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.

指 FINGER
點 SHOPPING

Annual Report 2015

A Fung Retailing Company

PRINTED ON POST-CONSUMER WASTE RECYCLED PAPER

Circle K won the Hong Kong Retail Management Association's "2015 Service Retailer of the Year – Convenience Stores Category" award for the sixth 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 and Risk Management Officer

Jason YEUNG Chi Wai

Company Secretary

Maria LI Sau Ping

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
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	**2015 HK$'000**	2014 HK$'000 (Restated)
Revenue	+4.3%	**4,728,151**	4,531,321
Core operating profit	-8.3%	**162,247**	176,842
Profit attributable to shareholders of the Company			
Continuing Operations	-7.5%	**134,177**	145,008
Included Discontinued Operations	+31.5%	**159,178**	121,032
Basic earnings per share (HK cents)			
Continuing Operations	-8.2%	**17.80**	19.38
Included Discontinued Operations	+30.5%	**21.12**	16.18
Dividend per share (HK cents)			
Final	Nil	**13.00**	13.00
Special	N/A	**6.00**	Nil
Full year			
Basic	Nil	**16.10**	16.10
Special	N/A	**6.00**	Nil

Operation Highlights

- Despite weak market sentiment, the Group achieved strong comparable store sales growth in Hong Kong
- Core operating profit declined by 8.3%, mainly due to escalating rental and labour costs and higher operating expenditures for FingerShopping.com
- Full-year profit including Discontinued Operations increased by 31.5%, primarily due to one-off gain of HK$48 million from sale of Circle K Guangzhou
- The Group maintained a strong financial position with net cash of HK$568 million without any bank borrowings
- In view of the one-off gain from Circle K Guangzhou sale, the Board proposed to pay a special dividend of 6 HK cents per share

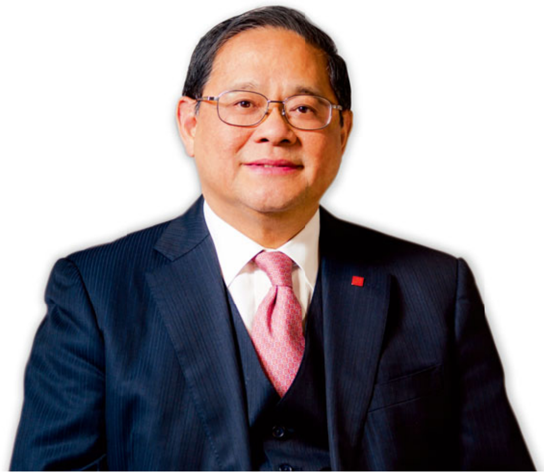
Future Prospects

- Following sale of loss-making Circle K Guangzhou operations, the Group will focus on driving quality and sustainable profit growth, primarily in Hong Kong, in the short and medium terms
- Another challenging year expected in 2016 due to fierce retail competition and weak consumer sentiment

Number of Stores as of 31 December 2015

Circle K Stores	
Hong Kong	328
Franchised Circle K Stores	
Guangzhou	76
Macau	27
Zhuhai	18
Subtotal	**121**
Total number of Circle K Stores	**449**
Saint Honore Cake Shops	
Hong Kong	89
Macau	9
Guangzhou	40
Shenzhen	1
Total number of Saint Honore Cake Shops	**139**
Total number of Stores under Convenience Retail Asia	**588**

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$4,728 million, core operating profit of HK$162 million, net profit for Continuing Operations of HK$134 million and net profit of HK$159 million in 2015.

Sales growth for the year was approximately 4.3%, which was mainly driven by solid performance in comparable store sales.

Compared to last year, core operating profit decreased by 8.3% to HK$162 million. Major reasons were escalating rental and labour costs as well as higher operating expenditures for e-commerce platform FingerShopping.com, which outweighed the growth in comparable store sales across all markets. These factors also impacted net profit for Continuing Operations, causing a slight drop of 7.5% to HK$134 million.

Net profit including Discontinued Operations increased by 31.5% to HK$159 million, primarily due to the one-off gain of HK$48 million for the sale of the Circle K convenience store business in Guangzhou.

Basic earnings per share for Continuing Operations decreased by 8.2%, from 19.38 HK cents to 17.80 HK cents, while basic earnings per share including Discontinued Operations increased by 30.5%, from 16.18 HK cents to 21.12 HK cents.

As at 31 December 2015, the Group had a net cash balance of HK$568 million with no bank borrowings. The Board of Directors has resolved to declare a final dividend of 13 HK cents per share. In view of the one-off gain from the sale of Circle K Guangzhou, the Board has further resolved to declare a special dividend of 6 HK cents per share.

