Convenience Retail Asia Limited

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00831

Circle K

聖安娜餅屋 SAINT HONORE CAKE SHOP LTD.

Annual Report 2014

馮氏

A Fung Retailing Company

PRINTED ON POST-CONSUMER WASTE RECYCLED PAPER

Circle K Hong Kong was elected "Service Retailer of the Year" in the Convenience Stores category of the Hong Kong Retail Management Association's Mystery Shoppers Programme for the fifth consecutive year.

Contents

Corporate Information

Executive Directors

Richard YEUNG Lap Bun *(Chief Executive Officer)*
PAK Chi Kin *(Chief Operating Officer)*

Non-executive Directors

Victor FUNG Kwok King # *(Chairman)*
William FUNG Kwok Lun +
Godfrey Ernest SCOTCHBROOK *
Jeremy Paul Egerton HOBBINS +
Benedict CHANG Yew Teck *

Independent Non-executive Directors

Malcolm AU Man Chung +*
Anthony LO Kai Yiu #*
ZHANG Hongyi #+*
Sarah Mary LIAO Sau Tung +

Group Chief Compliance Officer

Srinivasan PARTHASARATHY

Company Secretary

Maria LI Sau Ping

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Hong Kong

Website

www.cr-asia.com

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

Nomination Committee members
+ *Remuneration Committee members*
* *Audit Committee members*

Highlights

Financial Highlights

	Change	**2014 HK$'000**	2013 HK$'000
Revenue	+4.8%	**4,736,444**	4,521,289
Core operating profit	-9.0%	**152,787**	167,923
Profit attributable to shareholders of the Company	-19.5%	**121,032**	150,353
Basic earnings per share (HK cents)	-20.2%	**16.18**	20.27
Dividend per share (HK cents)			
Final	Nil	**13.00**	13.00
Full year			
Basic	-4.2%	**16.10**	16.80
Special – paid	N/A	**Nil**	40.00

Operation Highlights

- Market sentiment remains weak, while rental and labour costs stay high
- Core operating profit declined by 9% while net profit dropped by 19.5% due to non-operating items (exchange loss and reduced interest income), investments in e-Commerce platform FingerShopping.com and pilot programme with Sinopec Marketing
- 2015 is expected to be another challenging year, due to a tough operating environment and the impact of certain projects currently in investment phase
- Group maintains a strong financial position with net cash of HK$537 million without any bank borrowings

Number of Stores as of 31 December 2014

Circle K Stores	
Hong Kong	329
Guangzhou	79
Subtotal	**408**
Franchised Circle K Stores	
Guangzhou	10
Macau	26
Zhuhai	12
Subtotal	**48**
Total number of Circle K Stores	**456**
Saint Honore Cake Shops	
Hong Kong	93
Macau	9
Guangzhou	43
Shenzhen	3
Total number of Saint Honore Cake Shops	**148**
Total number of Stores under Convenience Retail Asia	**604**

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 turnover of HK$4,736 million, core operating profit of HK$153 million and net profit of HK$121 million for 2014. This represents satisfactory sales growth of 4.8% but a decline in core operating profit and net profit, when compared to 2013.

Core operating profit declined by 9% to HK$153 million compared to last year. The Group's net profit declined by 19.5% to HK$121 million. This was largely attributed to rising cost pressures, which outweighed growth in comparable store sales across all markets. Lower income from interest (as a result of lower bank deposits after a special dividend payout in 2013) and an exchange loss from the depreciation of the renminbi also contributed to the profit decline. In addition, the Group made investments in its e-Commerce platform FingerShopping.com and a pilot programme with Sinopec Marketing Co., Ltd. ("Sinopec Marketing") to manage 10 petrol stations and Easy Joy convenience stores in Guangzhou.

As a result of the lower profit, earnings per share decreased by 20.2%, from 20.27 HK cents to 16.18 HK cents. As at 31 December 2014, the Group had a net cash balance of HK$537 million with no bank borrowings.

Review of the Hong Kong Retail Market

The past year saw a slowdown in the Hong Kong retail sector, with overall retail sales increasing by 0.6% in volume but declining by 0.2% in value[1]. However, demand from local consumers for value-for-money purchases remained stable. This aided the Group's sales efforts, which are based on product quality and uniqueness over competition on price. In contrast, high rents as well as labour shortage due to generally low unemployment continued to pose challenges for the Group's business in Hong Kong.

Note:

1. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 February 2015.*

Company Initiatives in the Hong Kong Operations

During the year, the Group continued to emphasise timely, trendy category management, promotions and marketing to drive sales, build brand loyalty and encourage repeat purchases.

The Group was encouraged by the progress of its O2O (online to offline) retailing platform FingerShopping.com, which leverages an e-platform to encourage online sales and drive customers to Circle K stores for payment and pick-up. This new venture shows promise for building revenue and loyalty for the Circle K brand.

To address the shortage in the retail labour market, the Group expanded HEARTS, its comprehensive employee engagement initiative that aims to improve staff retention, recruitment and job satisfaction. This year also marked the fifth consecutive time Circle K Hong Kong was elected "Service Retailer of the Year" in the Convenience Stores category of the Hong Kong Retail Management Association's Mystery Shoppers Programme.

Review of the Retail Market on the Chinese Mainland

Consumer confidence on the Chinese Mainland dropped from 111 on the index in the fourth quarter of 2013[2] to 107 in 2014[3] (both compared to a baseline score of 100). Year-on-year growth of total retail sales declined slightly, from 13.1% in 2013[4] to 12% in 2014[5].

Offline FMCG sales growth continued to soften, falling from 17% in 2011 to 6% in August 2014[6] due to the impact of online retail on bricks-and-mortar hypermarket and department store businesses. While labour costs are on the rise, rental increases have become more reasonable.

Notes:

2. *Published by the Nielsen Company on 29 January 2014.*

3. *Published by the Nielsen Company on 26 January 2015.*

4. *Published by the National Bureau of Statistics of China on 20 January 2014.*

5. *Published by the National Bureau of Statistics of China on 20 January 2015.*

6. *Published by Nielsen Retail Index Panel in August 2014.*

Review of the Guangzhou Operations

The Circle K and Saint Honore operations in Guangzhou reported increases in comparable store sales of 5.8% and 12.2% respectively compared to 2013.

The Group benefits from a steady flow of repeat purchases, and results of our own mystery shopper programme demonstrate that our standards of customer service are rising in tandem.

On 8 October 2014, the Company entered into a preliminary agreement with Sinopec Marketing on a pilot programme to operate 10 petrol stations and Easy Joy convenience stores in Guangzhou. Following a period of cooperation, the two parties will review the results and determine whether their agreement should be formalised and enlarged. This project represents a promising step into new and potentially lucrative channels.

Review of the Saint Honore Cake Shop Operations

Saint Honore Cake Shop saw low-single-digit revenue growth in Hong Kong, which was achieved mainly due to an increase in comparable store sales. A rising minimum wage and persistently high rental costs impacted core operating profit. In response, the Group embarked upon productivity initiatives to improve its manufacturing processes as well as investing in automation and product innovation.

Saint Honore's store network grew modestly during the year, combating high rental costs with more efficient use of space. This included introducing new store layouts to maximise baking and service space. Saint Honore also continued to innovate through online sales, group-buying promotions and targeted promotions.

Corporate Governance and Sustainability

Convenience Retail Asia Limited was once again named "Asia's Most Promising Company on Corporate Governance" at Corporate Governance Asia Magazine's "10th Corporate Governance Asia Recognition Awards 2014 – The Best of Asia".

As part of the Fung Group, we are committed to the principles of the United Nations Global Compact on human rights, labour standards, anti-corruption efforts, environmental protection and sustainability.

In 2014, the Group issued our Supplier Code of Conduct, which outlines our expectations relating to labour, ethical conduct, work safety and environmental protection. We also continued to implement a number of resource-saving measures such as using LED lights at our stores and offices, installing water-efficient faucets, equipment and fixtures, reducing our use of packaging materials for Saint Honore products, and recycling materials. During the year, the Group was able to reduce electricity consumption at our stores by 1.9%.

Outlook

The slowdown in the Hong Kong retail sector is likely to continue. Spending by Chinese Mainland tourists is expected to grow at a more moderate pace compared to previous years. While local customers have purchasing power, they are increasingly sensitive to value propositions. In response, the Group will continue to provide value-for-money products and better develop unique offerings, backed by creative marketing and promotional campaigns, to help drive incremental sales.

In Hong Kong, the labour shortage will continue in 2015. The minimum wage review and proposal on standard working hours could have a considerable impact on the retail sector. In addition, the second phase of the plastic bag levy will come into effect in April 2015. The Group will monitor how this may affect consumer activity.

For the Chinese Government, achieving growth in the neighbourhood of 7% amidst an economic slowdown will be a top priority in 2015. Spending by the middle class is important, especially given the government's goal of transforming the economy from one driven by exports to one dominated by domestic consumption. This should favour the convenience store and bakery businesses.

As we close 2014 and embark upon a new financial year, I would like to thank our Board of Directors, shareholders, business partners and customers for their continued support, and our management and staff for their dedication and good work.

Victor FUNG Kwok King
Chairman

Hong Kong, 18 March 2015

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 2014. The Group's turnover for the year increased to HK$4,736 million, representing growth of 4.8% when compared to 2013.

In 2014 the turnover of the convenience store business was HK$3,752 million, an increase of 4.9% year-on-year. This was mainly attributable to an increase in comparable convenience store sales. Comparable convenience store sales in Hong Kong and Southern China increased by 5.4% and 5.8% respectively against 2013. Meanwhile, turnover for the Saint Honore Cake Shop business increased by 3.2% to HK$1,049 million. This was primarily due to low-single-digit comparable store sales growth in Hong Kong in 2014.

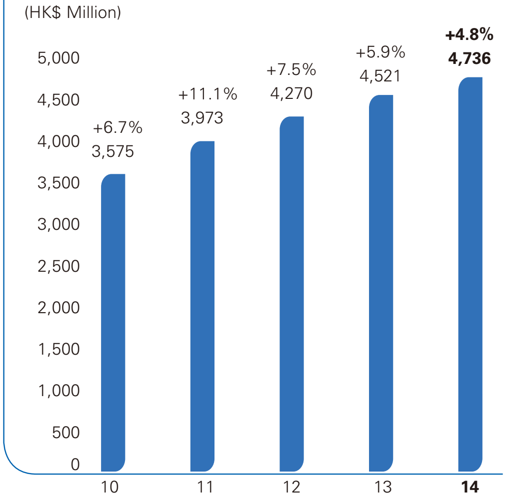
Gross margin and other income as a percentage of turnover was stable. However, operating expenses as a percentage of turnover increased from 33.2% to 33.8% for the year against 2013. Other than escalating rentals and inflationary operating costs, the higher operating expenses of the Group were mainly due to the investments made in e-Commerce platform FingerShopping.com and a pilot programme with Sinopec Marketing to manage 10 petrol stations and Easy Joy convenience stores in Guangzhou. As a result, the Group's core operating profit dropped by 9% to HK$153 million compared to last year.

The Group's net profit declined by 19.5% year-on-year to HK$121 million. Net profit was affected by the same issues impacting core operating profit, plus non-operating items including lower income from interest (as a result of lower bank deposits after a special dividend payout in 2013) and an exchange loss from the depreciation of the renminbi during the year. For 2014 basic earnings per share decreased by 20.2%, from 20.27 HK cents to 16.18 HK cents.

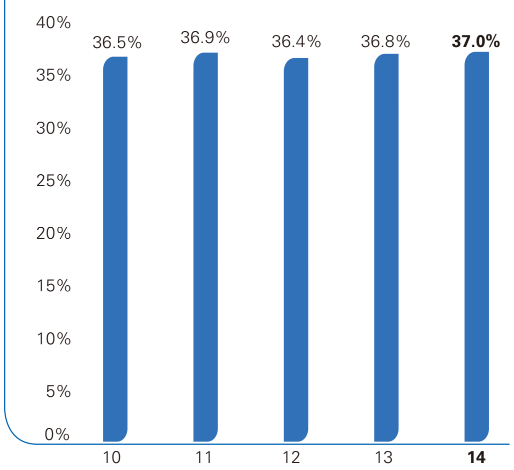
As at 31 December 2014, the Group had a net cash balance of HK$537 million with no bank borrowings. Most of the Group's cash and bank deposits were in Hong Kong dollars as well as renminbi, and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi as a result of its business operations on the Chinese Mainland, except for certain renminbi bank deposits held in Hong Kong, which are subject to foreign exchange risk. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in Hong Kong dollars or renminbi bank deposits, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

Financial Review (continued)

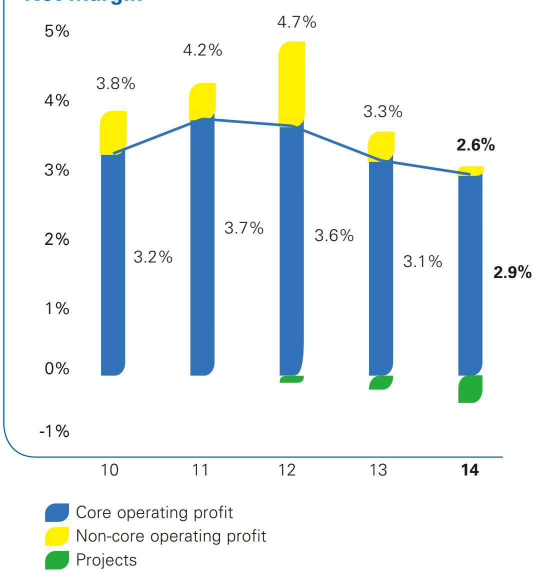
Turnover



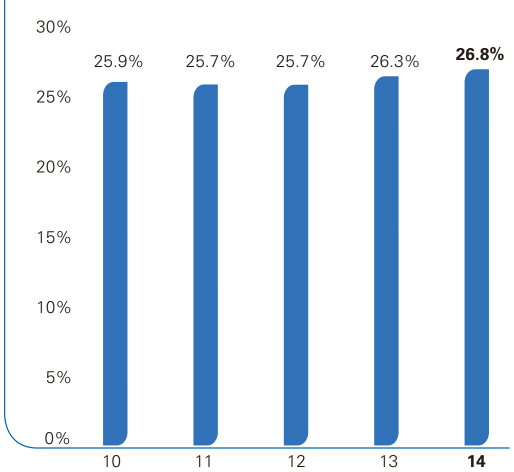
Gross Margin and Other Income



Net Margin

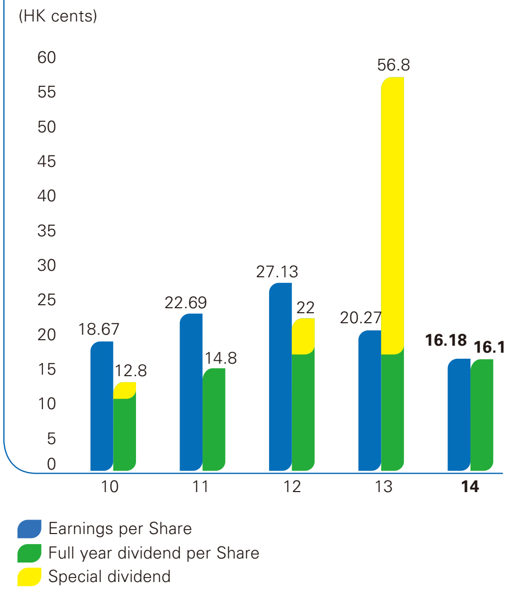


Store Operating Expenses as % of Sales

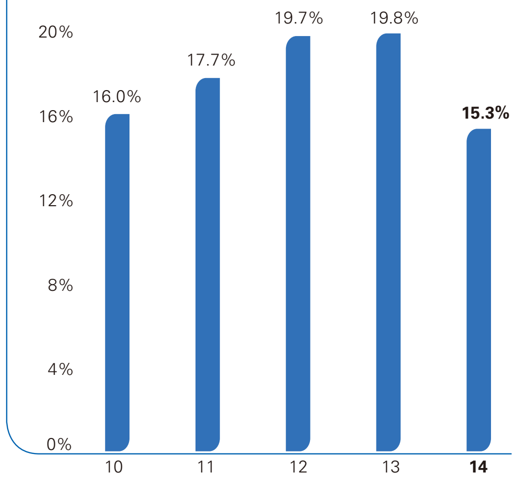


Financial Review (continued)

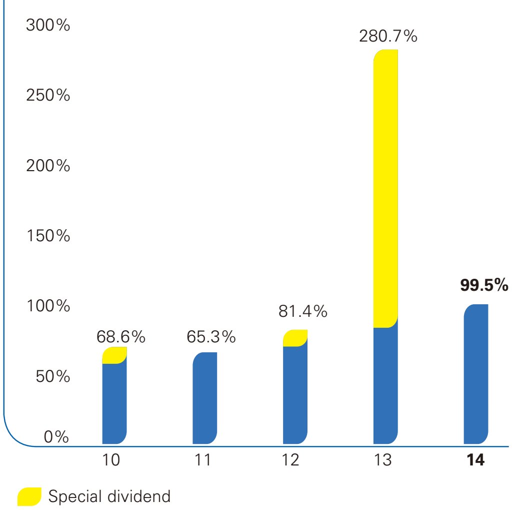
Earnings per Share and Dividend per Share



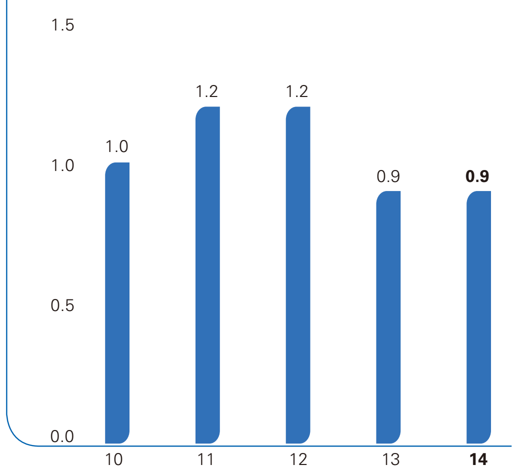
Return on Capital Employed



Dividend Payout



Current Ratio



Business Model and Corporate Strategy

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

The Group officially launched FingerShopping.com in 2013. FingerShopping.com is a distinctive online shopping platform featuring genuine, quality merchandise, available via secure and convenient payment channels. It is backed by an extensive retail network of more than 300 Circle K convenience stores, quality customer service and the Group's comprehensive logistics expertise.

