium for land *(note 16)*	**1,084**	1,059
Auditor's remuneration		
Charge for the year	**1,819**	1,749
Over provision in prior year	**–**	(17)
Changes in inventories	**2,191,674**	2,082,576
Depreciation of owned fixed assets *(note 15)*	**66,450**	77,077
Employee benefit expense *(note 13)*	**595,457**	554,803
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(600)**	600
Operating leases rental for land and buildings		
Minimum lease payment	**318,590**	305,672
Contingent lease payment	**8,289**	5,369
Other expenses	**325,546**	279,124
Total cost of sales, store expenses, distribution costs and administrative expenses	**3,508,309**	3,308,012

7. OTHER GAIN/(LOSS), NET

Other gain/(loss), net represents the net gain/loss on disposal of fixed assets. For the year ended 31 December 2010, other gain/(loss), net includes gain on disposal of a real estate property amounting to HK$16,138,000 (2009: HK$8,918,000).

8. INTEREST INCOME

	Group	
	2010	2009
	HK$'000	HK$'000
Interest income on bank deposits	**5,970**	3,354

9. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2010 and 2009. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	Group	
	2010	2009
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**25,446**	23,113
Overseas profits tax	**3,841**	3,205
Deferred income tax *(note 20)*	**(538)**	(7,224)
	28,749	19,094

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 Company as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Profit before income tax	**165,108**	109,543
Calculated at a taxation rate of 16.5%	**27,243**	18,075
Effect of different taxation rates in other jurisdiction	**(2,261)**	(3,988)
Income not subject to taxation	**(3,787)**	(2,180)
Expenses not deductible for tax purposes	**2,881**	2,405
Tax losses not recognised	**5,726**	10,382
Effect of previously unrecognised tax losses	**(1,106)**	(602)
Effect of previously unrecognised temporary differences	**11**	317
Reversal of previously recognised temporary differences	**(534)**	(5,382)
Under/(Over) provision in prior year	**299**	(265)
Remeasurement of deferred tax – change in tax rate	**277**	332
	28,749	19,094

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$73,380,000 (2009: HK$28,927,000).

11. 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.

	2010 **HK$'000**	2009 HK$'000
Profit attributable to shareholders of the Company	**136,359**	90,449
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**730,421,437**	729,915,974
Adjustments for:		
Share options	**125,241**	–
Weighted average number of ordinary shares for diluted earnings per share	**730,546,678**	729,915,974

12. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Interim dividend, paid of 1.9 HK cents (2009: 1.7 HK cents) per share	**13,868**	12,409
Special dividend, paid of 2.4 HK cents (2009: nil) per share	**17,518**	–
Dividend, proposed of 8.5 HK cents (2009: 6 HK cents) per share	**62,197**	43,795
	93,583	56,204

At a meeting held on 9 March 2011, the Directors proposed a dividend of 8.5 HK cents per share. This proposed dividend is not reflected as a dividend payable in these financial statements.

13. EMPLOYEE BENEFIT EXPENSE

	Group	
	2010	2009
	HK$'000	HK$'000
Wages and salaries	**572,090**	529,498
Unutilised annual leave	**512**	(61)
Employee share option benefit	**1,852**	3,036
Pension costs – defined contribution plan *(note b & c)*	**20,640**	20,456
Long service payment costs *(note 28)*	**363**	1,874
	595,457	554,803

Notes:

(a) The employee benefit expense includes directors' and senior management's emoluments *(note 14)*.

(b) Forfeited contributions totalling HK$2,718,000 (2009: HK$4,770,000) were utilised during the year leaving nil amount available at the year-end to reduce future contributions.

(c) Contributions totalling HK$3,881,000 (2009: HK$3,696,000) were payable to the independently administered fund at the year-end.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits *(note i)* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Victor Fung Kwok King	220	–	–	–	–	220
Dr. William Fung Kwok Lun	110	–	–	–	–	110
Mr. Jeremy Paul Egerton Hobbins	160	–	–	–	–	160
Mr. Richard Yeung Lap Bun	110	2,760	6,101	284	12	9,267
Ms. Louisa Wong Yuk Nor	110	–	–	73	–	183
Dr. Raymond Ch'ien Kuo Fung	290	–	–	–	–	290
Mr. Malcolm Au Man Chung	230	–	–	–	–	230
Mr. Godfrey Ernest Scotchbrook	160	–	–	–	–	160
Mr. Anthony Lo Kai Yiu	180	–	–	–	–	180
	1,570	2,760	6,101	357	12	10,800