Review of the Hong Kong Retail Market

It was a difficult year for the retail industry in Hong Kong. Tourism arrivals saw a 2.5% year-on-year drop in 2015[1], with arrivals from the Chinese Mainland – which contributes the bulk of tourists to Hong Kong – also decreasing 3.0% compared to last year[1]. The decline in tourism spending, combined with weak market sentiment, had an inevitable impact on retail. Overall retail sales declined by 0.3% in volume and 3.7% in value year on year[2]. Fortunately, demand from local customers for daily consumable products remained stable, resulting in year-on-year increase in sales dollars in the supermarket category (including convenience stores) of 1.3%[2].

Operating costs and rentals remained high throughout most of 2015. In addition, unemployment and underemployment in Hong Kong continued to hover at low rates of approximately 3.3% and 1.4% respectively between October and December in 2015[3], resulting in keen competition for quality staff across the retail industry.

New Initiatives Drive Growth

Despite a very challenging operating environment, the Group achieved growth in comparable store sales across its convenience and bakery businesses. This was made possible by attractive promotions and offers, identifying and introducing popular new items, and effectively building customer loyalty. One highlight was Circle K Hong Kong's "The Daring New Generation" advertising campaign, launched in support of its new "Dare to Try" brand positioning. The campaign was designed to reach Internet+ customers by introducing trendy new experiences such as popular food, drink and premium items from Japan and Korea as well as "Always Something New" promotions.

The Group continues to invest in FingerShopping.com, an O2O (online to offline) retailing platform that helps meet growing customer demand for internet-based shopping. Because the website's mechanism allows customers to pick up their purchases at Circle K stores, it also helps generate foot traffic and brand loyalty. The gross merchandise value of FingerShopping.com doubled in 2015 as compared with 2014.

The HEARTS employee engagement programme is playing an important role for the Group, helping it retain and develop staff in a highly competitive job market. This initiative aims to nurture a happy, healthy workplace where employees feel valued and are rewarded for customer service excellence. The Group's efforts in workplace satisfaction continue to be recognised across the industry.

Notes:

1. *Published by the Hong Kong Tourism Board on 29 January 2016.*
2. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 February 2016.*
3. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 18 February 2016.*

Review of the Retail Market on the Chinese Mainland

In 2015, GDP growth on the Chinese Mainland slowed from 7.3% in 2014[4] to 6.9% in 2015[5]. Total retail sales growth also slowed, dropping from 12% in 2014[6] to 10.7% in 2015[7]. The consumer confidence index remained stagnant at 107[8] in the fourth quarter of 2015, compared to the 107[9] recorded in 2014 (both according to a baseline score of 100). The challenges of operating in this market are expected to go on for some time as the country transforms under a wide range of economic reform measures.

Review of the Guangzhou Operations

Over the past few years the operating environment of the convenience store business on the Chinese Mainland has grown increasingly challenging. In August 2015, the Group sold its loss-making Circle K convenience store business in Guangzhou to its controlling shareholder, Fung Holdings (1937) Limited ("FH 1937"). This also ended the Group's involvement in its pilot programme with Sinopec Marketing Co., Ltd. relating to the operation of 10 petrol stations and Easy Joy convenience stores in Guangzhou, which was taken up by FH 1937.

The strategic decision by the Group to divest the Circle K business (while keeping its Saint Honore business) in Guangzhou will help it focus on revenue streams with more promising outlook for growth. It also reflects the Group's commitment to improving overall profitability and driving shareholder value.

Review of the Saint Honore Cake Shop Operations

Following continued effort to develop quality products, devise innovative marketing campaigns and enhance customer service, the Group was able to drive higher comparable store sales across all markets over the course of 2015. However, operational cost pressures such as staffing and rentals continued to impact Saint Honore's operations. In addition, the economic slowdown and decrease in Mainland tourism to Hong Kong adversely affected sales of festive products, although this was offset by stringent cost control measures and improved product mix.

In Guangzhou and Shenzhen, operating losses continued to narrow from their 2013 peak of HK$15 million to HK$11 million in 2015. This continuous improvement in financial performance was due to four primary factors, including a strategically sound and well-accepted store model; high-quality products with strong brand image; the consistent development of new products that drive sales and improve gross margin; and stringent cost controls at all levels of the Group's operations.

Notes:

4. *Published by the National Bureau of Statistics of China on 8 January 2016.*
5. *Published by the National Bureau of Statistics of China on 21 January 2016.*
6. *Published by the National Bureau of Statistics of China on 20 January 2015.*
7. *Published by the National Bureau of Statistics of China on 20 January 2016.*
8. *Published by the Nielsen Company on 2 February 2016.*
9. *Published by the Nielsen Company on 26 January 2015.*

Corporate Governance and Sustainability

As part of the Fung Retailing Group, the Group strictly adheres to the principles of the United Nations Global Compact on human rights, labour standards, anti-corruption efforts, environmental protection and sustainability. The Group strives to maintain good governance standards across its operations as well as those of its suppliers, who are guided by the Group's Supplier Code of Conduct.