The Group's vision is to be the most innovative convenience store and bakery store chain operator in the markets where it operates, and for Circle K and Saint Honore to be the preferred brands for customers. It employs a multi-pronged strategy to accomplish this market positioning:

- Innovative product offerings through its "Always Something New" operational and marketing platforms
- Customer-centric business focus
- Excellence in customer service
- Convenient store locations
- Highly motivated, engaged employees
- Maximised efficiency through the adoption of the latest information technology
- Synchronised supply chain management infrastructure and processes
- Continuous investment in brand-building, store network, people training, IT systems and supply chain infrastructure

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

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

Operations Review – Hong Kong

During the year, Circle K opened 16 new stores and closed 22 stores in Hong Kong for a net decrease of six stores. The total number of stores at year-end was 329 compared to 335 at the end of 2013.

Saint Honore Cake Shop opened 11 new stores and closed seven stores in Hong Kong for a total of 93 stores at year-end compared to 89 at the end of last year.

In Hong Kong, market sentiment remained low while rental and labour costs continued to stay at high levels, without any signs of coming adjustment.

Employees

As at 31 December 2014, the Group had a total of 7,658 employees, with 4,778, or 62%, based in Hong Kong and 2,880, or 38%, based in Guangzhou, Shenzhen and Macau. Part-time employees accounted for 41% of the Group's total headcount. In 2014 the Group's total staff cost was HK$809 million, compared with HK$771 million in 2013.

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

To further strengthen the HEARTS (Happy, Energised, Achievement, Respect, Training, Success) employee engagement programme, the Activity Organising Board continued to conduct a number of activities across key areas, including creating a happy working environment, caring for employees' families and ensuring work-life balance. Some highlights of these activities were "Movie Day", "Little Circle K Ambassadors", "Kwai Chung Factory Visit and Cake Making" and the "3-on-3 Basketball Competition", all of which received positive response from participants.

Group management pose with the top teams in the 3-on-3 Basketball Competition.

Marketing and Promotion

One of Circle K's core marketing strategies is to leverage holidays, festivals and major events by creating attractive themed promotions for its customers. Summer 2014 marked the return of the world's most popular sporting event, the World Cup. To celebrate, Circle K held the "I am a Soccer Fan" electronic lucky draw. Prizes included 2014 national team soccer jerseys, soccer fan cards, various drink and snack items, and Circle K cash coupons.

Saint Honore celebrated Mid-Autumn Festival and the arrival of mooncake season with a TV spot featuring spokesperson Moses Chan, who was dressed in stylish Gieves & Hawkes menswear to present him as an "English gentleman" and "Prince Charming", in line with his personality and the noble feeling of giving the gift of mooncakes. Saint Honore also took the opportunity to introduce new recipes for snowy mooncakes and new packaging by Dorophy Tang, one of Hong Kong's top designers. Earlier in the year Saint Honore received the "My Favourite Spokesperson" award at the Metro Creative Awards 2014 for its marketing campaigns featuring Moses.

During the year, Circle K continued its proud tradition of innovative premium promotions that feature popular licensed characters from overseas. Riding on its wildly successful "Let's LINE" promotion held last year, Circle K introduced another award-winning crossover with the popular Japanese mobile game "Mushroom Garden" by launching themed ballpoint pens, figurines and pencil cases during the summer holidays. A set of six limited-edition figurines, including brand-new characters in the Mushroom Garden line-up, was also made available for redemption. Mushroom Garden was a huge success at the Marketing Excellence Awards 2014, taking home the Silver Award for "Excellence in Retail/Shopper Marketing". Another promotion held during the year was "the Bears' School" from Japan, which was launched in the last quarter of 2014 and met with positive reception from Hong Kong shoppers.

In the fourth quarter of the year, the Group's brand-building efforts were recognised once again during the "My Favourite MTR Shops Voting Campaign" organised by MTR Corporation. Members of the public were invited to vote for their favourite MTR station shops, and Circle K Hong Kong won the Excellence Award in the "Caring Services Award" category.

The "I am a Soccer Fan" electronic lucky draw capitalised on the popularity of the World Cup.

Circle K's new licensed character promotion, "Mushroom Garden", won the Silver Award for "Excellence in Retail/Shopper Marketing" at the Marketing Excellence Awards 2014.

Category Management

One of the most important aspects of the Group's operations, category management allows us to more effectively target customers and drive sales of related groups of products, particularly according to seasons, events and trends. Circle K launched a series of promotions for snacks, sweets and bottled drinks during the year to get customers excited about the wide range of attractive offerings at their favourite convenience store.

Another successful promotion was the new "Just Hot" platform that was introduced at Circle K in November, which highlighted the most popular packaged hot beverages from Japan, including corn soup and green tea latte. The promotion offered these trendy, conveniently packaged hot beverages in time for the cooler fall weather, making it a hit with customers. New products were also introduced at Hot & In food service counters in order to enrich the customer experience.

Recognising shifting consumption patterns in the convenience store business, the Group introduced new services at Circle K during the period under review. These included a partnership with S.F. Express to offer parcel pick-up service for Taobao online shopping orders, as well as a ticketing service for the Chimelong Ocean Kingdom Theme Park.

Circle K leveraged the popularity of Japanese products by introducing a "Just Hot" platform, promoting packaged hot beverages from Japan.

Customer Service Excellence

This year Circle K Hong Kong was elected "Service Retailer of the Year" in the Convenience Stores category of the Hong Kong Retail Management Association's Mystery Shoppers Programme for the fifth consecutive year. This programme is an excellent barometer for how dedicated a company is to quality customer service. Also, one of our frontline members won the "Service & Courtesy Award 2014" in the Junior Frontline Level of the Convenience Stores category.

The Circle K store at Hong Kong International Airport (HKIA) and its store manager won team and individual awards at HKIA's Customer Service Excellence Program event in July. The programme was held to recognise outstanding companies and individuals who continuously help drive customer service excellence at the airport.

The "HEARTS" culture continued to flourish this year at Circle K. Introduced in 2013 to help improve staff engagement, development and retention, HEARTS saw a rollout of new initiatives aiming to expand on the successes of the programme's inaugural year. These included senior management visits to stores during festive seasons and night-time, and the "Back to Store" programme, where middle managers from the office were sent to stores for three days to serve customers and further develop a customer-centric culture. Also, 107 Service Stars took part in skill-sharing and demonstrations with their fellow staff.

The Circle K store at Hong Kong International Airport and its store manager won team and individual awards at HKIA's Customer Service Excellence Program event.

Supply Chain Management and Logistics

The Group makes great effort to ensure that our suppliers are qualified and adhere to stringent standards and specifications. In 2014, the Group issued its Supplier Code of Conduct, which outlines principles and practices relating to labour, ethical conduct, work safety and environmental protection. The Code, which is based on universally accepted fundamental principles and local laws, represents the Group's commitment to source goods from those who share our values and incorporate them into their operations.

The Order Planning System (OPS) enhancement project, a departmental initiative to improve order planning and processing, was launched during the fourth quarter of 2014. With the enhancement of OPS, staff enjoy a simplified way to process orders that is also designed to make order planning and forecasting more accurate and efficient.

Operations Review – Guangzhou

As at the end of 2014, Circle K's total store network in Guangzhou comprised 89 locations, including many new and non-comparable stores with improved maturity rates. The network's loyalty programme had a VIP membership exceeding 230,000, which has helped drive sales through repeat purchases.

In Q4 2014, the Group launched a top-up service with the popular Yang Cheng Tong Card, giving customers yet another convenient reason to visit Circle K and Saint Honore.

Given this growing network, customer service is more important than ever. The Group once again conducted its mystery shopper programme and found substantial improvement in its frontline operations and customer comments.

Leveraging the group buying trend, the network began putting selected food and beverage products from the Hot & In collection on the group buying platform Meituan in the third quarter of 2014. Customer feedback was very enthusiastic, and both the Circle K and Hot & In brands received considerable online exposure. Also in the fourth quarter, the Group introduced a service in collaboration with WeChat that enables Hot & In members to check their mobile WeChat accounts for information such as bonus points earned, premiums available for redemption, and the latest promotions available at Hot & In.

Guangzhou's express card, the Yang Cheng Tong Card, officially launched a top-up service at Circle K in the fourth quarter of 2014, adding to the number of popular, useful services offered at our convenience stores. Customers can now top up their Yang Cheng Tong cards and make purchases with them at any Circle K store in the city.

Operations Review – Saint Honore Cake Shop

The total number of Saint Honore stores in Hong Kong and Macau increased from 97 to 102, with the Group adding four shops in Hong Kong and one in Macau. The Group launched new store models that are able to provide freshly baked products in spaces of just a few hundred square feet, and new larger stores that offer seating areas where customers can enjoy light meals. Because of pressure from high rents, the average size of renewable and new stores in Hong Kong has decreased.

As at the end of 2014, Saint Honore's total store network in Guangzhou comprised 43 locations, with a majority of the stores having on-site bakeries and beverage corners.

To combat cost pressures, substantial effort has been made to improve the productivity of our manufacturing plant. This includes investing in machine automation, appointing a world-class third-party consultant to share the latest production management techniques and realigning the manufacturing team structure to provide quicker response to market demand. The Group is also carrying out research in dough production technology to provide a more stable, quality product at a lower cost.

During the period under review, Saint Honore launched new products like 3D fondant cakes and *utane* bread, which have been well received. Our enhanced snowy mooncake also achieved encouraging scores in our annual customer survey.

Despite the slowdown of the Chinese Mainland economy, which has had a negative impact on festive sales these past two years, the Group was able to deliver a similar level of mooncake results during the Mid-Autumn period compared to last year due to better management of product categories, margin improvement and spoilage control.

In 2014, Saint Honore continued to roll out exciting new products like 3D fondant cakes. Saint Honore's new and improved snowy mooncake also proved popular with customers.

Operations Review – Saint Honore Cake Shop (continued)

Saint Honore Guangzhou boasts VIP membership of more than 100,000. These VIPs receive attractive benefits, such as the ability to use digital coupons that can be inserted directly into their VIP cards. The programme was launched between the second and third quarters of the year to give members a value spending proposition and promote repeat purchasing.

Digital and online promotions also played a key role in Saint Honore Guangzhou's sales and marketing efforts during the year under review. Mooncake coupons, cake coupon sets, the cake of the season and coffee coupons were placed on group buying platforms such as Dianping, Meituan and Lashou, which also gave the Saint Honore brand exposure to potential customers surfing online. An online cake ordering service was launched in the second quarter, and this convenience was soon extended to mobile networks and the WeChat platform, where customers can now also place their cake orders. VIP members enjoy the same benefits as those of Circle K, with the ability to use their WeChat accounts to check on bonus points, digital coupons earned, the latest promotions and current premiums available for redemption.

The Yang Cheng Tong Card top-up service has also been extended to cover Saint Honore stores, providing both loading and transaction service.

FingerShopping.com

As at 31 December 2014, FingerShopping.com featured over 500 brands with approximately 9,000 stock-keeping units. A brand-new VIP programme was launched in September 2014 to increase customer loyalty.

Health and beauty is the most successful anchor category. Famous skincare brands from Korea and Taiwan have been heavily promoted, and many well-established brands have placed their products on the site, including Philips, Bio-essence, Elecom Japan Design, Burt's Bees, NutriGreen and others. The Group also introduced direct delivery of fresh food from Japan in collaboration with Yamato Transport (HK) Limited.

In October 2014, the Group launched a revamped FingerShopping.com website replete with new user interfaces, promotional features and a more accurate search function.

FingerShopping.com (continued)

FingerShopping.com virtual gondolas were displayed in Circle K stores, and billboard advertisements were placed in nine MTR stations in Q4 2014.

Backed by the support of the Group's physical store network, FingerShopping.com has demonstrated a successful O2O business model. Over 90% of customers choose to pick up parcels and pay at Circle K stores. FingerShopping.com also ran two large-scale omni-channel promotional campaigns with Circle K and Saint Honore in the fourth quarter. During the promotional period, customers could redeem free items and cash coupons won at in-store lucky draws by following a simple registration process on FingerShopping.com. The free items could then be collected at Circle K stores. This not only helped divert offline traffic to FingerShopping.com, but also redirect customers back to Circle K stores for gift collection.

To raise brand awareness, the Group displayed FingerShopping.com virtual gondolas in most Circle K stores and placed billboard advertisements in nine MTR stations in the fourth quarter of 2014. The gondolas and billboards contained QR codes that passers-by could scan to become instant VIPs. This promotion was well received by the public, and it resulted in a threefold increase in the number of FingerShopping.com members.

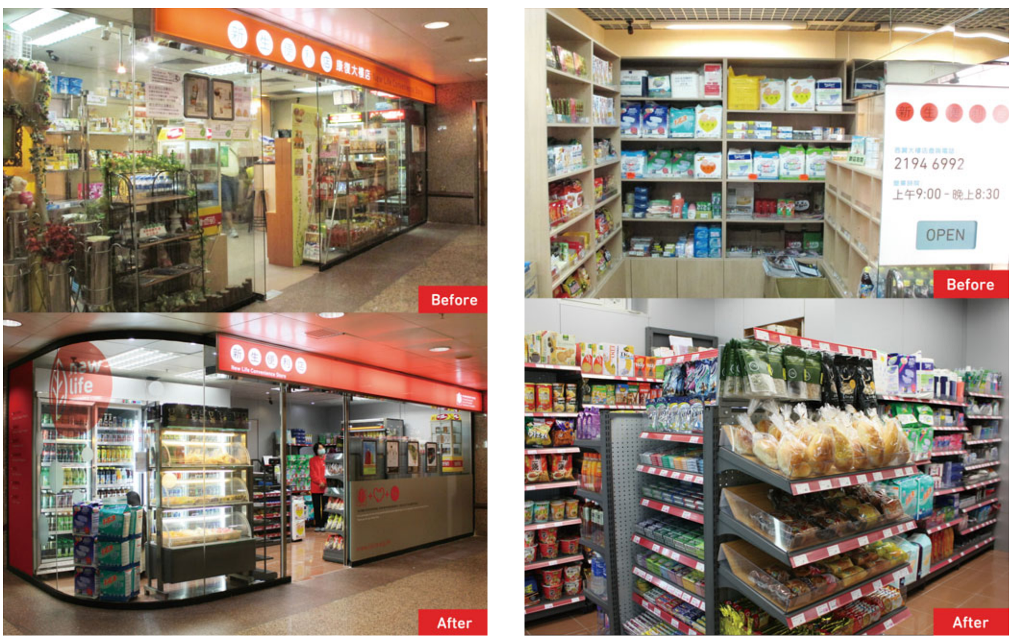
Corporate Social Responsibility

The Group's Corporate Social Responsibility Steering Committee, which is led by the Chief Executive Officer and the Chief Operating Officer, continues to oversee CSR-related policy and performance. This includes but is not limited to environmental, social, governance and people aspects.