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits *(note i)* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Victor Fung Kwok King	90	–	–	65	–	155
Dr. William Fung Kwok Lun	50	–	–	30	–	80
Mr. Jeremy Paul Egerton Hobbins	70	–	–	45	–	115
Mr. Richard Yeung Lap Bun	50	2,760	4,275	370	12	7,467
Mr. Bruno Li Kwok Ho *(note ii)*	30	300	–	119	6	455
Ms. Louisa Wong Yuk Nor	50	–	–	131	–	181
Dr. Raymond Ch'ien Kuo Fung	110	–	–	90	–	200
Mr. Malcolm Au Man Chung	90	–	–	70	–	160
Mr. Godfrey Ernest Scotchbrook	70	–	–	45	–	115
Mr. Anthony Lo Kai Yiu	70	–	–	55	–	125
	680	3,060	4,275	1,020	18	9,053

Notes:

(i) Other benefits include leave pay, share options, insurance premium and club membership.

(ii) Mr. Bruno Li Kwok Ho resigned as an executive Director of the Company on 4 August 2009.

In addition to the Directors' emoluments disclosed above for the year ended 31 December 2009, certain Director of the Company had emoluments receivable from fellow subsidiary, which total HK$2,287,000, part of which is in respect of the services to the Company and its subsidiaries. No apportionment has been made as the Directors consider that it is impracticable to apportion this amount between the services to the Group and the services to the fellow subsidiary.

No Director waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2010 and 2009.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2009: one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2009: four) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries, housing allowances, share options, other allowances and benefit in kind	**6,737**	6,349
Discretionary bonuses	**2,417**	1,721
Pension costs – defined contribution scheme	**48**	48
	9,202	8,118

The emoluments of the employees fell within the following bands:

	Number of individuals	
	2010	2009
HK$1,000,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$3,000,000	**3**	2

(c) During the year, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join the Group, or as a compensation for loss of office.

15. FIXED ASSETS

Group

	Land and properties HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2009					
Cost as previously reported	87,622	233,917	403,407	22,316	747,262
Effect of adoption of HKAS 17 Amendment	159,303	–	–	–	159,303
Cost as restated	246,925	233,917	403,407	22,316	906,565
Accumulated depreciation, as previously reported	(15,983)	(177,430)	(289,808)	(15,409)	(498,630)
Effect of adoption of HKAS 17 Amendment	(18,000)	–	–	–	(18,000)
Accumulated depreciation, as restated	(33,983)	(177,430)	(289,808)	(15,409)	(516,630)
Net book amount, as restated	212,942	56,487	113,599	6,907	389,935
Year ended 31 December 2009					
Opening net book amount, as previously reported	71,639	56,487	113,599	6,907	248,632
Effect of adoption of HKAS 17 Amendment	141,303	–	–	–	141,303
Opening net book amount, as restated	212,942	56,487	113,599	6,907	389,935
Additions	–	26,412	32,098	570	59,080
Disposals/write off	(39,331)	(6,460)	(4,831)	(83)	(50,705)
Depreciation *(note 6)*	(5,112)	(29,211)	(40,379)	(2,375)	(77,077)
Exchange differences	–	9	12	–	21
Transferred to asset held for sale *(note 23)*	(20,537)	–	–	–	(20,537)
Closing net book amount, as restated	147,962	47,237	100,499	5,019	300,717

15. FIXED ASSETS (continued)

Group (continued)

	Land and properties HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2009					
Cost as previously reported	73,738	228,006	412,591	22,169	736,504
Effect of adoption of HKAS 17 Amendment	100,818	–	–	–	100,818
Cost as restated	174,556	228,006	412,591	22,169	837,322
Accumulated depreciation, as previously reported	(12,530)	(180,769)	(312,092)	(17,150)	(522,541)
Effect of adoption of HKAS 17 Amendment	(14,064)	–	–	–	(14,064)
Accumulated depreciation, as restated	(26,594)	(180,769)	(312,092)	(17,150)	(536,605)
Net book amount, as restated	147,962	47,237	100,499	5,019	300,717
Year ended 31 December 2010					
Opening net book amount, as previously reported	61,208	47,237	100,499	5,019	213,963
Effect of adoption of HKAS 17 Amendment	86,754	–	–	–	86,754
Opening net book amount, as restated	147,962	47,237	100,499	5,019	300,717
Additions	32,665	19,080	23,630	1,543	76,918
Disposals	(1,495)	(326)	(730)	(54)	(2,605)
Depreciation *(note 6)*	(3,767)	(23,118)	(37,744)	(1,821)	(66,450)
Exchange differences	10	235	367	4	616
Closing net book amount	175,375	43,108	86,022	4,691	309,196
At 31 December 2010					
Cost	205,740	233,378	422,558	21,817	883,493
Accumulated depreciation	(30,365)	(190,270)	(336,536)	(17,126)	(574,297)
Net book amount	175,375	43,108	86,022	4,691	309,196

15. FIXED ASSETS (continued)

Group (continued)

The net book value of leasehold land which is included in land and properties is analysed as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
In Hong Kong, held on:			
Leases of over 50 years	**–**	–	38,285
Leases of 10 to 50 years	**72,380**	75,078	91,070
Outside Hong Kong, held on:			
Leases of 10 to 50 years	**11,404**	11,676	11,948
	83,784	86,754	141,303

As at 31 December 2010 and 2009, freehold land of HK$11,561,000 included in land and properties is located outside Hong Kong.

Depreciation expense of HK$10,336,000 (2009 Restated: HK$10,330,000) has been charged in cost of sales, HK$48,456,000 (2009 Restated: HK$57,074,000) in store expenses, HK$3,051,000 (2009 Restated: HK$3,597,000) in distribution costs and HK$4,607,000 (2009 Restated: HK$6,076,000) in administrative expenses.

15. FIXED ASSETS (continued)

Company

	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Total HK$'000
Year ended 31 December 2010			
Additions	**3,481**	**2,536**	**6,017**
Depreciation	**(314)**	**(973)**	**(1,287)**
Closing net book amount	**3,167**	**1,563**	**4,730**
At 31 December 2010			
Cost	**3,481**	**2,536**	**6,017**
Accumulated depreciation	**(314)**	**(973)**	**(1,287)**
Net book amount	**3,167**	**1,563**	**4,730**

16. LEASE PREMIUM FOR LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their movements and net book value are analysed as follows:

	Group	
	2010 HK$'000	2009 HK$'000 (Restated)
At 1 January, as previously reported	**119,271**	174,874
Effect of adoption of HKAS 17 Amendment	**(86,754)**	(141,303)
At 1 January, as restated	**32,517**	33,571
Addition	**1,496**	–
Amortisation *(note 6)*	**(1,084)**	(1,059)
Exchange differences	**169**	5
Net book value at 31 December	**33,098**	32,517

16. LEASE PREMIUM FOR LAND (continued)

	Group		
	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
Outside Hong Kong, held on:			
Leases of over 50 years	**674**	687	700
Leases of 10 to 50 years	**32,424**	31,830	32,871
	33,098	32,517	33,571

17. INTANGIBLE ASSETS

	Goodwill HK$'000	**Trademarks** HK$'000	**Group** HK$'000
At 31 December 2010 and 2009			
Cost and net book amount	247,465	110,000	357,465

(a) Impairment test for trademarks

Trademarks represent the power of Saint Honore brand which delivers an earning stream and generates value for the Group. The Group's management considers the brand has indefinite useful lives due to the enduring nature of the brand.

The recoverable amount of the trademarks is determined by reference to a valuation performed using the royalty relief valuation method. Under this method, the value of the trademarks represents the present value of the hypothetical royalty income from licensing out the trademarks.

Key assumptions used in the valuation of trademarks are as follows:

Revenue growth rate *(note i)*	8% – 20%
Long-term growth rate *(note ii)*	2%
Discount rate *(note iii)*	11%

Notes:

(i) Management determined budgeted revenue growth rate over a five-year budget period by reference to the past performance and its expectations for the market development.

(ii) The long-term growth rate used does not exceed the long-term growth rate for the bakery business in which it operates and is used to extrapolate cash flow beyond the budget period.

(iii) The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the relevant segment.

17. INTANGIBLE ASSETS (continued)

(a) Impairment test for trademarks (continued)

The Group does not have to recognise an impairment loss as at 31 December 2010 based on the impairment assessment performed.

If the annual revenue has no growth over the five-year budget period or the discount rate applied in the valuation increased by 100 basis-point, the trademarks' recoverable amount would still be greater than its carrying value and no impairment would be noted.

(b) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the operating segment, Hong Kong bakery segment.

The recoverable amount of a CGU is determined based on fair value less costs to sell calculation, which is calculated by using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year budget period are extrapolated using the estimated long-term growth rate stated below. The growth rate does not exceed the long-term average growth rate for the bakery business in which the CGU operates.

Key assumptions used in the fair value less costs to sell calculation of goodwill are as follows:

Gross margin *(note i)*	46% – 51%
Long-term growth rate *(note ii)*	2%
Discount rate *(note iii)*	11%

Notes:

(i) The budgeted gross margin over the five-year budget period is approximately 46% to 51% and is estimated by management with reference to the past performance and its expectations for the market development.

(ii) The long-term growth rate used does not exceed the long-term growth rate for the bakery business in which it operates and is used to extrapolate cash flow beyond the budget period.

(iii) The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the relevant operating segment.