In one of the Group's most important and innovative corporate social responsibility initiatives of the year, Circle K Hong Kong partnered with the New Life Psychiatric Rehabilitation Association for a corporate social integration project to help people in recovery from mental illness gain retail experience for entry into the job market. Two New Life convenience stores, based on the design and operations of Circle K, were opened at Kowloon Hospital on 13 January 2014.

At Christmastime, Circle K Hong Kong embarked on a collaboration with iBakery, a social enterprise operated by the Tung Wah Group of Hospitals that trains people with disabilities in the bakery and catering industries. Through this initiative, people could share their blessings with those less fortunate by buying iBakery's Suspended Cookie gift packs for HK$48 at Circle K stores. Following purchases, gift packs were prepared by iBakery and delivered to the needy. The Group also worked with the Tung Wah Group of Hospitals on a charity activity held on Christmas Eve, where colleagues and intellectually disabled children celebrated the holiday together by crafting handmade Santa Clauses and angels and enjoying cookies. Colleagues also prepared twisted balloon art as Christmas gifts for the children.

During the year, Circle K and Saint Honore in Hong Kong continued their bread donation programme with Foodlink Foundation Limited. Unsold bread was collected from over 80 stores and delivered to those in need.



On 13 January 2014, Circle K Hong Kong and the New Life Psychiatric Rehabilitation Association opened two New Life convenience stores, based on the design and operations of Circle K, at Kowloon Hospital.

Corporate Social Responsibility (continued)

For the Mid-Autumn Festival, Saint Honore in Hong Kong, Shenzhen and Guangzhou partnered with various non-governmental organisations and donated more than 900 boxes of mooncakes to the elderly and underprivileged.

Circle K Convenience Stores (HK) Limited and Saint Honore Cake Shop Limited were winners of the CLP GreenPlus Recognition Awards, organised by CLP Power Hong Kong Limited to recognise companies that made excellent contributions with distinguished energy-saving performance. Circle K Convenience Stores (HK) Limited took home the Gold Award and "Joint Energy Saving Award" in the Retail – Chain Store (2nd Group) Category, while Saint Honore Cake Shop Limited received a Merit Award.

Circle K Convenience Stores (HK) Limited received the Gold Award and "Joint Energy Saving Award" in the Retail – Chain Store (2nd Group) Category of the CLP GreenPlus Recognition Awards. Saint Honore Cake Shop Limited received a Merit Award.

Other major corporate social responsibility initiatives undertaken during the year included Circle K Hong Kong's participation in the "Race to Feed" fundraising event organised by Heifer International – Hong Kong for the eighth consecutive year; a Job Shadowing Day held in collaboration with Junior Achievement Hong Kong and supported by Fung (1906) Foundation; a visit by Saint Honore factory colleagues to the Shenzhen Min Ai Disabled Children's Welfare Center; and environment-related activities such as the Tree Planting Challenge organised by Friends of the Earth, a visit to the Tai Po Island House Conservation Studies Centre, and participation in the Walk for Nature organised by the World Wide Fund for Nature Hong Kong.

The Group took part in Junior Achievement Hong Kong's Job Shadowing Day, where secondary school students were given valuable work and business experience by shadowing mentors from Circle K and Saint Honore.

Future Prospects

The Group's outlook for 2015 is conservative. We anticipate that consumer sentiment will remain low, impacting comparable store sales and sales during festive seasons. At the same time, operating costs, including labour and rent, will continue to be high, putting the Group's net profit under pressure.

Both FingerShopping.com and the Sinopec Marketing project remain at the investment stage. However, these two businesses hold considerable promise for revenue diversification and future expansion. Subject to the results of the pilot programme and joint discussions, the Sinopec Marketing project should be an important part of the Group's efforts to develop the China market. The Group believes that both initiatives could contribute substantial results in the medium to long term.

To deliver the best possible results in 2015 and beyond, the Group has many initiatives planned to reinvent both its brands and its operations. The focus is on delivering a superior customer experience, which we believe is the most critical success factor for our business.

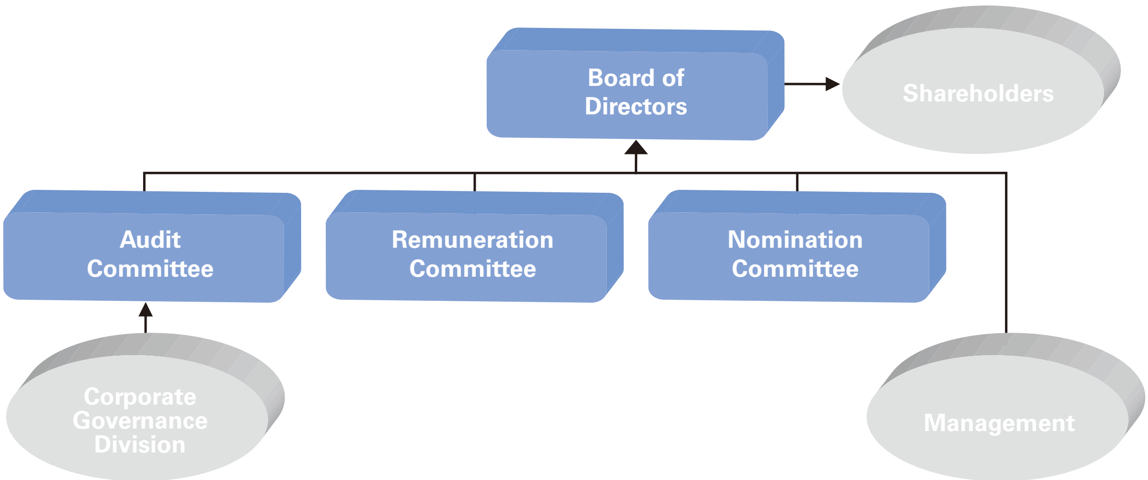
Although the business environment has been challenging, the Group's core operations remain strong and healthy, and it has a solid balance sheet with good cash position. We will continue to monitor the market closely for merger and acquisition opportunities that can help us grow our business, at the same time as we strive for healthy organic growth.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 18 March 2015

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 diversity of perspectives desirable for effective leadership of the Group. As at 31 December 2014, the Board comprised the Non-executive Chairman, two Executive Directors, four Independent Non-executive Directors and four Non-executive Directors. Biographical details and relevant relationships of the Board members are set out in the Directors and Senior Management Profile section on pages 41 to 46.

Chairman and Chief Executive Officer

In order to enhance 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 business, 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 strategy of the Group and making decisions on major operational and financial matters as well as investments. The Board reserves for its decision or approval matters involving:

- Recommendations on Directors' appointment or re-appointment;
- Composition and terms of reference of Board committees;
- Major acquisitions and disposals;
- Remuneration of individual Executive Directors, Non-executive Directors and senior management;
- Annual budgets;
- Annual and interim reports;
- Major capital and borrowing transactions; 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)

Day-to-day operational responsibilities are delegated by the Board to management, such matters include:

- Preparation of annual and interim financial statements for Board approval before public reporting;
- Execution of business strategies and initiatives adopted by the Board;
- Monitoring of budgets; and
- Implementation of sound and effective internal control system and review of relevant financial, operational and compliance controls and risk management functions, ensuring relevant statutory and regulatory compliance.

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 five meetings in 2014 (with an average attendance rate of directors of 96%). The Chairman holds meetings annually with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

The dates of the 2014 Board meetings and committee meetings were determined in the third quarter of 2013 to facilitate maximum attendance of Directors. Amendments to this schedule were notified to the 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 date of the 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 date of the 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 the meetings held in 2014 are set out in the following table:

	No. of meetings **attended**/held				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Non-executive Directors:					
Victor FUNG Kwok King *(Group Chairman and Chairman of Nomination Committee)*	**5**/5	–	–	**2**/2	**1**/1
William FUNG Kwok Lun	**5**/5	–	**1**/1	–	**1**/1
Godfrey Ernest SCOTCHBROOK	**5**/5	**4**/4	–	–	**1**/1
Jeremy Paul Egerton HOBBINS	**5**/5	–	**1**/1	–	**1**/1
Benedict CHANG Yew Teck	**4**/5	**4**/4	–	–	**1**/1
Independent Non-executive Directors:					
Anthony LO Kai Yiu *(Chairman of Audit Committee with effect from 1 April 2014)*	**5**/5	**4**/4	–	**2**/2	**1**/1
Malcolm AU Man Chung *(Chairman of Remuneration Committee)*	**4**/5	**4**/4	**1**/1	–	**1**/1
ZHANG Hongyi *(appointed as member of Audit Committee with effect from 1 April 2014)*	**5**/5	**3**/3	**1**/1	**2**/2	**1**/1
Sarah Mary LIAO Sau Tung *(appointed as member of Remuneration Committee with effect from 1 April 2014)*	**4**/4	–	–	–	**1**/1
Raymond CH'IEN Kuo Fung *(ceased as Chairman of Audit Committee with effect from 1 April 2014)*	**1**/1	**0**/1	**0**/1	–	–
Executive Directors:					
Richard YEUNG Lap Bun *(Chief Executive Officer)*	**5**/5	–	–	–	**1**/1
PAK Chi Kin *(Chief Operating Officer)*	**5**/5	–	–	–	**1**/1
Group Chief Compliance Officer:					
Srinivasan PARTHASARATHY +	**4**/5	**4**/4	**1**/1	**2**/2	**1**/1
Average Attendance Rate of Directors	96%	95%	80%	100%	100%
Dates of Meeting in 2014	27 February 12 May 14 August 8 October 14 November	27 February 12 May 14 August 14 November	27 February	27 January 27 February	12 May

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

The Board (continued)

Independence of Non-executive Directors

The Company has received from each Independent Non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors to be independent during the year ended 31 December 2014.

Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change of circumstances that may affect his/her independence.

Appointment and Re-appointment of Directors

The appointment of a new Director must be approved by the Board. The Board has delegated to the Nomination Committee to select and recommend candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The Nomination Committee has established guidelines to assess the candidates. These guidelines include appropriate professional knowledge and industry experience, character, integrity, personal skills and expertise and ability to contribute sufficient time and attention to the affairs of the Company for the proper functioning of the Board.

In 2014, the Board reviewed its composition, the nomination of new Directors and the retirement of Directors by rotation. Changes in Board members during the year ended 31 December 2014 were as follows:

- Dr. Raymond Ch'ien Kuo Fung (Independent Non-executive Director) resigned from the Board with effect from 1 April 2014.

- Dr. Sarah Mary Liao Sau Tung was appointed as Independent Non-executive Director with effect from 1 April 2014.

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 the Annual General Meeting (the "AGM") at least once every three years pursuant to the Company's Articles of Association. This is also in accordance with the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "CG Code").

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board. A Board Diversity Policy was approved by the Board in May 2013. In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry experience, background, race, age, culture and gender, so as to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

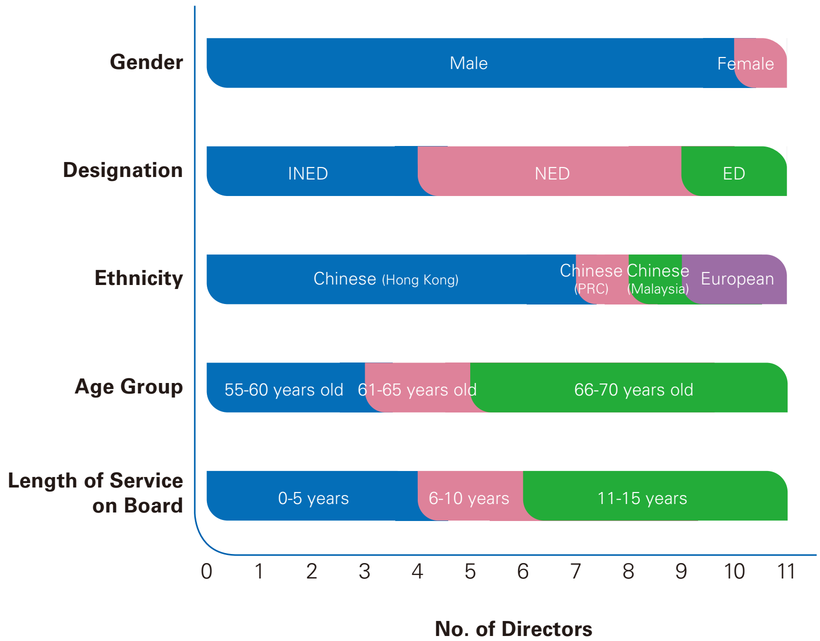
The Board (continued)

Board Diversity (continued)

As mentioned in last year's annual report, with a view to enhancing Board diversity regarding gender, the Nomination Committee had set a target to select and recommend to the Board a female candidate for directorship by the end of 2014.

The Nomination Committee recommended and the Board appointed Dr. Sarah Mary Liao Sau Tung as an Independent Non-executive Director and a member of the Remuneration Committee with effect from 1 April 2014.

An analysis of the Board's current composition is set out in the following chart:



With regard to the Directors' skills, regional and industry experience as well as background, please refer to their biographical details set out in the Directors and Senior Management Profile section on pages 41 to 46.

The Board (continued)

Board Evaluation

The Board recognises the importance of conducting regular evaluation of its performance to ensure the effectiveness of its functioning.

The Board has been conducting annual evaluation since 2013. A questionnaire is sent to each Director seeking his/her view on issues including the overall performance of the Board, Board composition, conduct of Board meetings and provision of information to the Board.

The responses to the questionnaire are analysed and discussed at the Board meeting. Any suggestions made by the Directors are duly considered and will be implemented as appropriate to enhance corporate governance practices.

Potential Conflict of Interest

If a potential conflict of interest involving a substantial shareholder or a Director arises, the matter will be dealt with by a physical Board meeting instead of a 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. Directors with no conflict of interest will attend and vote at meetings dealing with such conflict issues.

Information and Continuous Professional Development

On appointment to the Board, each Director is given an induction on the Group's structure, businesses and governance practices to enhance his/her understanding of the Group's operations.

All Directors are kept informed on a timely basis of major changes that may affect the Group's business, including relevant rules and regulations. Management provides the Directors with a monthly financial summary of the Group giving a balanced and understandable assessment of the Group's performance, position and prospects.

The Board and each Director have separate and independent access to the Company's senior management. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations, are followed.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities as Directors of the Company.

All Directors are required to provide the Company with their training records on an annual basis. For the year ended 31 December 2014, all Directors have attended the training sessions arranged by the Company, or have attended and/or given talks at external seminars/training sessions.

Other Matters Concerning Directors

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 2014.

The Board (continued)

Other Matters Concerning Directors (continued)

The Directors ensure that they 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. The identity of the public companies or organisations and an indication of the time involved should also be disclosed.

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

Board Committees

The Board has established the following committees with defined terms of reference, which are of no less exacting terms than those set out in the CG Code:

- Audit Committee
- Remuneration Committee
- Nomination Committee

All the committees comprise a majority of Independent Non-executive Directors. Each of the Audit Committee and Remuneration Committee is chaired by an Independent Non-executive Director, and the Nomination Committee is chaired by the Non-executive Chairman. Such committees are provided with sufficient resources to discharge their duties and have access to independent professional advice if considered necessary at the Company's expense.

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:

Anthony LO Kai Yiu * *(appointed as Committee Chairman with effect from 1 April 2014)*
Raymond CH'IEN Kuo Fung * *(ceased as Committee Chairman and member with effect from 1 April 2014)*
Malcolm AU Man Chung *
Godfrey Ernest SCOTCHBROOK +
Benedict CHANG Yew Teck +
ZHANG Hongyi * *(appointed as member with effect from 1 April 2014)*

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

Board Committees (continued)

Audit Committee (continued)

The committee includes members who possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in 2014 (with an average attendance rate of 95%) to consider and review with senior management, the Company's Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

- Independence of external auditor, their related terms of engagement and fees;

- The Group's accounting policies and practices, compliance with the Listing Rules and statutory requirements, connected transactions, internal controls, policies and practices on corporate governance, risk management, treasury and financial reporting matters (including the annual and interim financial statements before recommending to the Board for approval);

- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function; and

- Audit plans, findings and reports of external auditor and CGD.

The 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 Whistleblowing Policy, employees can report any concern, including actual or potential misconduct, possible impropriety or fraud in financial reporting, accounting and internal control matters, to either senior management or the Group Chief Compliance Officer. Any shareholders or stakeholders can also report similar concerns by writing in confidence to the Group Chief Compliance Officer at the Company's principal place of business in Hong Kong. No incident of fraud or misconduct that has material effect on the Company's financial statements and overall operations was reported by employees, shareholders or stakeholders in 2014.

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 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.

Board Committees (continued)

Audit Committee (continued)

External Auditor's Independence (continued)

For the year ended 31 December 2014, the following fees paid or payable to the external auditor have been endorsed by the Audit Committee:

	Fees HK$'000
Audit services	1,950
Non-audit services (including agreed-upon procedures regarding interim financial information and tax services)	507
Total	2,457

Prior to the commencement of the audit of the Company's financial statements for the year ended 31 December 2014, 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 2015 at the forthcoming AGM.

Remuneration Committee

The Remuneration Committee was established in January 2005. Its current members include:

Malcolm AU Man Chung * – *Committee Chairman*
Raymond CH'IEN Kuo Fung * *(ceased as member with effect from 1 April 2014)*
William FUNG Kwok Lun +
Jeremy Paul Egerton HOBBINS +
ZHANG Hongyi *
Sarah Mary LIAO Sau Tung * *(appointed as member with effect from 1 April 2014)*

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

Board Committees (continued)

Remuneration Committee (continued)

The duties of the Remuneration Committee include:

- Make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, including allocation of share options to employees under the Company's Share Option Scheme;
- Make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;
- Make recommendations to the Board on the remuneration of Non-executive Directors; and
- Review the Group's remuneration and human resources policy.

The Remuneration Committee met once in 2014 (with an attendance rate of 80%) to consider the remuneration of Executive Directors (including share options), the revision of Directors' fees and the grant of share options to employees.

Remuneration Policy for Executive Directors

Remuneration for Executive Directors includes fees, basic salary, bonus based on performance and share options which are designed to align Directors' interest with maximising the Company's long term shareholder value. No Executive Director is allowed to approve his own remuneration.

Remuneration Policy for Non-executive Directors

Remuneration for Non-executive Directors comprises Directors' fees which are determined by the Board and approved by the shareholders from time to time with reference to the level of fees paid by other companies listed on the Stock Exchange with similar business nature and market capitalisation, time and effort spent in discharging duties and level of complexity of work involved. 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 13 to the consolidated financial statements on pages 98 to 99.

Board Committees (continued)

Nomination Committee

The Nomination Committee was established in March 2012. Its current members include:

Victor FUNG Kwok King + – *Committee Chairman*
Anthony LO Kai Yiu *
ZHANG Hongyi *

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

The duties of the Nomination Committee include:

- Review the structure, size and composition (including diversity) of the Board;
- Assess the independence of Independent Non-executive Directors;
- Make recommendations to the Board on the appointment or re-appointment of Directors; and
- Review and monitor the training and continuous professional development of Directors and senior management.

The Nomination Committee met twice in 2014 (with a 100% attendance rate) to review the aforesaid matters.

Company Secretary

Ms. Maria Li Sau Ping has been the Company Secretary of the Company since 2007. She reports to the Group Chairman on Board governance matters and is responsible for ensuring that Board policies and procedures are followed. All Board members have access to her advice and services. She arranges comprehensive and tailored induction programme for new Directors prior to their appointment and provides updates to the Directors on relevant new legislation or regulatory requirements from time to time. Directors' trainings have been organised on a regular basis to assist Directors' continuous professional development. In 2014, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

Code of Conduct and Business Ethics

The Group places great emphasis on employees' ethical standards and integrity in all aspects of its operations. The Group takes a zero-tolerance approach to bribery and is committed to complying with all applicable anti-bribery laws.

Guidelines of the Group's business ethical practices as endorsed by the Board are set out in the Code of Conduct and Business Ethics. All Directors, officers and employees are expected to comply with the code at all times. The code is posted on the Company's intranet for ease of reference and as a constant reminder to all employees.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2014.

The Company has adopted the Policy on Inside Information, and handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

Directors' Interests

Details of Directors' interests in the shares of the Company and its associated corporations are set out in the Directors' Report on pages 55 to 56.

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 61 and 62 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 functions. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis.

Internal Control and Risk Management (continued)

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.

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 85 to 87.

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 business.

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 the Listing Rules, public disclosure requirements and our standards of compliance practices.

Internal and External Auditors

CGD staff independently review the internal 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.

Internal Control and Risk Management (continued)

Internal and External Auditors (continued)

The Audit Committee approved CGD's current Three-Year Internal Audit Plan (2014 to 2016) 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 material financial, operational and compliance controls, as well as risk management policies and procedures. A summary of the key recommendations is presented at the Audit Committee meetings. The implementation of all agreed recommendations is being followed up on a quarterly basis and the progress of implementation is reported to the Audit Committee at each committee meeting.

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, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The outcome of the review is reported to the Audit Committee.

The external auditor, PwC, performs independent statutory audit on the Group's financial statements. As part of the audit engagement, PwC also reports to the Audit Committee any significant weaknesses in the Group's internal control procedures which might come to their attention during the course of audit. PwC noted no significant internal control weaknesses in their audit for the financial year ended 31 December 2014.

Overall Assessment

Based on the respective assessments made by senior management and CGD, and also taking into account the results of the work conducted by the external auditor for the purpose of their audit, the Audit Committee considered that for the year ended 31 December 2014:

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

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2014.

Shareholders' Rights

Under the Company's Articles of Association, on the written requisition of shareholder(s) holding not less than one-tenth of the Company's paid-up capital carrying the right of voting at the Company's general meetings, 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 the Company's general meetings 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.

The Company conducts all voting at general meetings by poll. Notice to shareholders will be sent in the case of AGM 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 pursues a policy of promoting transparency in corporate communication and investor relations. Regular communication programmes include conducting analyst briefing in person and/or via email, participation in investor conferences, conducting road shows, arranging company visits and ad hoc meetings with institutional shareholders and analysts.

The Company maintains a corporate website (www.cr-asia.com) as one of the channels to promote effective corporate communication with the investors and the general public. The website is used to disseminate company announcements, shareholder information and other relevant financial and non-financial information in an electronic format on a timely basis.

The Board confirmed that there were no significant changes in the Company's Articles of Association during 2014 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 2014, are set out in the Information for Investors section on page 47.

Investor Relations and Communication (continued)

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 take shareholders' questions.

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 12 May 2014 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, Remuneration Committee and Nomination Committee were available to answer questions from shareholders. A representative of the external auditor (the engagement partner) also attended the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

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 Hong Kong branch share registrar, 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 percentages of votes cast in favour of the resolutions were:

Ordinary resolutions passed	Percentage of votes cast
• To receive and adopt the audited consolidated financial statements and reports of the Directors and the Auditor of the Company and its subsidiaries for the year ended 31 December 2013	100%
• To declare a final dividend of 13 HK cents per share	100%
• To re-elect Dr. Sarah Mary Liao Sau Tung as Director	100%
• To re-elect Dr. Victor Fung Kwok King as Director	99.55%
• To re-elect Mr. Malcolm Au Man Chung as Director	100%
• To re-elect Mr. Godfrey Ernest Scotchbrook as Director	99.47%
• To re-elect Mr. Pak Chi Kin as Director	99.55%
• To re-appoint PwC as Auditor and authorise the Board to fix their remuneration	100%
• To fix the Directors' fees	100%
• To give a general mandate to the Directors to allot and issue additional shares not exceeding 20% of the issued share capital of the Company	76.15%
• To give 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	76.15%

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

Recognition

The Company was once again named "Asia's Most Promising Company on Corporate Governance" at Corporate Governance Asia Magazine's "10th Corporate Governance Asia Recognition Awards 2014 – The Best of Asia".

Directors and Senior Management Profile

Executive Directors

Richard YEUNG Lap Bun – *Chief Executive Officer*

Mr. Yeung, aged 58, has over 20 years of experience in general management, food distribution and supply chain management and has been a Director of the Company since 1 November 2000. He is currently the Chief Executive Officer of the Group responsible for overseeing the Group's operations, marketing, logistics and supply chain management, and is actively involved in new business development on the Chinese Mainland. 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 of the American Institute of Certified Public Accountants. He is also a director of Fung Retailing Limited, a substantial shareholder of the Company.

PAK Chi Kin – *Chief Operating Officer*

Mr. Pak, aged 56, has over 20 years of experience in the retailing and food distribution business and has been a Director of the Company since 10 March 2011. 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 was the senior manager at HAVI Food Services Group in charge of the distribution of food products and logistics services to McDonald's Restaurants. Mr. Pak graduated from The University of Hong Kong with a Bachelor degree of Science in Engineering, and 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.

Non-executive Directors

Victor FUNG Kwok King – *Chairman*

Dr. Fung, aged 69, brother of Dr. William Fung Kwok Lun, has been a Non-executive Director of the Company since 3 January 2001. Dr. Fung is Group Chairman of the Fung Group, a Hong Kong based multinational which comprises major operating groups engaging in trading, logistics, distribution and retailing. They include publicly-listed Li & Fung Limited, Global Brands Group Holding Limited, Trinity Limited and the Company. Dr. Fung has become Honorary Chairman of Li & Fung Limited after stepping down as its Group Chairman since May 2012. He is also a director of King Lun Holdings Limited, Fung Holdings (1937) Limited and Fung Retailing Limited, which are 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. He is an independent non-executive director of Chow Tai Fook Jewellery Group Limited (Hong Kong), Koç Holding A.Ş. (Turkey) and China Petrochemical Corporation (People's Republic of China). Formerly, he was an independent non-executive director of Baosteel Group Corporation (October 2005 – January 2013) and BOC Hong Kong (Holdings) Limited (June 2002 – June 2014). Dr. Fung is Founding Chairman of the Fung Global Institute, an independent and non-profit think-tank based in Hong Kong. In public service, Dr. Fung is a member of the Chinese People's Political Consultative Conference. He is also a member of the Economic Development Commission of the Hong Kong Government and Chairman of the Steering Committee on the Hong Kong Scholarship for Excellence Scheme from September 2014. Dr. Fung was Chairman of the Hong Kong Trade Development Council (1991 – 2000), the Hong Kong representative on the APEC Business Advisory Council (1996 – 2003), Chairman of the Hong Kong Airport Authority (1999 – 2008), Chairman of The Council of The University of Hong Kong (2001 – 2009), Chairman of the Hong Kong – Japan Business Co-operation Committee (2004 – 2010), Chairman of the Greater Pearl River Delta Business Council (2004 – 2013), a member of the Commission on Strategic Development of the Hong Kong Government (2005 – 2012), Chairman of the International Chamber of Commerce (2008 – 2010), a member of WTO Panel on Defining the Future of Trade (2012 – 2013) and a vice chairman of China Centre for International Economic Exchanges (March 2009 – October 2014). 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.

William FUNG Kwok Lun

Dr. Fung, SBS, OBE, JP, aged 66, brother of Dr. Victor Fung Kwok King, has been a Non-executive Director of the Company since 3 January 2001. Dr. Fung is Group Chairman of Li & Fung Limited, Chairman and non-executive director of Global Brands Group Holding Limited and a non-executive director of Trinity Limited, all within the Fung Group. He is also a director of the substantial shareholders of the Company, King Lun Holdings Limited, Fung Holdings (1937) Limited and Fung Retailing Limited, and a director of the Fung Global Institute, an independent and non-profit think-tank based in Hong Kong. Dr. Fung held key positions at major trade and business organisations. He is the past Chairman of the Hong Kong General Chamber of Commerce (1994 – 1996), the Hong Kong Exporters' Association (1989 – 1991) and the Hong Kong Committee for the Pacific Economic Cooperation (1993 – 2002). He has been awarded the Silver Bauhinia Star by the Hong Kong 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 degrees 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, The Hongkong and Shanghai Hotels, Limited and Singapore Airlines Limited.

Non-executive Directors (continued)

Godfrey Ernest SCOTCHBROOK

Mr. Scotchbrook, aged 68, prior to re-designation as Non-executive Director of the Company on 3 August 2005, was an Independent Non-executive Director 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 an independent non-executive director of Boustead Singapore Limited (a company engaged in engineering services and geo-spatial technology) in Singapore. Mr. Scotchbrook was the 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 67, has been a Non-executive Director of the Company since 29 October 2004. Mr. Hobbins is also a director of various companies within the Fung Group including Fung Holdings (1937) Limited, a substantial shareholder of the Company. He was also a director of Trinity Limited from December 2006 to June 2011 and the formerly listed Integrated Distribution Services Group Limited (which was privatised in October 2010) from October 2003 to April 2011. Mr. Hobbins joined the Fung Group in 1999 and was Group Managing Director of Fung Retailing Limited, a substantial shareholder of the Company, and previous Deputy Chairman of Fung Distribution International Limited. Prior to joining the Fung Group, Mr. Hobbins has held a number of management positions in a variety of companies including Chief Executive of Inchcape Marketing Services – Asia Pacific, which was listed in Singapore, Chief Executive of Inchcape Buying Services based in Hong Kong, President of the Campbell Soup Company, United Kingdom, and President of Ault Foods, Canada. He had also held a number of senior management positions in Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes where he started his career as a commercial apprentice working in brand management.

Benedict CHANG Yew Teck

Mr. Chang, aged 60, has been a Non-executive Director of the Company since 1 July 2012. He was the group managing director of Integrated Distribution Services Group Limited ("IDS") which was privatised on 29 October 2010, and had been a director of IDS from October 2003 to April 2011. He is currently a director of Fung Holdings (1937) Limited, a substantial shareholder of the Company and has been a non-executive director of Li & Fung Limited from February 2011 to May 2014. Mr. Chang graduated from the University of Surrey, United Kingdom, with a Bachelor of Science Degree (First Class Honours) in Marine Engineering. He is also the Chairman of the Advisory Board of the Asian Institute of Supply Chains & Logistics of the Chinese University of Hong Kong, and a member of the Advisory Board of the School of Information Systems, Singapore Management University.

Independent Non-executive Directors

Malcolm AU Man Chung

Mr. Au, aged 65, has been an Independent Non-executive Director of the Company since 3 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, the United States of America and a Master of Business Administration degree from the University of Toronto, Canada. Mr. Au is also an independent non-executive director of Hong Kong listed China-Hongkong Photo Products Holdings Limited.

Anthony LO Kai Yiu

Mr. Lo, aged 66, has been an Independent Non-executive Director of the Company since 3 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. Mr. Lo is former Chairman and Co-Chief Executive Officer of Shanghai Century Acquisition Corporation (a company formerly listed on the American Stock Exchange) and he retired as independent non-executive director of Mecox Lane Limited, a company listed on NASDAQ, on 5 June 2014. 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.

ZHANG Hongyi

Mr. Zhang, aged 69, has been an Independent Non-executive Director of the Company since 1 July 2012. Mr. Zhang graduated from Peking Institute of Foreign Trade and retired from Bank of China. He has been a Council Member of China Development Institute (Shenzhen) since March 2008, and an independent non-executive director of Shenzhen Rural Commercial Bank Limited since August 2012. In addition, Mr. Zhang is an independent non-executive director of Bank of East Asia (China) Limited. Mr. Zhang is a Senior Economist and a Fellow of the Hong Kong Institute of Bankers. He previously served as the President of Shenzhen Branch of Bank of China, Vice Mayor of Shenzhen Municipal Government, Deputy C.E.O. of Hong Kong & Macau Regional Office of Bank of China, Chairman of Nanyang Commercial Bank, Limited, Chairman of Hua Chiao Commercial Bank Ltd., Vice Chairman of BOC Credit Card (International) Limited, General Manager of Macau branch of Bank of China, Managing Director of Banco Tai Fung, Chairman of Nam Tung Trust & Investment Co. Ltd., Chairman of Nantong Bank Ltd. (Zhuhai), Executive Vice President of China Development Institute (Shenzhen), a director of Henderson (China) Investment Company Limited, an independent non-executive director of Shenzhen Overseas Chinese Town Co., Ltd. (listed on the Shenzhen Stock Exchange) and Ping An Insurance (Group) Company of China, Ltd. (listed in Hong Kong and Shanghai), and a non-executive director of Inter-Citi Minerals Inc. (listed on the Canadian Stock Exchange).