The Group does not have to recognise an impairment loss as at 31 December 2010 based on the impairment assessment performed.

If the gross margin decreased by 1% during the five-year budget period or the discount rate applied in the fair value less costs to sell calculation had increased by 100 basis-point, the goodwill's recoverable amount would still be greater than its carrying value and no impairment would be noted.

18. INVESTMENTS IN AND LOAN TO SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Investment at cost:		
Unlisted shares	**654,538**	654,538
Loan to subsidiary	**–**	18,300
	654,538	672,838

As at 31 December 2010 and 2009, the balances with subsidiaries are unsecured, interest free and repayable on demand except for a loan balance to a subsidiary of HK$18,300,000 as at 31 December 2009 which is interest bearing at 2% per annum and repayable on 18 August 2011.

The following is a list of the subsidiaries of the Company as at 31 December 2010:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Directly held:				
Convenience Retail Asia (BVI) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	100%
Saint Honore Holdings Limited	Bermuda, limited liability company	Investment holding in Hong Kong	1,000,000 ordinary shares of HK$0.1 each	100%
Indirectly held:				
Bliset Investment Limited	Hong Kong, limited liability company	Property holding in Hong Kong	100 ordinary shares of HK$1 each 102 non-voting deferred shares of HK$1 each	100%
Bodega Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Bread Boutique Limited	Hong Kong, limited liability company	Property holding in Hong Kong	3,000,000 ordinary shares of HK$1 each	100%
Circle K Convenience Stores (Greater China) Limited	Hong Kong, limited liability company	Property holding in Hong Kong	10,000 ordinary shares of HK$100 each	100%

18. INVESTMENTS IN AND LOAN TO SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Indirectly held: (continued)				
Circle K Convenience Stores (HK) Limited	Hong Kong, limited liability company	Convenience stores operator and lease-holder in Hong Kong	183,756 ordinary shares of HK$1,000 each	100%
Circle K Convenience Stores Limited	Hong Kong, limited liability company	Lease-holder in Hong Kong	10,000 ordinary shares of HK$10 each	100%
Circle K Convenience Stores PRC (BVI) Limited	British Virgin Islands, limited liability company	Inactive	1 ordinary share of US$1	100%
Circle K Convenience Stores PRC Limited	Hong Kong, limited liability company	Investment holding in PRC	2 ordinary shares of HK$1 each	100%
Circle K PRC Properties Limited	Hong Kong, limited liability company	Property holding in PRC	2 ordinary shares of HK$1 each	100%
City Producer Limited	Hong Kong, limited liability company	Dormant	10,000 ordinary shares of HK$1 each	100%
Convenience Retail Dongguan Limited 東莞利亞便利店有限公司*	PRC, limited liability company	Convenience stores operator and lease-holder in PRC	Registered capital of RMB30,000,000	100%
Convenience Retail Shenzhen Limited 深圳利亞便利店有限公司*	PRC, limited liability company	Convenience stores operator and lease-holder in PRC	Registered capital of RMB20,000,000	100%
Convenience Retail Southern China Limited	Hong Kong, limited liability company	Dormant	2 ordinary shares of HK$1 each	100%
Convenience Retail Southern China Limited 利亞華南便利店有限公司*	PRC, limited liability company	Convenience stores operator and lease-holder in PRC	Registered capital of RMB60,000,000 *(note)*	98.5%
Easywin Limited	British Virgin Islands, limited liability company	Trademark holder in Hong Kong	1 ordinary share of US$1	100%

18. INVESTMENTS IN AND LOAN TO SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Indirectly held: (continued)				
Eltham Agents Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10 ordinary shares of US$1 each	100%
Everfit Agents Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Evergain Consultants Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Gold Tree Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Golden Mindset Company Limited	Hong Kong, limited liability company	Marketing of festive and bakery products in Hong Kong	2 ordinary shares of HK$1 each	100%
Great Moment Investment Limited	Hong Kong, limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Green Rich Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	100%
Kingdom Wise Limited	Hong Kong, limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Saint Honore Cake Shop Limited	Hong Kong, limited liability company	Bakery chain operator and lease-holder in Hong Kong	5 ordinary shares of HK$10 each 345,005 non-voting deferred shares of HK$10 each	100%
Saint Anna Cake Shop (Macau) Limited Pastelarias Santa Ana (Macau) Limitada#	Macau, limited liability company	Bakery chain operator and lease-holder in Macau	Quota capital of MOP100,000	100%
Saint Honore Cake Shop (Shenzhen) Investment Limited	Hong Kong, limited liability company	Dormant	2 ordinary shares of HK$1 each	100%

18. INVESTMENTS IN AND LOAN TO SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Indirectly held: (continued)				
Saint Honore Cake Shop (Shenzhen) Limited 聖安娜餅屋(深圳)有限公司*	PRC, limited liability company	Operating food factory in PRC	Registered capital of HK$18,610,000	100%
Silver Wave Agents Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Strong Glory Limited	Hong Kong, limited liability company	Investment holding in PRC	2 ordinary shares of HK$1 each	100%
Uni-Leptics Limited	Hong Kong, limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Web-Logistic (HK) Limited	Hong Kong, limited liability company	Dormant	15,600,000 ordinary shares of HK$1 each	100%
夢工場美食(廣州)有限公司*	PRC, limited liability company	Bakery chain operator and lease-holder in PRC	Registered capital of RMB100,000,000	100%

* *The legal name of the company is in Chinese.*
\# *The legal name of the company is in Portuguese.*

Note:

In 2009, the Group has acquired an additional 25% of equity interest in Convenience Retail Southern China Limited from a non-controlling shareholder. The difference between the consideration paid and the share of net assets acquired has been debited to retained earnings.

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted investment in Macau	**1,895**	1,895

Note:

The investment represents 19.5% equity interest in Circle K Amazens Retalhistas Macau, Limited and the contribution of a shareholders' loan of MOP1,931,000 (approximately HK$1,876,000). The shareholders' loan is unsecured, interest free and not repayable within twelve months of balance sheet date.

The maximum exposure to credit risk is the carrying amount of the available-for-sale financial asset. It is neither past due nor impaired.

20. DEFERRED TAXATION

Movements on the deferred tax liabilities are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**2,135**	9,362
Credited to the consolidated profit and loss account *(note 9)*	**(538)**	(7,224)
Exchange difference	**(95)**	(3)
At 31 December	**1,502**	2,135

20. DEFERRED TAXATION (continued)

Movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group							
Deferred tax assets	**Tax losses**		**Accelerated tax depreciation**		**Others**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**(4,863)**	(3,339)	**(4,110)**	(2,735)	**(982)**	(2,305)	**(9,955)**	(8,379)
(Credited)/charged to the consolidated profit and loss account	**550**	(1,521)	**(524)**	(1,375)	**322**	1,323	**348**	(1,573)
Exchange difference	**(95)**	(3)	**–**	–	**–**	–	**(95)**	(3)
At 31 December	**(4,408)**	(4,863)	**(4,634)**	(4,110)	**(660)**	(982)	**(9,702)**	(9,955)

Deferred tax liabilities	**Accelerated tax depreciation**		**Fair value gain**		**Others**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**1,933**	2,178	**10,154**	15,536	**3**	27	**12,090**	17,741
Credited to the consolidated profit and loss account	**(405)**	(245)	**(478)**	(5,382)	**(3)**	(24)	**(886)**	(5,651)
At 31 December	**1,528**	1,933	**9,676**	10,154	**–**	3	**11,204**	12,090

	Group	
	2010	2009
	HK$'000	HK$'000
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**(8,758)**	(8,650)
Deferred tax assets to be recovered within 12 months	**(944)**	(1,305)
	(9,702)	(9,955)
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**10,879**	10,956
Deferred tax liabilities to be settled within 12 months	**325**	1,134
	11,204	12,090

20. DEFERRED TAXATION (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**(9,449)**	(9,754)
Deferred tax liabilities	**10,951**	11,889

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of subsidiaries in the PRC amounting to HK$37,416,000 (2009: HK$38,821,000) in respect of losses amounting to HK$152,420,000 (2009: HK$155,366,000), which can be carried forward against future taxable income. The tax losses can be carried forward for five years immediately after the respective accounting year.

21. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials and packing materials	**19,279**	17,323
Finished goods	**128,002**	110,597
	147,281	127,920

22. TRADE RECEIVABLES

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2010, the aging analysis of trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0-30 days	**28,265**	24,102
31-60 days	**2,624**	2,676
61-90 days	**1,514**	1,431
Over 90 days	**1,767**	1,322
	34,170	29,531

As of 31 December 2010, trade receivables of HK$852,000 (2009: HK$1,196,000) were impaired. The amount of the provision was HK$678,000 as of 31 December 2010 (2009: HK$1,061,000). The individually impaired receivables are mainly due from suppliers, which are in financial difficulties. It was assessed that a portion of the receivables is expected to be recovered.