Independent Non-executive Directors (continued)

Sarah Mary LIAO Sau Tung

Dr. Liao, aged 63, has been appointed as Independent Non-executive Director of the Company with effect from 1 April 2014. Dr. Liao is currently the Acting Director of the Kadoorie Institute of The University of Hong Kong and was Senior Advisor to the Vice-Chancellor on Sustainability in 2008 – 2014. She has been a member of the Chinese Council for International Cooperation on Environment and Development since 2009 and is on the Board of Trustees of the Environmental Defense Fund. Dr. Liao was formerly the Secretary for the Environment, Transport and Works of the Hong Kong Government in 2002 – 2007. Prior to her Government appointment, Dr. Liao was in the consultancy business and amongst her many projects she was engaged as the environmental consultant to the Beijing's Olympic Bid and Organising Committee in 2000 – 2008. Formerly, Dr. Liao was a director (July 2008 – April 2012) of Westport Innovations Inc. which is listed on the Toronto Stock Exchange and NASDAQ. Dr. Liao is a Fellow of the Royal Society of Chemistry and the Hong Kong Institute of Engineers. She was awarded the Member of the British Empire (MBE); and Justice of Peace and the Gold Bauhinia Star by the Hong Kong Government.

Group Chief Compliance Officer

Srinivasan PARTHASARATHY

Mr. Parthasarathy, aged 57, was appointed as the Group Chief Compliance Officer of the Company in January 2012. He is also the Group Chief Compliance Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and of the Fung Group of companies including Li & Fung Limited, Global Brands Group Holding Limited and Trinity Limited of which he is also their respective Group Chief Compliance Officer. He has over 30 years of experience and has held various financial and commercial positions with the Fung Group since 1999, and the Inchcape Group before that, in Hong Kong, Singapore, the United Kingdom and the Middle East. He is a Commerce Graduate of Bombay University and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. He is also a Fellow member of the Chartered Institute of Management Accountants, United Kingdom.

Senior Management

Carrina CHAN Wong Man Li – *Managing Director, Saint Honore Retailing Group*

Mrs. Chan, aged 52, has over 26 years of experience in the food and beverage and retail chain industry. She is currently responsible for the Saint Honore operations in Hong Kong, Macau and Shenzhen overseeing marketing and category, retail operations, products and site development management. 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.

LAI Chun Pang – *Managing Director, Convenience Retail Southern China*

Mr. Lai, aged 53, is 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 was promoted as Director and General Manager of Convenience Retail Southern China in October 2009. Mr. Lai 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 – *Chief Financial Officer*

Mr. Hui, aged 40, 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
Stock code	00831

Key Dates

18 March 2015	Announcement of 2014 Final Results
20 May 2015	Record date for right to attend Annual General Meeting
21 May 2015	Annual General Meeting
1 June to 2 June 2015 (both days inclusive)	Closure of Register of Shareholders for 2014 Final Dividend
12 June 2015	Despatch of 2014 Final Dividend warrants

Share Information

Board lot size	2,000 shares
Shares outstanding as at 31 December 2014	751,151,974 shares
Market capitalisation as at 31 December 2014	HK$3,763,271,000
Earnings per share for 2014	
Interim	6.53 HK cents
Full year	16.18 HK cents
Dividend per share for 2014	
Interim	3.10 HK cents
Final	13.00 HK cents
Full year	16.10 HK cents

Share Registrar and Transfer Offices

Principal:
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch:
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Enquiries Contact

Sam HUI Chi Ho
Chief Financial Officer

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

Convenience Retail Asia Limited
15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
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 2014.

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 brand name of Circle K and Saint Honore respectively in Hong Kong, Macau and the Chinese Mainland. The Group also started an e-Commerce business in 2013 and operates an online retailing platform of FingerShopping.com.

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 63.

The Directors had declared an interim dividend of 3.1 HK cents per share, totaling HK$23,261,000, which was paid on 8 September 2014.

The Directors recommended the payment of a final dividend of 13.0 HK cents per share, totaling HK$97,760,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$389,000.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 25 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2014 calculated under the Companies Law of the Cayman Islands amounted to HK$555,505,000 (2013: HK$395,967,000).

Pre-emptive Rights

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

Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2014 are set out in note 18 to the consolidated financial statements.

Ten-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on page 128.

Purchase, Sale or Redemption of Listed Securities

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

Share Options

1. 2001 Share Option Scheme

On 6 January 2001, the 2001 Share Option Scheme was approved by the shareholders of the Company by way of written resolution with certain amendments subsequently adopted on 24 April 2002. On 10 May 2010, shareholders of the Company approved at the annual general meeting the termination of the 2001 Share Option Scheme, pursuant to which, 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.

2. 2010 Share Option Scheme

On 10 May 2010, the 2010 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company in view of the termination of the 2001 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 (the "Share Option Schemes") are 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 36,258,597, representing approximately 4.82% 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 daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 movements of share options under the Share Option Schemes during the year ended 31 December 2014 are as follows:

(A) Continuous contract employees

Number of share options									
As at 1 January 2014	Granted *(Note 1)*	Exercised *(Note 2a)*	Lapsed *(Note 3)*	Expired *(Note 4)*	As at 31 December 2014	Exercise price HK$	Grant date	Exercisable from	Exercisable until
410,000	–	(390,000)	–	(20,000)	–	3.39	3 May 2007	3 May 2011	2 May 2014
260,000	–	(260,000)	–	–	–	3.46	19 November 2007	19 November 2011	18 November 2014
80,000	–	(80,000)	–	–	–	2.04	21 December 2009	21 December 2010	20 December 2014
14,119,000	–	(6,760,000)	(80,000)	–	7,279,000	3.22	10 March 2011	1 April 2014	31 March 2017
332,000	–	(180,000)	(86,000)	–	66,000	3.71	8 March 2012	1 April 2014	31 March 2017
508,000	–	–	(38,000)	–	470,000	5.40	28 March 2013	1 April 2014	31 March 2017
–	14,624,000	–	(546,000)	–	14,078,000	5.53	28 February 2014	1 April 2017	31 March 2020
15,709,000	14,624,000	(7,670,000)	(750,000)	(20,000)	21,893,000				

Share Options (continued)

(B) Directors

	Number of share options									
	As at 1 January 2014	Granted *(Note 1)*	Exercised *(Note 2b)*	Lapsed	Expired	As at 31 December 2014	Exercise price HK$	Grant date	Exercisable from	Exercisable until
Richard Yeung Lap Bun	400,000	–	(400,000)	–	–	–	3.39	3 May 2007	3 May 2011	2 May 2014
	2,000,000	–	–	–	–	2,000,000	3.22	10 March 2011	1 April 2014	31 March 2017
	–	2,000,000	–	–	–	2,000,000	5.53	28 February 2014	1 April 2017	31 March 2020
Pak Chi Kin	2,000,000	–	–	–	–	2,000,000	3.22	10 March 2011	1 April 2014	31 March 2017
	–	2,000,000	–	–	–	2,000,000	5.53	28 February 2014	1 April 2017	31 March 2020
	4,400,000	4,000,000	(400,000)	–	–	8,000,000				

Notes:

1. *During the year, share options to subscribe for a total of 18,624,000 shares were granted on 28 February 2014. The closing price of the shares immediately before the date on which the options were granted was HK$5.51.*

2. *(a) Share options to subscribe for 7,670,000 shares were exercised by continuous contract employees during the year. The weighted average closing market price per share immediately before the dates on which the options were exercised was approximately HK$5.26.*

   (b) Share options to subscribe for 400,000 shares were exercised by Richard Yeung Lap Bun during the year. The weighted average closing market price per share immediately before the date on which the options were exercised was HK$5.18.

3. *Share options to subscribe for 750,000 shares lapsed during the year following the cessation of employment of certain grantees.*

4. *Share options to subscribe for 20,000 shares expired during the year following the expiry of the options.*

5. *The above options granted are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in this Report.*

6. *The value of the options granted during the year is HK$15,212,000 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK$5.53 at the grant date, exercise price shown above, standard deviation of expected share price returns of 23.4%, expected life of options of five years, expected dividend paid out rate of 3.3% and annual risk-free interest rate of 1.6%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years. The Black-Scholes Valuation model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.*

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates had been granted any other share options.

Directors

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

Non-executive Directors
Victor FUNG Kwok King
William FUNG Kwok Lun
Malcolm AU Man Chung *
Anthony LO Kai Yiu *
ZHANG Hongyi *
Sarah Mary LIAO Sau Tung * *(appointed on 1 April 2014)*
Raymond CH'IEN Kuo Fung * *(resigned on 1 April 2014)*
Godfrey Ernest SCOTCHBROOK
Jeremy Paul Egerton HOBBINS
Benedict CHANG Yew Teck

Executive Directors
Richard YEUNG Lap Bun
PAK Chi Kin

* *Independent Non-executive Directors*

In accordance with Article 87 of the Company's Articles of Association, Dr. William Fung Kwok Lun, Mr. Anthony Lo Kai Yiu, Mr. Jeremy Paul Egerton Hobbins and Mr. Richard Yeung Lap Bun will retire at the forthcoming annual general meeting, and being eligible, 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.

Directors' Service Contracts

Mr. Richard Yeung Lap Bun 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.

Mr. Pak Chi Kin was appointed as Executive Director of the Company with effect from 10 March 2011. According to his terms of employment, he will continue in office subject at all times 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 30 "Related Party Transactions" to the consolidated financial statements.

Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures

As at 31 December 2014, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and/or the Code for Securities Transactions by Directors and Relevant Employees adopted by the Company:

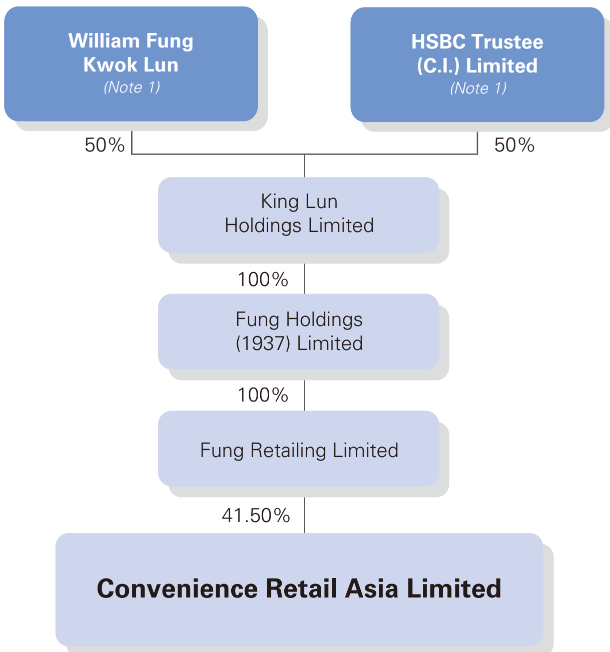
Long positions in shares and the underlying shares of the Company

	Number of shares					
Name of Directors	**Personal interests**	**Family interests**	**Corporate/ Trust interests**	**Equity derivatives (share options)**	**Total interests**	**Approximate percentage of interests**
Victor Fung Kwok King	–	–	311,792,000 *(Note 1)*	–	311,792,000	41.50%
William Fung Kwok Lun	–	–	311,792,000 *(Note 1)*	–	311,792,000	41.50%
Richard Yeung Lap Bun	20,396,000	–	–	4,000,000 *(Note 2)*	24,396,000	3.24%
Pak Chi Kin	800,000	–	–	4,000,000 *(Note 2)*	4,800,000	0.63%
Jeremy Paul Egerton Hobbins	180,000	–	–	–	180,000	0.02%

Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures (continued)

Long positions in shares and the underlying shares of the Company (continued)

As at 31 December 2014, 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:



Notes:

1. *King Lun Holdings Limited ("King Lun") through its indirect wholly owned subsidiary, Fung Retailing Limited ("FRL") (a wholly owned subsidiary of Fung Holdings (1937) Limited ("FH (1937)")) held 311,792,000 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. Therefore, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, by virtue of their interests in King Lun, are deemed to have interests in 311,792,000 shares of the Company.*

2. *These interests represented the interests in the share options (being regarded as unlisted physically settled equity derivatives) granted by the Company to these Directors as beneficial owners, the details of which are set out in the section headed "Share Options" above.*

Save as disclosed above, as at 31 December 2014, 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. Besides, at no time during the year, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

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

As at 31 December 2014, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Interests in shares of the Company

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	311,792,000 *(L)*	Trustee *(Note 1)*	41.50%
King Lun Holdings Limited	311,792,000 *(L)*	Corporate interests *(Note 1)*	41.50%
Arisaig Asia Consumer Fund Limited ("Arisaig Asia")	92,580,000 *(L)*	Other	12.32%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	92,580,000 *(L)*	Other *(Note 2)*	12.32%
Lindsay William Ernest Cooper ("Mr. Cooper")	92,580,000 *(L)*	Corporate interests *(Note 3)*	12.32%
Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group")	77,220,000 *(L)*	Other *(Note 4)*	10.28%
JPMorgan Chase & Co.	37,752,000 *(L)* 26,458,000 *(P)*	Corporate interests *(Note 5)*	5.02%
Dempsey Hill Asia Master Fund ("Dempsey Hill Asia")	37,008,000 *(L)* *(Note 6)*	Other	4.92%
Dempsey Hill Capital Pte Ltd ("Dempsey Hill Capital")	37,008,000 *(L)* *(Note 6)*	Other *(Note 7)*	4.92%
Lim Thiam Soon ("Mr. Lim")	37,008,000 *(L)* *(Note 6)*	Corporate interests *(Note 7)*	4.92%

(L) – Long Position
(P) – Lending Pool

Interests and Short Positions of Shareholders in the Shares and Underlying Shares (continued)

Interests in shares of the Company (continued)

Notes:

1. *These shares were held by FRL. King Lun indirectly owns 100% interests in FRL through its wholly owned subsidiary, FH (1937). All of HSBC Trustee (C.I.) Limited, King Lun, FH (1937) and FRL are deemed to have interests in these shares pursuant to the SFO. Please refer to Note 1 in the above section headed "Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures".*

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

3. *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.*

4. *The Aberdeen Group held the shares on behalf of accounts (under discretionary or segregated mandates) managed by the Aberdeen Group.*

5. *These shares were held by JPMorgan Chase & Co. as investment manager.*

6. *The number of shares held was reported in the Disclosure of Interests notices filed on 12 September 2012 and no further notification has been filed by the shareholders.*

7. *These shares were held by Dempsey Hill Asia of which Dempsey Hill Capital is the fund manager. Dempsey Hill Capital is owned as to 70% by Mr. Lim.*

Save as disclosed above, as at 31 December 2014, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company being held by any other shareholders as recorded in the register required to be kept under section 336 of the SFO.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Major Customers and Suppliers

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

–	the largest supplier	26%
–	five largest suppliers combined	47%

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 30 to the consolidated financial statements on pages 125 to 127). Certain reimbursement of office and administrative expenses between the Group and FH (1937) (the controlling shareholder of the Company) and its associates also constitute connected transactions of the Company which are fully exempted under Rule 14A.98 of the Listing Rules. The following transactions are expected to continue on an on-going basis and constitute continuing connected transactions (exempt from independent shareholders' approval requirements) of the Company:

		HK$'000
1.	Purchases of various products (being both food and non-food products) from FH (1937) and its associates *(Note 1)*	11,721
2.	Properties leasing and/or licensing arrangements with FH (1937) and its associates *(Note 2)*	10,138

Notes:

1. *This refers to the purchases of various products (being both food and non-food products) by the Group from FH (1937) (the controlling shareholder of the Company) and its associates under a master agreement signed on 22 November 2012 for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 (details of which were disclosed in the announcement dated 22 November 2012).*

2. *This refers to the leasing of properties and/or licensing of the right to use properties (or any part thereof) by FH (1937) (the controlling shareholder of the Company) and its associates to the Group under a master agreement signed on 22 November 2012 for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 (details of which were disclosed in the announcement dated 22 November 2012).*

Connected Transactions (continued)

The Independent Non-executive Directors reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable 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 14A of the Listing Rules have been duly complied with by the Company.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Contracts with Controlling Shareholders

Save as disclosed under "Connected Transactions" above and note 30 "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' 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 2014, 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, 18 March 2015