As of 31 December 2010, trade receivables of HK$5,731,000 (2009: HK$5,294,000) were past due but not impaired. These relate to a number of independent customers who have no recent history of default. The aging of these receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Past due		
1 to 3 months	**4,138**	4,109
Over 3 months	**1,593**	1,185
	5,731	5,294

22. TRADE RECEIVABLES (continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
HK dollar (HK$)	**28,212**	26,267
Renminbi (RMB)	**4,664**	2,190
Patacas (MOP)	**1,294**	1,074
	34,170	29,531

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**1,061**	469
(Reversal of)/provision for receivable impairment	**(146)**	778
Receivables written off	**(237)**	(186)
At 31 December	**678**	1,061

The maximum exposure to credit risk is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

23. ASSET HELD FOR SALE

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Fixed assets		
Land and properties	**–**	20,537

A factory used by Saint Honore Group in Hong Kong has been presented as held for sale following the approval of disposal by the management in December 2009. The transaction was completed on 26 February 2010 with a disposal gain of HK$16,138,000.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**160,694**	208,506	**8,270**	49,604
Bank deposits	**461,262**	306,782	**100,000**	203,271
Total bank balances and cash	**621,956**	515,288	**108,270**	252,875
Non-current bank deposits	**(97,729)**	(149,400)	**–**	(70,000)
Current bank deposit	**(70,000)**	–	**(70,000)**	–
Cash and cash equivalents	**454,227**	365,888	**38,270**	182,875

The maximum exposure to credit risk relates to the cash at bank and bank deposits held at financial institutions of HK$583,035,000 (2009: HK$482,028,000).

The effective interest rate on short-term bank deposits of HK$454,227,000 (2009: HK$365,888,000) was 0.3% (2009: 0.5%) per annum, and these deposits have an average maturity of 17 days (2009: 43 days).

Non-current bank deposits represent structured deposits held at banks with over one year to maturity, of which HK$80,000,000 (2009: HK$79,400,000) to be matured on 4 August 2012 is classified as financial assets at fair value through profit and loss and HK$17,729,000 (2009: HK$70,000,000) to be matured on 24 September 2012 is classified as loans and receivables.

Current bank deposit represents structured deposits held at bank within one year to maturity, of which HK$70,000,000 (2009: nil) to be matured on 29 October 2011 is classified as loans and receivables.

The cash and bank balances are mainly denominated in Hong Kong dollars and Renminbi and kept in Hong Kong, while certain balances of HK$49,520,000 (2009: HK$52,378,000) which are kept in the Chinese Mainland. The remittance of funds out of the Chinese Mainland is subject to rules and regulations of foreign exchange control promulgated by the Chinese Mainland government.

At 31 December 2010, the Group's total bank balances and cash are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
HK dollar (HK$)	**481,098**	466,988
Renminbi (RMB)	**137,631**	42,718
Patacas (MOP)	**3,227**	5,582
	621,956	515,288

25. TRADE PAYABLES

At 31 December 2010, the aging analysis of the trade payables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0-30 days	**246,858**	209,726
31-60 days	**127,358**	120,347
61-90 days	**46,912**	58,894
Over 90 days	**47,127**	43,729
	468,255	432,696

The trade payable balances are mainly denominated in Hong Kong dollars.

26. SHARE CAPITAL

	2010		2009	
	Shares of HK$0.10 each		Shares of HK$0.10 each	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At 31 December	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At 1 January	**729,915,974**	**72,992**	729,915,974	72,992
Issue of shares on exercises of share options *(note)*	**1,652,000**	**165**	–	–
At 31 December	**731,567,974**	**73,157**	729,915,974	72,992

Note:

During the year 1,652,000 (2009: nil), shares (the "Shares") were allotted and issued pursuant to the exercise of share options by the qualifying participants of the Company.

26. SHARE CAPITAL (continued)

Share options

(i) *Share Option Scheme*

Pursuant to the Share Option Scheme (the "Scheme") adopted by the Company on 6 January 2001, and as amended on 24 April 2002, the board of Directors may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full time or part time employees including any executive or non-executive Directors, of the Company or any affiliate as defined in the Scheme) entitling to subscribe for Shares representing up to a maximum of 10% of the Shares in issue as at 6 January 2001 being 65,560,000 Shares.

(ii) Share options which are granted after 7 November 2002 and had not yet been vested on 1 January 2005 to Directors and qualifying participants in accordance with the terms of the Share Option Scheme are accounted for under HKFRS 2. Movements in the number of such share options granted, outstanding and their related weighted average exercise prices are as follows:

	2010		2009	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January	**18,306,000**	**3.15**	18,792,000	3.18
Granted	**–**	**–**	920,000	2.04
Lapsed	**(954,000)**	**3.17**	(784,000)	3.14
Expired	**(838,000)**	**2.83**	(622,000)	2.47
Exercised	**(1,652,000)**	**2.54**	–	–
At 31 December	**14,862,000**	**3.24**	18,306,000	3.15
Exercisable	**10,962,000**	**3.19**	9,426,000	3.05

During the year ended 31 December 2010, the weighted average share price at the date of share options exercised was HK$3.01 (2009: nil). The options outstanding at 31 December 2010 and 2009 had a weighted average remaining contractual life of 2.2 years and 2.8 years respectively.

26. SHARE CAPITAL (continued)

Share options (continued)

(iii) Share options outstanding at the year-end have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	**2010 Number of options**	2009 Number of options
4 May 2010	2.86	**–**	750,000
14 September 2010	2.53	**–**	1,728,000
10 March 2011	2.905	**1,036,000**	1,206,000
29 August 2011	2.93	**444,000**	500,000
30 March 2012	3.00	**1,324,000**	1,414,000
3 May 2012	3.39	**3,160,000**	3,320,000
3 May 2013	3.39	**3,160,000**	3,280,000
3 May 2014	3.39	**3,160,000**	3,280,000
19 November 2012	3.46	**458,000**	508,000
19 November 2013	3.46	**640,000**	700,000
19 November 2014	3.46	**620,000**	700,000
21 December 2014	2.04	**860,000**	920,000
		14,862,000	18,306,000

The fair value of options granted are determined by using the Black-Scholes valuation model. During the year, no share option is granted and the weighted average fair value of options granted was nil (2009: HK$0.45) per option. The significant inputs into the models for the share options granted in 2009 were as follows:

	2009
Expected volatility	30%
Expected life	4.5 years
Risk free rate	1.6%
Expected dividends	2%

Expected volatility was determined by calculating the historical volatility of the Group's daily share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

27. RESERVES

(a) Group

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2009	281,614	177,087	13,433	11,729	8,678	200,801	693,342
Employee share option benefit	–	–	–	2,032	–	1,004	3,036
Exchange differences	–	–	–	–	(16)	–	(16)
Acquisition of additional interest in subsidiary *(note 18)*	–	–	–	–	–	(25,243)	(25,243)
Profit attributable to shareholders of the Company	–	–	–	–	–	90,449	90,449
Dividends	–	–	–	–	–	(52,554)	(52,554)
At 31 December 2009	281,614	177,087	13,433	13,761	8,662	214,457	709,014
Representing:							
Reserves							665,219
Proposed dividend							43,795
							709,014
At 1 January 2010	281,614	177,087	13,433	13,761	8,662	214,457	709,014
Issue of new shares	4,025	–	–	–	–	–	4,025
Employee share option benefit	1,301	–	–	(867)	–	1,418	1,852
Exchange differences	–	–	–	–	403	–	403
Profit attributable to shareholders of the Company	–	–	–	–	–	136,359	136,359
Dividends	–	–	–	–	–	(75,181)	(75,181)
At 31 December 2010	286,940	177,087	13,433	12,894	9,065	277,053	776,472
Representing:							
Reserves							714,275
Proposed dividend							62,197
							776,472

27. RESERVES (continued)

(b) Company

	Share premium HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2009	281,614	12,792	11,729	50,155	356,290
Employee share option benefit	–	–	2,032	200	2,232
Profit attributable to shareholders of the Company	–	–	–	28,927	28,927
Dividends	–	–	–	(52,554)	(52,554)
At 31 December 2009	281,614	12,792	13,761	26,728	334,895
Representing:					
Reserves					291,100
Proposed dividend					43,795
					334,895
At 1 January 2010	281,614	12,792	13,761	26,728	334,895
Issue of new share	4,025	–	–	–	4,025
Employee share option benefit	1,301	–	(867)	–	434
Profit attributable to shareholders of the Company	–	–	–	73,380	73,380
Dividends	–	–	–	(75,181)	(75,181)
At 31 December 2010	286,940	12,792	12,894	24,927	337,553
Representing:					
Reserves					275,356
Proposed dividend					62,197
					337,553

28. LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated balance sheet is the present value of unfunded obligations and its movements are as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**20,993**	22,533	**–**	–
Expenses recognised in the consolidated profit and loss account – as shown below	**363**	1,874	**–**	–
Benefit paid	**(1,288)**	(3,414)	**–**	–
Liabilities transferred from fellow subsidiary	**329**	–	**329**	–
At 31 December	**20,397**	20,993	**329**	–

The amounts recognised in the consolidated profit and loss account are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current service cost	**93**	93
Interest cost	**270**	269
Settlement	**–**	1,512
Total, included in employee benefit expense *(note 13)*	**363**	1,874

Of the total charge, HK$ nil (2009: HK$1,328,000), HK$144,000 (2009: HK$286,000), HK$13,000 (2009: HK$35,000) and HK$206,000 (2009: HK$225,000) were included in cost of sales, store expenses, distribution costs and administrative expenses respectively.