Independent Auditor's Report

pwc 羅兵咸永道

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 63 to 127, which comprise the consolidated and company balance sheets as at 31 December 2014, 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 2014, 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, 18 March 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Consolidated Profit and Loss Account

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000 (Restated)
Revenue	5	**4,736,444**	4,521,289
Cost of sales	6	**(3,083,026)**	(2,941,541)
Gross profit		**1,653,418**	1,579,748
Other income	5	**97,033**	86,417
Store expenses	6	**(1,267,552)**	(1,188,036)
Distribution costs	6	**(118,419)**	(110,663)
Administrative expenses	6	**(211,693)**	(199,543)
Core operating profit		**152,787**	167,923
Non-core operating (loss)/gain	6	**(1,334)**	9,366
Operating profit		**151,453**	177,289
Interest income	7	**5,652**	7,483
Profit before income tax		**157,105**	184,772
Income tax expenses	8	**(36,073)**	(34,419)
Profit attributable to shareholders of the Company	9 & 26	**121,032**	150,353
Earnings per share (HK cents)			
Basic	10	**16.18**	20.27
Diluted	10	**16.06**	20.04
Dividends	11	**121,021**	422,047

The notes on pages 71 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 **HK$'000**	2013 HK$'000
Profit attributable to shareholders of the Company	**121,032**	150,353
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gains on post employment benefit obligation, net of tax	**2,006**	–
Items that may be reclassified subsequently to profit or loss		
Exchange differences	**(1,715)**	2,218
Release of exchange reserve upon disposal of a subsidiary	**–**	(3,825)
Total comprehensive income attributable to shareholders of the Company	**121,323**	148,746

The notes on pages 71 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Fixed assets	*14*	**337,775**	357,546
Investment property	*15*	**22,567**	–
Lease premium for land	*16*	**60,199**	55,388
Intangible assets	*17*	**357,465**	357,465
Available-for-sale financial asset	*19*	**1,895**	1,895
Rental and other long-term deposits		**76,446**	69,183
Deferred tax assets	*20*	**10,448**	9,203
		866,795	850,680
Current assets			
Inventories	*21*	**194,579**	173,959
Rental deposits		**47,528**	51,920
Trade receivables	*22*	**52,970**	50,335
Other receivables, deposits and prepayments		**85,915**	76,897
Taxation recoverable		**166**	226
Bank and restricted deposits	*23*	**9,169**	51,284
Cash and cash equivalents	*23*	**528,177**	431,348
		918,504	835,969
Current liabilities			
Trade payables	*24*	**589,688**	546,920
Other payables and accruals		**211,962**	191,127
Taxation payable		**11,952**	11,055
Cake coupons		**158,106**	153,493
		971,708	902,595
Net current liabilities		**(53,204)**	(66,626)
Total assets less current liabilities		**813,591**	784,054

Consolidated Balance Sheet (continued)

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Financed by:			
Share capital	*25*	**75,115**	74,308
Reserves	*26*	**617,286**	587,407
Proposed dividend	*26*	**97,760**	96,603
Shareholders' funds		**790,161**	758,318
Non-current liabilities			
Long service payment liabilities	*27*	**13,738**	16,462
Deferred tax liabilities	*20*	**9,692**	9,274
		813,591	784,054

On behalf of the Board

Victor FUNG Kwok King
Director

Richard YEUNG Lap Bun
Director

The notes on pages 71 to 127 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	*18*	**654,538**	654,538
Fixed assets	*14*	**2,602**	3,643
Rental deposits		**525**	–
		657,665	658,181
Current assets			
Amounts due from subsidiaries	*18*	**459,469**	367,683
Rental deposits		**1,816**	1,816
Other receivables, deposits and prepayments		**1,293**	1,624
Cash and cash equivalents	*23*	**3,493**	121,865
		466,071	492,988
Current liabilities			
Amounts due to subsidiaries	*18*	**479,395**	668,912
Other payables and accruals		**13,088**	10,956
		492,483	679,868
Net current liabilities		**(26,412)**	(186,880)
Total assets less current liabilities		**631,253**	471,301
Financed by:			
Share capital	*25*	**75,115**	74,308
Reserves	*26*	**457,745**	299,364
Proposed dividend	*26*	**97,760**	96,603
		630,620	470,275
Non-current liability			
Long service payment liabilities	*27*	**633**	1,026
		631,253	471,301

On behalf of the Board

Victor FUNG Kwok King
Director

Richard YEUNG Lap Bun
Director

The notes on pages 71 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserves HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2013	73,938	317,977	177,087	17,222	11,317	10,710	406,930	1,015,181
Profit attributable to shareholders of the Company	–	–	–	–	–	–	150,353	150,353
Exchange differences	–	–	–	–	–	2,218	–	2,218
Release of exchange reserve upon disposal of a subsidiary	–	–	–	–	–	(3,825)	–	(3,825)
Total comprehensive income for the year	–	–	–	–	–	(1,607)	150,353	148,746
Issue of new shares	370	12,077	–	–	–	–	–	12,447
Employee share option benefit	–	3,625	–	–	139	–	92	3,856
Transfer to capital reserves	–	–	–	559	–	–	(559)	–
Dividends paid	–	–	–	–	–	–	(421,912)	(421,912)
	370	15,702	–	559	139	–	(422,379)	(405,609)
At 31 December 2013	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318

	Attributable to shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserves HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2014	74,308	333,679	177,087	17,781	11,456	9,103	134,904	758,318
Profit attributable to shareholders of the Company	–	–	–	–	–	–	121,032	121,032
Exchange differences	–	–	–	–	–	(1,715)	–	(1,715)
Actuarial gains on post employment benefit obligation								
gross	–	–	–	–	–	–	2,367	2,367
tax	–	–	–	–	–	–	(361)	(361)
Total comprehensive income for the year	–	–	–	–	–	(1,715)	123,038	121,323
Issue of new shares	807	25,369	–	–	–	–	–	26,176
Employee share option benefit	–	5,241	–	–	(394)	–	127	4,974
Transfer to capital reserves	–	–	–	693	–	–	(693)	–
Dividends paid	–	–	–	–	–	–	(120,630)	(120,630)
	807	30,610	–	693	(394)	–	(121,196)	(89,480)
At 31 December 2014	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161

The notes on pages 71 to 127 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	*28*	**260,082**	251,623
Hong Kong profits tax paid		**(29,873)**	(24,154)
Overseas income tax paid		**(6,446)**	(4,807)
Net cash generated from operating activities		**223,763**	222,662
Cash flows from investing activities			
Purchase of fixed assets		**(71,638)**	(62,243)
Purchase of lease premium for land		**(7,326)**	(25,150)
Proceeds from disposal of fixed assets		**1,886**	307
Decrease in bank deposits		**41,071**	155,765
Interest received		**5,231**	9,704
Net cash (used in)/generated from investing activities		**(30,776)**	78,383
Cash flows from financing activities			
Proceeds from issuance of shares		**26,176**	12,447
Dividends paid		**(120,630)**	(421,912)
Net cash used in financing activities		**(94,454)**	(409,465)
Increase/(decrease) in cash and cash equivalents		**98,533**	(108,420)
Cash and cash equivalents at 1 January		**431,348**	539,035
Effect of foreign exchange rate changes		**(1,704)**	733
Cash and cash equivalents at 31 December	*23*	**528,177**	431,348

The notes on pages 71 to 127 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 (together the "Group") are principally engaged in the operation of chains of convenience stores and bakeries under the brand name of Circle K and Saint Honore respectively in Hong Kong, Macau and the Chinese Mainland. The Group also started an e-Commerce business in 2013 and operates an online retailing platform of FingerShopping.com.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business was 5th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. On 1 February 2015, the principal place of business of the Company changed to 15th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The Company's shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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 18 March 2015.

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.

As at 31 December 2014, the Group had net current liabilities of HK$53,204,000 (2013: HK$66,626,000). In preparing these financial statements, the Group's management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2014, the Group had banking facilities available amounting to HK$125,736,000 (2013: HK$130,515,000). Under these circumstances, the Group's management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The Group has adopted the following amended standards of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2014 and relevant to its operations:

HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets

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

The following amended standards and interpretation of HKFRS are mandatory for accounting periods beginning on or after 1 January 2014 but they are not relevant to the Group's operations:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The Group has not early adopted the following new and amended standards and improvements of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2015. The adoption of such new and amended standards and improvements will have no material impact on the consolidated financial statements and will not result in substantial changes to the Group's accounting policies.

HKFRS 9	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
HKAS 27 Amendment	Equity Method in Separate Financial Statements
Annual Improvements Projects	Annual Improvements 2010–2012 Cycle
Annual Improvements Projects	Annual Improvements 2011–2013 Cycle
Annual Improvements Projects	Annual Improvements 2012–2014 Cycle

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The Group's management assesses the performance of the operating businesses based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit or loss of the convenience store, bakery and e-Commerce businesses before interest income and income tax expenses, but excludes any material gains or losses which are of capital nature or non-recurring nature.

To conform with such management's assessment, the classification of certain items on the consolidated profit or loss account for the year ended 31 December 2014 has been changed. Management considers the change in classification can provide more relevant financial information to the users to assess the business performance through the core operating results of the Group. Core operating result is the result generated from the Group's operating businesses excluding corporate exchange gain or loss and gain or loss on disposal of property which are of capital nature or non-operating related. The reclassification is applied retrospectively, hence certain comparative figures in the consolidated profit and loss account for the year ended 31 December 2013 which comprised of a decrease in other gains, net of HK$9,988,000 and decrease in cost of sales, store expenses, distribution cost and administrative expenses of HK$622,000 have been reclassified to non-core operating gain of HK$9,366,000 in total.

(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 control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 applies the acquisition method 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 recognised amounts of acquiree's identifiable net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

Goodwill *(note 2g)* is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated profit and loss account.

Inter-company transactions, balances, income and expenses on transactions between the group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from the investments if the dividends exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(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 executive directors that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 re-measured. 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 in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to consolidated profit or loss. In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) *Group companies* (continued)

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. Exchange differences arising are recognised in other comprehensive income.

(e) Fixed assets and lease premium for land

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 29 years to 43 years. Lease premium for land are accounted for as operating leases and amortised in the consolidated profit and loss account on a straight-line basis over the unexpired term of the leases of 24 years to 58 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	15% to 25%

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 2h)*.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment property

Property that is held for rental yields and not occupied by the Group is classified as investment property. The Group applies the cost model of accounting as permitted by HKAS 40. Land are classified and accounted for as finance lease in the consolidated financial statements.

After initial recognition, investment property is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the property.

Investment property is depreciated on a straight-line basis over the unexpired term of the leases of 40 years.

Major costs incurred in restoring property to its normal working conditions is 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 2h)*.

Gain and loss on disposal is determined by comparing the proceed with the carrying amount and is recognised in the consolidated profit and loss account.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of fair value 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 impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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 synergies of the business combination in which the goodwill arose identified according to the operating segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets (continued)

(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.

(h) Impairment of 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.

(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 financial assets 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 the amounts that are settled or expected to be settled more than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, certain 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

Classification (continued)

(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 subsequently carried at amortised cost using the effective interest method.

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 and available-for-sale equity instruments 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. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(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.

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 substantively 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except for deferred tax liability 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 probable 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, except for certain Renminbi bank deposits held in Hong Kong amounting to HK$95,167,000 (2013: HK$113,991,000) as at 31 December 2014.

If Renminbi had been strengthened/weakened by 1% against HK dollar with all other variables held constant, the Group's net profit would have been increased/decreased by HK$952,000 (2013: HK$1,140,000) for the year ended 31 December 2014.

(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 rebates 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.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(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. As at 31 December 2014, the net current liabilities of the Group amounted to HK$53,204,000 (2013: HK$66,626,000). 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. The Group's management believes that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

All of the Group's financial liabilities, including trade payables of HK$589,688,000 (2013: HK$546,920,000) and other payables and accruals of HK$211,962,000 (2013: HK$191,127,000) are contractually maturing within one year. On company level, all of the financial liabilities, including the balances with subsidiaries of HK$479,395,000 (2013: HK$668,912,000) are repayable on demand and other payables and accruals of HK$13,088,000 (2013: HK$10,956,000) are contractually maturing within one year. The Company provides corporate guarantee to certain banks for the banking facilities of subsidiaries of HK$32,888,000 (2013: HK$32,888,000).

(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 0.5% with all other variables held constant, the Group's net profit would have been increased/decreased by HK$1,393,000 (2013: HK$1,872,000) for the year ended 31 December 2014.

(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.

3. FINANCIAL RISK MANAGEMENT (continued)

(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 financial asset that is measured at fair value as at 31 December 2014 and 2013 are as follows:

	2014	2013
	HK$'000	HK$'000
Available-for-sale financial asset (level 3)	**1,895**	1,895

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. For financial assets where the significant inputs is not based on observable market data, the asset is included in level 3.

(d) Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between Chief Financial Officer and the valuation team at least twice every year, in line with the Group's reporting periods.

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 2g. 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 25. 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.

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets in the periods in which such estimates have been changed.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	Group	
	2014	2013
	HK$'000	HK$'000
Revenue		
Merchandise sales revenue	**3,752,054**	3,576,563
Bakery sales revenue	**976,040**	942,996
e-Commerce revenue	**8,350**	1,730
	4,736,444	4,521,289
Other income		
Service items and miscellaneous income	**97,033**	86,417

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

Segment information

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

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

The segment information provided to the management for the reportable segments for the years ended 31 December 2014 and 2013 are as follows:

	2014					
	Convenience Store		Bakery		e-Commerce	
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	3,527,979	224,075	981,224	128,332	8,350	4,869,960
Inter-segment revenue	–	–	(133,152)	(364)	–	(133,516)
Revenue from external customers	3,527,979	224,075	848,072	127,968	8,350	4,736,444
Total segment other income	90,150	1,789	6,926	1,546	7	100,418
Inter-segment other income	(749)	(177)	(2,228)	(231)	–	(3,385)
Other income	89,401	1,612	4,698	1,315	7	97,033
	3,617,380	225,687	852,770	129,283	8,357	4,833,477
Core operating profit/(loss)	149,812	(20,762)	51,400	(13,062)	(14,601)	152,787
Depreciation and amortisation	(27,042)	(7,698)	(26,663)	(6,754)	(649)	(68,806)

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

Segment information (continued)

	2013					
	Convenience Store		Bakery		e-Commerce	
	HK & Others	Chinese Mainland	HK & Others	Chinese Mainland	HK	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	3,370,311	206,252	959,694	102,342	1,730	4,640,329
Inter-segment revenue	–	–	(118,849)	(191)	–	(119,040)
Revenue from external customers	3,370,311	206,252	840,845	102,151	1,730	4,521,289
Total segment other income	82,757	1,719	4,037	404	6	88,923
Inter-segment other income	(111)	(124)	(2,271)	–	–	(2,506)
Other income	82,646	1,595	1,766	404	6	86,417
	3,452,957	207,847	842,611	102,555	1,736	4,607,706
Core operating profit/(loss)	151,370	(20,682)	58,090	(14,950)	(5,905)	167,923
Depreciation and amortisation	(26,456)	(7,949)	(25,869)	(5,529)	(269)	(66,072)

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

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

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

Segment information (continued)

The segment assets and liabilities as at 31 December 2014 and 2013 are as follows:

	2014					
	Convenience Store		**Bakery**		**e-Commerce**	
	HK & Others HK$'000	**Chinese Mainland HK$'000**	**HK & Others HK$'000**	**Chinese Mainland HK$'000**	**HK HK$'000**	**Group HK$'000**
Total segment assets	**532,898**	**84,081**	**740,533**	**76,217**	**11,135**	**1,444,864**
Total segment assets include:						
Additions to segment non-current assets	**23,243**	**8,874**	**29,463**	**17,062**	**2,060**	**80,702**
Total segment liabilities	**619,361**	**45,707**	**286,759**	**13,253**	**8,414**	**973,494**

	2013					
	Convenience Store		Bakery		e-Commerce	
	HK & Others HK$'000	Chinese Mainland HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment assets	486,722	76,874	709,433	67,063	2,163	1,342,255
Total segment assets include:						
Additions to segment non-current assets	26,210	6,723	18,031	40,362	574	91,900
Total segment liabilities	574,739	43,214	273,156	14,077	2,816	908,002

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:

	2014 HK$'000	2013 HK$'000
Segment assets for reportable segments	**1,444,864**	1,342,255
Unallocated:		
Deferred tax assets	**10,448**	9,203
Taxation recoverable	**166**	226
Corporate bank deposits	**329,821**	334,965
Total assets per consolidated balance sheet	**1,785,299**	1,686,649

Reportable segment liabilities are reconciled to total liabilities as follows:

	2014 HK$'000	2013 HK$'000
Segment liabilities for reportable segments	**973,494**	908,002
Unallocated:		
Deferred tax liabilities	**9,692**	9,274
Taxation payable	**11,952**	11,055
Total liabilities per consolidated balance sheet	**995,138**	928,331

The Group is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$4,247,606,000 (2013: HK$4,087,571,000), and the total of revenue from external customers from other countries is HK$488,838,000 (2013: HK$433,718,000) for the year ended 31 December 2014.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$723,291,000 (2013: HK$717,049,000), and the total of these non-current assets located in other countries is HK$131,161,000 (2013: HK$122,533,000) as at 31 December 2014.