28. LONG SERVICE PAYMENT LIABILITIES (continued)

The principal actuarial assumptions used as at 31 December are as follows:

	2010	2009
Discount rate	**1.2%**	1.2%
Long-term rate of salary increases		
Full time staff	**2.5%**	2.5%
Part time staff	**2.5%**	2.5%
Long-term rate of increase of maximum amount of long service payment/wages and minimum mandatory provident fund relevant income	**2.5%**	2.5%

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash generated from operations

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Profit for the year	**136,359**	90,449
Adjustments for		
Income tax expenses	**28,749**	19,094
Interest income	**(5,970)**	(3,354)
Depreciation of owned fixed assets	**66,450**	77,077
Employee share option benefit	**1,852**	3,036
Amortisation of lease premium for land	**1,084**	1,059
(Gain)/loss on disposal on fixed assets	**(15,261)**	2,177
Long service payment costs	**363**	1,874
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(600)**	600
Foreign exchange gain on operating activities	**(2,095)**	(48)
	210,931	191,964
Changes in working capital		
Inventories	**(19,361)**	(9,665)
Trade receivables, rental deposits, other receivables, deposits and prepayments	**(21,193)**	15,922
Trade payables, other payables and accruals	**69,803**	(5,952)
Long service payment liabilities	**(959)**	(3,414)
Cake coupons	**(418)**	(1,170)
	238,803	187,685

30. COMMITMENTS

(a) Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets.

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for	**6,995**	1,609
Authorised but not contracted for	**2,320**	2,241
	9,315	3,850

(b) Operating leases commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**263,323**	247,743
Later than one year and not later than five years	**230,802**	199,318
Later than five years	**6,881**	6,351
	501,006	453,412

Payment obligations in respect of operating lease on properties with rentals vary with gross revenues apart from base rental are not included as future minimum lease payments.

31. RELATED PARTY TRANSACTIONS

The Group is controlled by Li & Fung (Retailing) Limited (incorporated in Hong Kong), which owns 51.1% of the Company's shares. The remaining 48.9% of the shares are widely held.

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the year:

(a) Fellow subsidiaries

	Note	**2010** **HK$'000**	2009 HK$'000
Income			
Service income and reimbursement of office and administrative expenses	*(i)*	**7,171**	–
Expenses			
Management fee and reimbursement of office and administrative expenses	*(ii)*	**2,601**	21,042
Rental payable	*(iii)*	**6,712**	5,621
Net purchases	*(iv)*	**11,859**	12,019

(b) Key management personnel compensation

	2010 **HK$'000**	2009 HK$'000
Fees	**1,570**	680
Discretionary bonuses	**8,518**	5,996
Salaries, share options and other allowances	**9,854**	10,429
Pension costs – defined contribution scheme	**60**	66
	20,002	17,171

(c) Year-end balances with related parties

	2010 **HK$'000**	2009 HK$'000
Amounts due from fellow subsidiaries	**347**	–
Amounts due to fellow subsidiaries	**(4,909)**	(5,082)

The balances with the related parties included in other receivables, trade payables and other payables are unsecured, interest free and repayable on demand.

31. RELATED PARTY TRANSACTIONS (continued)

(d) The Company provides corporate guarantee to certain banks for the banking facilities of subsidiaries of HK$32,888,000 (2009: HK$32,888,000). As of 31 December 2010, the banking facilities of the subsidiaries amounting to HK$7,656,000 (2009: HK$8,256,000) were utilised.

Notes:

(i) Service income and reimbursements receivable from fellow subsidiaries in respect of office and administrative expenses incurred are charged on an actual cost recovery basis.

(ii) Management fee and reimbursements payable to fellow subsidiaries in respect of office and administrative expenses incurred, including certain Directors' emolument paid by a fellow subsidiary, are charged on an actual cost recovery basis.

(iii) Rentals are payable to fellow subsidiaries in accordance with the terms of agreements.

(iv) Purchases from fellow subsidiaries were carried out in ordinary course of business and on terms mutually agreed between the Group and fellow subsidiaries.

32. ULTIMATE HOLDING COMPANY

The Directors regard King Lun Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

Five-Year Financial Summary

The following table summarise the results, assets and liabilities of the Group for the five years ended 31 December 2010.

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,575,238**	3,349,326	3,322,665	2,917,614	2,231,217
Profit attributable to shareholders of the Company	**136,359**	90,449	88,873	86,867	75,054
Total assets	**1,659,092**	1,524,591	1,518,341	1,487,397	978,279
Total liabilities	**(809,463)**	(742,585)	(760,263)	(767,749)	(457,422)
Non-controlling interests	**–**	–	8,256	7,954	8,173
Shareholders' funds	**849,629**	782,006	766,334	727,602	529,030