6. EXPENSES BY NATURE

	Group 2014 HK$'000	2013 HK$'000
Amortisation of lease premium for land *(note 16)*	**1,893**	1,113
Auditor's remuneration		
Audit services	**1,950**	1,950
Non-audit services	**507**	649
Cost of inventories sold	**2,896,390**	2,754,473
Depreciation of owned fixed assets *(note 14)*	**66,418**	64,959
Depreciation of investment property *(note 15)*	**495**	–
Employee benefit expense *(note 12)*	**809,350**	770,674
Losses on disposal of fixed assets	**999**	3,497
Operating leases rental for land and buildings		
Minimum lease payment	**469,414**	435,321
Contingent lease payment	**8,310**	10,316
Foreign exchange losses/(gains)	**1,484**	(6,860)
Other expenses	**424,814**	394,325
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating (loss)/gain	**4,682,024**	4,430,417

7. INTEREST INCOME

	Group 2014 HK$'000	2013 HK$'000
Interest income on bank deposits	**5,652**	7,483

8. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2014 and 2013. 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	
	2014	2013
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**30,763**	28,219
Overseas profits tax	**6,562**	5,933
Deferred income tax (credit)/charge *(note 20)*	**(1,252)**	267
	36,073	34,419

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Profit before income tax	**157,105**	184,772
Calculated at a taxation rate of 16.5%	**25,922**	30,487
Effect of different taxation rates in other jurisdictions	**(4,322)**	(4,287)
Income not subject to taxation	**(1,611)**	(2,982)
Expenses not deductible for tax purposes	**2,353**	1,401
Tax losses not recognised	**12,884**	8,806
Reversal of previously recognised temporary differences	**605**	1,498
Under/(over) provision in prior year	**242**	(504)
	36,073	34,419

9. 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$249,527,000 (2013: HK$418,361,000).

10. 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.

	2014 **HK$'000**	2013 HK$'000
Profit attributable to shareholders of the Company	**121,032**	150,353
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**748,083,479**	741,862,795
Adjustment for:		
Share options	**5,512,573**	8,340,538
Weighted average number of ordinary shares for diluted earnings per share	**753,596,052**	750,203,333

11. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend, proposed of 3.1 HK cents (2013: 3.8 HK cents) per share	**23,261**	28,235
Special dividend, proposed of nil HK cents (2013: 40 HK cents) per share	**–**	297,209
Final dividend, proposed of 13 HK cents (2013: 13 HK cents) per share	**97,760**	96,603
	121,021	422,047

At a meeting held on 18 March 2015, the Directors proposed a final dividend of 13 HK cents per share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

12. EMPLOYEE BENEFIT EXPENSE

	Group	
	2014 **HK$'000**	2013 HK$'000
Wages and salaries	**775,818**	739,283
Unutilised annual leave	**317**	618
Employee share option benefit	**4,974**	3,856
Pension costs – defined contribution plan *(note b & c)*	**27,747**	26,423
Long service payment costs *(note 27)*	**494**	494
	809,350	770,674

Notes:

(a) The employee benefit expense includes directors' and senior management's emoluments *(note 13)*.

(b) Forfeited contributions totalling HK$1,586,000 (2013: HK$522,000) were utilised during the year leaving nil (2013: nil) available at the year-end to reduce future contributions.

(c) Contributions totalling HK$4,478,000 (2013: HK$3,848,000) were payable to the independently administered fund at the year-end.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2014 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Bonuses HK$'000	Other benefits *(note i)* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Victor Fung Kwok King	310	–	–	–	–	310
William Fung Kwok Lun	250	–	–	–	–	250
Jeremy Paul Egerton Hobbins	250	–	–	–	–	250
Richard Yeung Lap Bun *(note ii)*	200	3,495	6,567	644	16	10,922
Pak Chi Kin	200	2,280	1,313	662	16	4,471
Raymond Ch'ien Kuo Fung *(note iii)*	96	–	–	–	–	96
Malcolm Au Man Chung	380	–	–	–	–	380
Godfrey Ernest Scotchbrook	270	–	–	–	–	270
Anthony Lo Kai Yiu	373	–	–	–	–	373
Benedict Chang Yew Teck	270	–	–	–	–	270
Zhang Hongyi	353	–	–	–	–	353
Sarah Mary Liao Sau Tung *(note iv)*	188	–	–	–	–	188
	3,140	5,775	7,880	1,306	32	18,133

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

(a) Directors' emoluments (continued)

The remuneration of every Director for the year ended 31 December 2013 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Bonuses HK$'000	Other benefits *(note i)* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Victor Fung Kwok King	220	–	–	–	–	220
William Fung Kwok Lun	160	–	–	–	–	160
Jeremy Paul Egerton Hobbins	160	–	–	–	–	160
Richard Yeung Lap Bun *(note ii)*	110	3,180	7,372	500	15	11,177
Pak Chi Kin	110	1,920	1,474	506	15	4,025
Raymond Ch'ien Kuo Fung *(note iii)*	290	–	–	–	–	290
Malcolm Au Man Chung	290	–	–	–	–	290
Godfrey Ernest Scotchbrook	160	–	–	–	–	160
Anthony Lo Kai Yiu	230	–	–	–	–	230
Benedict Chang Yew Teck	160	–	–	–	–	160
Zhang Hongyi	230	–	–	–	–	230
	2,120	5,100	8,846	1,006	30	17,102

Notes:

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

(ii) Mr. Richard Yeung Lap Bun is the Chief Executive Officer of the Company.

(iii) Dr. Raymond Ch'ien Kuo Fung resigned as an Independent Non-executive Director of the Company on 1 April 2014.

(iv) Dr. Sarah Mary Liao Sau Tung was appointed as an Independent Non-executive Director of the Company on 1 April 2014.

(v) No Director waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2014 and 2013.

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

13. 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 two Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the year are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, housing allowances, share options, other allowances and benefit in kind	**6,570**	6,261
Discretionary bonuses	**1,140**	1,325
Pension costs – defined contribution scheme	**50**	45
	7,760	7,631

The emoluments of the above individuals fell within the band between HK$2,000,001 and HK$3,000,000 during the years of 2014 and 2013.

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

(c) Senior management's emoluments

The emoluments of the senior management included two Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: four) senior executives fell within the band between HK$2,000,001 and HK$3,000,000 during the year of 2014 and 2013.

14. 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 2013					
Cost	230,541	272,465	475,778	23,274	1,002,058
Accumulated depreciation	(33,277)	(213,603)	(375,698)	(17,230)	(639,808)
Net book amount	197,264	58,862	100,080	6,044	362,250
Year ended 31 December 2013					
Opening net book amount	197,264	58,862	100,080	6,044	362,250
Additions	3,966	18,917	36,722	3,611	63,216
Disposals	–	(2,605)	(1,141)	(58)	(3,804)
Depreciation *(note 6)*	(5,712)	(20,905)	(36,787)	(1,555)	(64,959)
Exchange differences	8	350	403	82	843
Closing net book amount	195,526	54,619	99,277	8,124	357,546
At 31 December 2013					
Cost	234,520	277,728	492,276	25,846	1,030,370
Accumulated depreciation	(38,994)	(223,109)	(392,999)	(17,722)	(672,824)
Net book amount	195,526	54,619	99,277	8,124	357,546
Year ended 31 December 2014					
Opening net book amount	**195,526**	**54,619**	**99,277**	**8,124**	**357,546**
Additions	**199**	**25,610**	**47,311**	**256**	**73,376**
Transfer to investment property *(note 15)*	**(23,062)**	**–**	**–**	**–**	**(23,062)**
Disposals	**–**	**(1,242)**	**(1,633)**	**(10)**	**(2,885)**
Depreciation *(note 6)*	**(5,266)**	**(21,198)**	**(37,516)**	**(2,438)**	**(66,418)**
Exchange differences	**(87)**	**(309)**	**(342)**	**(44)**	**(782)**
Closing net book amount	**167,310**	**57,480**	**107,097**	**5,888**	**337,775**
At 31 December 2014					
Cost	**205,274**	**285,044**	**522,208**	**21,153**	**1,033,679**
Accumulated depreciation	**(37,964)**	**(227,564)**	**(415,111)**	**(15,265)**	**(695,904)**
Net book amount	**167,310**	**57,480**	**107,097**	**5,888**	**337,775**

14. FIXED ASSETS (continued)

Group (continued)

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

	2014 **HK$'000**	2013 HK$'000
In Hong Kong, held on:		
Leases of 10 to 50 years	**99,830**	124,785
Outside Hong Kong, held on:		
Leases of 10 to 50 years	**10,319**	10,590
	110,149	135,375

As at 31 December 2014 and 2013, freehold land of HK$11,561,000 included in land and properties is located outside Hong Kong.

Depreciation expense of HK$11,481,000 (2013: HK$10,525,000) has been charged in cost of sales, HK$45,453,000 (2013: HK$44,597,000) in store expenses, HK$3,166,000 (2013: HK$3,279,000) in distribution costs and HK$6,318,000 (2013: HK$6,558,000) in administrative expenses.

14. FIXED ASSETS (continued)

Company

	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Total HK$'000
At 1 January 2013			
Cost	3,895	4,670	8,565
Accumulated depreciation	(1,045)	(2,972)	(4,017)
Net book amount	2,850	1,698	4,548
Year ended 31 December 2013			
Opening net book amount	2,850	1,698	4,548
Additions	–	511	511
Depreciation	(402)	(1,014)	(1,416)
Closing net book amount	2,448	1,195	3,643
At 31 December 2013			
Cost	3,895	5,179	9,074
Accumulated depreciation	(1,447)	(3,984)	(5,431)
Net book amount	2,448	1,195	3,643
Year ended 31 December 2014			
Opening net book amount	**2,448**	**1,195**	**3,643**
Additions	**60**	**452**	**512**
Disposals	**–**	**(2)**	**(2)**
Depreciation	**(598)**	**(953)**	**(1,551)**
Closing net book amount	**1,910**	**692**	**2,602**
At 31 December 2014			
Cost	**3,955**	**5,599**	**9,554**
Accumulated depreciation	**(2,045)**	**(4,907)**	**(6,952)**
Net book amount	**1,910**	**692**	**2,602**

15. INVESTMENT PROPERTY

	Group HK$'000
Year ended 31 December 2014	
Transfer from fixed assets *(note 14)*	**23,062**
Depreciation *(note 6)*	**(495)**
Closing net book amount	**22,567**
At 31 December 2014	
Cost	**29,352**
Accumulated depreciation	**(6,785)**
Net book amount	**22,567**

Depreciation expense of HK$495,000 has been charged in administrative expenses.

The fair value of investment property reflects rental income from current leases and assumptions about rental income from future leases in light of the current market conditions. The fair value of the property is approximately HK$120,000,000 as at 31 December 2014 based on management's estimation with reference to the latest market transaction. The fair value measurement at 31 December 2014 is using significant other observable inputs, which is categorized within level 2 of the fair value measurement hierarchy.

The Group's interests in investment property at their net book value is analysed as follows:

	Group 2014 HK$'000
In Hong Kong, held on:	
Lease of 10 to 50 years	**22,567**

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	
	2014	2013
	HK$'000	HK$'000
At 1 January	**55,388**	31,197
Addition	**7,326**	25,150
Amortisation *(note 6)*	**(1,893)**	(1,113)
Exchange differences	**(622)**	154
Net book value at 31 December	**60,199**	55,388

	Group	
	2014	2013
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Lease of over 50 years	**–**	635
Leases of 10 to 50 years	**60,199**	54,753
	60,199	55,388

17. INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks HK$'000	Group HK$'000
At 31 December 2014 and 2013			
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 life 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)*	9%–21%
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.

The Group does not have to recognise any impairment loss as at 31 December 2014 based on the impairment assessment performed.

If the annual revenue had no growth over the five-year budget period or the discount rate applied in the valuation increased by 1%, the trademarks' recoverable amount would still be greater than its carrying value and no impairment would be noted.

17. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) within the operating segment, Hong Kong and others 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.

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

Gross margin *(note i)*	48%
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 48% 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 any impairment loss as at 31 December 2014 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 increased by 1%, the goodwill's recoverable amount would still be greater than its carrying value and no impairment would be noted.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares at cost	**654,538**	654,538

As at 31 December 2014 and 2013, the balances with subsidiaries are unsecured, interest free and repayable on demand.

18. INVESTMENTS IN SUBSIDIARIES (continued)

As at 31 December 2014, the Company has interests in the following principal subsidiaries:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital/registered capital	Interest held
Indirectly held:				
Circle K Convenience Stores (HK) Limited	Hong Kong	Convenience stores operator and lease-holder	183,756 ordinary shares of HK$1,000 each	100%
Convenience Retail and Cake Shop Shenzhen Limited 深圳利亞餅屋便利店有限公司*	PRC *(note i)*	Convenience stores and bakery chain operator and lease-holder	Registered capital of RMB20,000,000	100%
Convenience Retail Southern China Limited 利亞華南便利店有限公司*	PRC *(note ii)*	Convenience stores operator and lease-holder	Registered capital of RMB128,000,000	99.3%
FingerShopping Limited	Hong Kong	e-Commerce operator	15,600,000 ordinary shares of HK$1 each	100%
Saint Honore Cake Shop Limited	Hong Kong	Bakery chain operator and lease-holder	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	Bakery chain operator and lease-holder	Quota capital of MOP100,000	100%
Saint Honore Cake Shop Guangzhou Limited 廣州市聖安娜餅屋有限公司*	PRC *(note i)*	Bakery chain operator and lease-holder	Registered capital of RMB38,345,674	100%
Saint Honore Cake Shop (Shenzhen) Limited 聖安娜餅屋(深圳)有限公司*	PRC *(note i)*	Food factory operator	Registered capital of HK$18,610,000	100%

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

Notes:

(i) Registered as a wholly foreign-owned enterprise under the People's Republic of China ("PRC") law.

(ii) Registered as sino-foreign cooperative joint ventures under the PRC law.

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted investment in Macau	**1,895**	1,895

Note:

The investment represents 19.5% equity interest in Circle K Armazens Retalhistas Macau, Limitada 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 the 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 net deferred tax (assets)/liabilities are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**71**	(131)
(Credited)/charged to the consolidated profit and loss account *(note 8)*	**(1,252)**	267
Charged directly to other comprehensive income	**361**	–
Exchange difference	**64**	(65)
At 31 December	**(756)**	71

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**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**(6,418)**	(5,911)	**(3,088)**	(3,280)	**(1,063)**	(1,239)	**(10,569)**	(10,430)
(Credited)/charged to the consolidated profit and loss account	**(2,127)**	(442)	**108**	192	**293**	176	**(1,726)**	(74)
Credited directly to other comprehensive income	**–**	–	**–**	–	**(38)**	–	**(38)**	–
Exchange difference	**64**	(65)	**–**	–	**–**	–	**64**	(65)
At 31 December	**(8,481)**	(6,418)	**(2,980)**	(3,088)	**(808)**	(1,063)	**(12,269)**	(10,569)

Deferred tax liabilities	**Accelerated tax depreciation**		**Fair value gain**		**Others**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**2,401**	1,811	**7,401**	7,650	**838**	838	**10,640**	10,299
Charged/(credited) to the consolidated profit and loss account	**625**	590	**(249)**	(249)	**98**	–	**474**	341
Charged directly to other comprehensive income	**–**	–	**–**	–	**399**	–	**399**	–
At 31 December	**3,026**	2,401	**7,152**	7,401	**1,335**	838	**11,513**	10,640

20. DEFERRED TAXATION (continued)

	Group 2014 HK$'000	Group 2013 HK$'000
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**(11,807)**	(9,934)
Deferred tax assets to be recovered within 12 months	**(462)**	(635)
	(12,269)	(10,569)
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**11,262**	9,551
Deferred tax liabilities to be settled within 12 months	**251**	1,089
	11,513	10,640

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 2014 HK$'000	Group 2013 HK$'000
Deferred tax assets	**(10,448)**	(9,203)
Deferred tax liabilities	**9,692**	9,274

20. DEFERRED TAXATION (continued)

The Group did not recognise deferred income tax assets amounting to HK$37,120,000 (2013: HK$34,459,000) in respect of tax losses amounting to HK$153,867,000 (2013: HK$140,908,000) that can be carried forward against future taxable income. These unrecognised tax losses have no expiry dates except for the unrecognised tax losses as below:

	Group	
	2014	2013
	HK$'000	HK$'000
Less than 1 year	**17,118**	32,465
1–5 years	**121,527**	102,807
	138,645	135,272

Deferred income tax liabilities of HK$2,222,000 (2013: HK$1,950,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of a subsidiary. Such unremitted earnings are to be reinvested and amount to HK$44,445,000 at 31 December 2014 (2013: HK$38,997,000).

21. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials and packing materials	**26,163**	26,300
Finished goods	**168,416**	147,659
	194,579	173,959

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/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2014, the aging analysis of trade receivables is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
0–30 days	**40,254**	37,235
31–60 days	**5,707**	4,620
61–90 days	**2,219**	2,484
Over 90 days	**4,790**	5,996
	52,970	50,335

As of 31 December 2014, trade receivables of HK$1,288,000 (2013: HK$1,240,000) were impaired. The amount of the provision was HK$637,000 as of 31 December 2014 (2013: HK$473,000). The individually impaired receivables are mainly due from suppliers/customers, which are in financial difficulties. It was assessed that a portion of the receivables is expected to be recovered.

As of 31 December 2014, trade receivables of HK$12,065,000 (2013: HK$12,333,000) 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	
	2014	2013
	HK$'000	HK$'000
Past due		
Up to 3 months	**7,926**	7,104
Over 3 months	**4,139**	5,229
	12,065	12,333

22. TRADE RECEIVABLES (continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
HK dollar (HK$)	**40,341**	38,381
Renminbi (RMB)	**10,514**	9,839
Patacas (MOP)	**2,115**	2,115
	52,970	50,335

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**473**	217
Provision for receivable impairment	**164**	326
Receivables written off	**–**	(70)
At 31 December	**637**	473

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. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**198,103**	125,872	**3,493**	1,865
Bank deposits	**330,074**	305,476	**–**	120,000
Cash and cash equivalents	**528,177**	431,348	**3,493**	121,865
Current bank deposits	**6,280**	51,284	**–**	–
Restricted bank deposits	**2,889**	–	**–**	–
Total cash and bank balances	**537,346**	482,632	**3,493**	121,865

The maximum exposure to credit risk relates to the cash at bank and bank deposits held at financial institutions of HK$477,818,000 (2013: HK$430,464,000).

As at 31 December 2014, bank and restricted bank deposits of HK$339,243,000 (2013: HK$356,760,000) bear effective interest rate of approximately 1.9% (2013: 1.9%) per annum. These deposits have an average maturity of 33 days (2013: 31 days).

As at 31 December 2014, certain cash and bank balances of HK$108,114,000 (2013: HK$55,288,000) 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 2014, the Group's total bank balances and cash are denominated in the following currencies:

	Group	
	2014	2013
	HK$'000	HK$'000
HK dollar (HK$)	**291,603**	308,001
Renminbi (RMB)	**203,136**	169,147
Patacas (MOP)	**42,607**	5,484
	537,346	482,632

24. TRADE PAYABLES

At 31 December 2014, the aging analysis of the trade payables is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
0–30 days	**336,958**	295,685
31–60 days	**154,076**	152,912
61–90 days	**61,284**	57,210
Over 90 days	**37,370**	41,113
	589,688	546,920

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

25. SHARE CAPITAL

	2014		2013	
	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	**743,081,974**	**74,308**	739,381,974	73,938
Issue of shares on exercise of share options *(note)*	**8,070,000**	**807**	3,700,000	370
At 31 December	**751,151,974**	**75,115**	743,081,974	74,308

Note:

During the year, 8,070,000 (2013: 3,700,000) shares were allotted and issued pursuant to the exercise of share options.

25. SHARE CAPITAL (continued)

Share options

(i) *Share Option Scheme*

(a) 2001 Share Option Scheme

On 6 January 2001, the 2001 Share Option Scheme was approved by the shareholders of the Company by way of written resolution with certain amendments subsequently adopted on 24 April 2002. On 10 May 2010, shareholders of the Company approved at the annual general meeting the termination of the 2001 Share Option Scheme, pursuant to which, 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.

(b) 2010 Share Option Scheme

On 10 May 2010, the 2010 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company.

Summary of the major terms of the abovementioned 2001 Share Option Scheme and the 2010 Share Option Scheme is set out in the "Share Options" section of Directors' Report.

25. SHARE CAPITAL (continued)

Share options (continued)

(ii) Movements in the number of share options granted, outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January	**20,109,000**	**3.29**	23,527,000	3.25
Granted	**18,624,000**	**5.53**	508,000	5.40
Lapsed	**(750,000)**	**5.07**	(206,000)	3.22
Expired	**(20,000)**	**3.39**	(20,000)	3.39
Exercised	**(8,070,000)**	**3.24**	(3,700,000)	3.36
At 31 December	**29,893,000**	**4.65**	20,109,000	3.29
Exercisable	**11,815,000**	**3.31**	1,150,000	3.31

During the year ended 31 December 2014, the weighted average share price at the date of share options exercised was HK$5.25 (2013: HK$5.54). The options outstanding at 31 December 2014 and 2013 had a weighted average remaining contractual life of 4.1 years and 3.1 years respectively.

25. 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$	**2014 Number of options**	2013 Number of options
3 May 2014	3.39	**–**	810,000
19 November 2014	3.46	**–**	260,000
21 December 2014	2.04	**–**	80,000
1 April 2017	3.22	**11,279,000**	18,119,000
1 April 2017	3.71	**66,000**	332,000
1 April 2017	5.40	**470,000**	508,000
1 April 2020	5.53	**18,078,000**	–
		29,893,000	20,109,000

The fair value of options granted are determined by using the Black-Scholes valuation model. During the year, the weighted average fair value of options granted was HK$0.82 (2013: HK$0.66) per option. The significant inputs into the models for the share options granted in 2014 were as follows:

	2014
Expected volatility	**23.4%**
Expected life	**5 years**
Risk free rate	**1.6%**
Expected dividends	**3.3%**

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.

26. RESERVES

(a) Group

	Share premium HK$'000	Merger reserve HK$'000	Capital reserves HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	317,977	177,087	17,222	11,317	10,710	406,930	941,243
Profit attributable to shareholders of the Company	–	–	–	–	–	150,353	150,353
Exchange differences	–	–	–	–	2,218	–	2,218
Release of exchange reserve upon disposal of a subsidiary	–	–	–	–	(3,825)	–	(3,825)
Issue of new shares	12,077	–	–	–	–	–	12,077
Employee share option benefit	3,625	–	–	139	–	92	3,856
Transfer to capital reserves	–	–	559	–	–	(559)	–
Dividends paid	–	–	–	–	–	(421,912)	(421,912)
At 31 December 2013	333,679	177,087	17,781	11,456	9,103	134,904	684,010
Representing:							
Reserves							587,407
Proposed dividend							96,603
							684,010
At 1 January 2014	**333,679**	**177,087**	**17,781**	**11,456**	**9,103**	**134,904**	**684,010**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**121,032**	**121,032**
Exchange differences	**–**	**–**	**–**	**–**	**(1,715)**	**–**	**(1,715)**
Actuarial gains on post employment benefit obligation							
gross	**–**	**–**	**–**	**–**	**–**	**2,367**	**2,367**
tax	**–**	**–**	**–**	**–**	**–**	**(361)**	**(361)**
Issue of new shares	**25,369**	**–**	**–**	**–**	**–**	**–**	**25,369**
Employee share option benefit	**5,241**	**–**	**–**	**(394)**	**–**	**127**	**4,974**
Transfer to capital reserves	**–**	**–**	**693**	**–**	**–**	**(693)**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(120,630)**	**(120,630)**
At 31 December 2014	**364,289**	**177,087**	**18,474**	**11,062**	**7,388**	**136,746**	**715,046**
Representing:							
Reserves							**617,286**
Proposed dividend							**97,760**
							715,046

26. 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 2013	317,977	12,792	11,317	41,573	383,659
Profit attributable to shareholders of the Company	–	–	–	418,361	418,361
Issue of new shares	12,077	–	–	–	12,077
Employee share option benefit	3,625	–	139	18	3,782
Dividends paid	–	–	–	(421,912)	(421,912)
At 31 December 2013	333,679	12,792	11,456	38,040	395,967
Representing:					
Reserves					299,364
Proposed dividend					96,603
					395,967
At 1 January 2014	**333,679**	**12,792**	**11,456**	**38,040**	**395,967**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**249,527**	**249,527**
Actuarial loss on post employment benefit obligation					
gross	**–**	**–**	**–**	**456**	**456**
tax	**–**	**–**	**–**	**(75)**	**(75)**
Issue of new shares	**25,369**	**–**	**–**	**–**	**25,369**
Employee share option benefit	**5,241**	**–**	**(394)**	**44**	**4,891**
Dividends paid	**–**	**–**	**–**	**(120,630)**	**(120,630)**
At 31 December 2014	**364,289**	**12,792**	**11,062**	**167,362**	**555,505**
Representing:					
Reserves					**457,745**
Proposed dividend					**97,760**
					555,505

27. 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**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**16,462**	16,962	**1,026**	1,113
Expenses recognised in the consolidated profit and loss account – as shown below	**494**	494	**16**	16
Benefit (paid)/refunded	**(851)**	(994)	**47**	(103)
Actuarial gains recognised in other comprehensive income	**(2,367)**	–	**(456)**	–
At 31 December	**13,738**	16,462	**633**	1,026

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

	Group	
	2014	2013
	HK$'000	HK$'000
Current service cost	**242**	242
Interest cost	**252**	252
Total, included in employee benefit expense *(note 12)*	**494**	494

Of the total charge, HK$112,000 (2013: HK$111,000), HK$274,000 (2013: HK$273,000), HK$38,000 (2013: HK$38,000) and HK$70,000 (2013: HK$72,000) were included in cost of sales, store expenses, distribution costs and administrative expenses respectively.

27. LONG SERVICE PAYMENT LIABILITIES (continued)

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

	2014	2013
Discount rate	**1.7%**	1.5%
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%

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash generated from operations

	Group	
	2014	2013
	HK$'000	HK$'000
Profit for the year	**121,032**	150,353
Adjustments for:		
Income tax expenses	**36,073**	34,419
Interest income	**(5,652)**	(7,483)
Depreciation of owned fixed assets	**66,418**	64,959
Depreciation of investment property	**495**	–
Amortisation of lease premium for land	**1,893**	1,113
Employee share option benefit	**4,974**	3,856
Losses on disposal of fixed assets	**999**	3,497
Long service payment costs	**494**	494
Foreign exchange losses/(gains)	**2,451**	(6,453)
	229,177	244,755
Changes in working capital		
Inventories	**(20,620)**	6,955
Trade receivables, rental deposits, other receivables, deposits and prepayments	**(14,103)**	(11,865)
Trade payables, other payables and accruals	**61,866**	1,834
Long service payment liabilities	**(851)**	(994)
Cake coupons	**4,613**	10,938
	260,082	251,623

29. COMMITMENTS

(a) Capital commitments

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

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted but not provided for	**6,211**	6,031
Authorised but not contracted for	**4,662**	790
	10,873	6,821

(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	
	2014	2013
	HK$'000	HK$'000
Not later than one year	**413,762**	369,970
Later than one year and not later than five years	**437,983**	343,080
Later than five years	**6,920**	2,954
	858,665	716,004

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.

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2014	2013
	HK$'000	HK$'000
Not later than one year	**4,560**	–
Later than one year and not later than five years	**5,865**	–
	10,425	–

30. RELATED PARTY TRANSACTIONS

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 41.5% of the Company's shares. All of the related party transactions of the Group are entered into with Fung Holdings (1937) Limited (the holding company of FRL and a substantial shareholder of the Company), its subsidiaries and associates.

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) Related party transactions

	Note	2014 HK$'000	2013 HK$'000
Income			
Service income and reimbursement of office and administrative expenses	*(i)*		
Subsidiaries/fellow subsidiaries of a substantial shareholder		**4,116**	4,849
Associates of a substantial shareholder		**840**	1,246
Service income	*(ii)*		
Associate of a substantial shareholder		**99**	43
Expenses			
Reimbursement of office and administrative expenses	*(iii)*		
Subsidiaries/fellow subsidiaries of a substantial shareholder		**2,434**	2,555
Associates of a substantial shareholder		**735**	758
Rental payable	*(iv)*		
Fellow subsidiaries of a substantial shareholder		**9,709**	8,320
Associates of a substantial shareholder		**429**	429
Net purchases	*(v)*		
Associates of a substantial shareholder		**11,721**	9,978
Consultancy and advisory service fee paid to a director of subsidiaries of the Company		**840**	–

30. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

	2014 HK$'000	2013 HK$'000
Fees	**3,140**	2,120
Bonuses	**9,017**	10,594
Salaries and other allowances	**11,542**	12,362
Employee share option benefit	**1,787**	1,502
Pension costs – defined contribution scheme	**84**	90
	25,570	26,668

(c) Year-end balances with related parties

	2014 HK$'000	2013 HK$'000
Amounts due from:		
Subsidiaries of a substantial shareholder	**503**	52
Associates of a substantial shareholder	**–**	64
Amounts due to:		
Subsidiaries of a substantial shareholder	**(820)**	(520)
Associates of a substantial shareholder	**(3,752)**	(3,709)

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

(d) The Company provides corporate guarantee to certain banks for the banking facilities of subsidiaries of HK$32,888,000 (2013: HK$32,888,000). As of 31 December 2014, the banking facilities of the subsidiaries amounting to HK$7,152,000 (2013: HK$2,373,000) were utilised.

30. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) Service income and reimbursements receivable from subsidiaries/fellow subsidiaries/associates of a substantial shareholder in respect of office and administrative expenses incurred are charged on an actual cost recovery basis and in accordance with the terms of agreements.

(ii) Service income from associate of a substantial shareholder were carried out in ordinary course of business and on terms mutually agreed between the Group and the associate.

(iii) Reimbursements payable to subsidiaries/fellow subsidiaries/associates of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.

(iv) Rentals are payable to fellow subsidiaries/associates of a substantial shareholder in accordance with the terms of agreements.

(v) Purchases from associates of a substantial shareholder were carried out in ordinary course of business and on terms mutually agreed between the Group and the associates.

Ten-Year Financial Summary

The following table summarise the results, assets and liabilities of the Group for the ten years ended 31 December 2014.

	2014 **HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Revenue	**4,736,444**	4,521,289	4,270,318	3,972,615	3,575,238	3,349,326	3,322,665	2,917,614	2,231,217	1,995,206
Core operating profit *(note)*	**152,787**	167,923	180,206	183,078	142,290	97,271	106,821	98,507	66,699	66,935
Profit attributable to shareholders of the company	**121,032**	150,353	199,951	166,320	136,359	90,449	88,873	86,867	75,054	73,578
Total assets	**1,785,299**	1,686,649	1,924,597	1,859,961	1,659,092	1,524,591	1,518,341	1,487,397	978,279	879,449
Total liabilities	**(995,138)**	(928,331)	(909,416)	(919,889)	(809,463)	(742,585)	(760,263)	(767,749)	(457,422)	(397,864)
Non-controlling interests	**–**	–	–	–	–	–	8,256	7,954	8,173	2,912
Shareholders' funds	**709,161**	758,318	1,015,181	940,072	849,629	782,006	766,334	727,602	529,030	484,497

Note:

Core operating profit is the result generated from the Group's operating businesses excluding corporate exchange gain or loss and gain or loss on disposal of property which are of capital nature or non-operating related.