The Group is committed to the principles of sustainability throughout every facet of its business. This includes adopting sound environmental practices, promoting green thinking, and implementing changes that help conserve and protect the communities where it operates. The Group emphasises the "4Rs" – Reduce, Reuse, Recycle and Refrain – through regular communications with its employees and customers, a wide range of green and energy-saving initiatives, and workshops covering a variety of topics on sustainability.

The Group ensures its compliance with all applicable environmental and related legislation, and it encourages its employees and business partners to meet their environmental obligations. The Group also identifies environmental impacts associated with its operations and sets targets to continually improve its environmental performance.

In 2015, Circle K Convenience Stores (HK) Limited was proud to receive the "Prestige Award" in the Retail – Chain Store (2nd Group) Category at the CLP GreenPlus Recognition Awards for its environmental achievements. The company was also recognised with the "Joint Energy Saving Award" for the second consecutive year.

Outlook

In Hong Kong and on the Chinese Mainland, business will remain difficult due to higher staff wages and material costs, and decreased spending and fewer cross-border tourists making daily consumable purchases. However, local demand for daily consumables is expected to remain stable, which should help soften the impact of low consumer sentiment on the Group.

Rentals in the Hong Kong market appear to be trending downward, both in prime areas as well as secondary locations where the Group has a majority of its stores. In 2016, the Group will seek to open at more locations where it can benefit from lower rentals, and renew leases where rental increases are expected to become more reasonable. While the Group will continue to closely monitor the commercial property market, it hopes to return to more aggressive store network expansion in 2016.

The sale of Circle K in Guangzhou generated a short-term profit and solidified an already-sound balance sheet. It will also help the Group focus on more profitable businesses in the coming months and years.

Customer service excellence and employee satisfaction are cornerstones of the Group's past and future success. One key focus area for 2016 is building customer loyalty and making Circle K and Saint Honore preferred brands in the convenience store and bakery segments. Another is expanding and enhancing the HEARTS employee engagement initiative to ensure that the Group recruits and retains the best talent in the industry.

In closing, I would like to thank the Group's management and staff, whose hard work and dedication have helped weather very challenging times and built a firm foundation for more prosperous days ahead.

Victor FUNG Kwok King
Chairman

Hong Kong, 15 March 2016

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 2015.

The Group's turnover for the year increased to HK$4,728 million, representing growth of 4.3% when compared to 2014. In 2015, turnover for the convenience store business in Hong Kong was HK$3,693 million, representing a year-on-year increase of 4.7%. This was mainly attributable to higher comparable store sales, which grew 7.3% against 2014. Turnover for the Saint Honore Cake Shop business increased by 3.0% to HK$1,081 million. This was primarily due to 4.7% growth in comparable store sales in Hong Kong. Although 2015 was a tough year for retailing in Hong Kong, the Group's comparable store sales performance was satisfactory overall.

Gross margin and other income as a percentage of turnover was impacted by keen competition in the retail market and high manufacturing costs.

Operating expenses as a percentage of turnover decreased from 32.8% in 2014 to 32.7% in 2015. Escalating rentals, rising labour costs and an intensive marketing campaign for e-commerce platform FingerShopping.com all contributed to the higher operating expenses. As a result, the Group's core operating profit dropped slightly by 8.3% to HK$162 million compared to last year. These same issues impacted net profit for Continuing Operations, which decreased 7.5% to HK$134 million.

Financial Review (continued)

Net profit including Discontinued Operations increased by 31.5% to HK$159 million due to the Group's sale of its Circle K convenience store business in Guangzhou to its controlling shareholder, FH 1937. This includes the results of the Discontinued Operations of HK$25 million, which comprise the operating loss of the convenience store operations in Guangzhou before the sale of HK$23 million and the related one-off gain of HK$48 million.

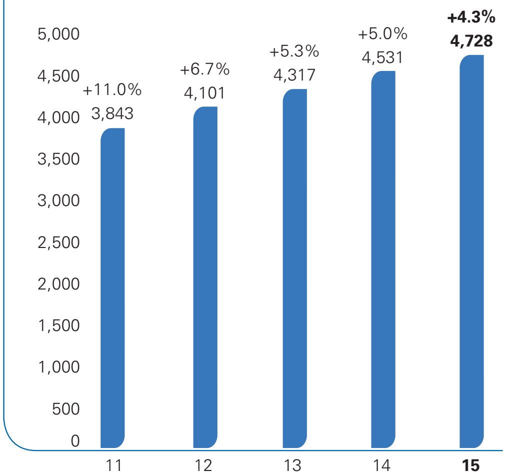
For 2015, basic earnings per share for Continuing Operations decreased by 8.2%, from 19.38 HK cents to 17.80 HK cents, and basic earnings per share including Discontinued Operations increased by 30.5%, from 16.18 HK cents to 21.12 HK cents.

As at 31 December 2015, the Group had a net cash balance of HK$568 million, which was mainly generated from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had limited foreign exchange exposure in renminbi, except for certain renminbi bank deposits held in Hong Kong, which are subject to foreign exchange risk. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

Financial Review (continued)

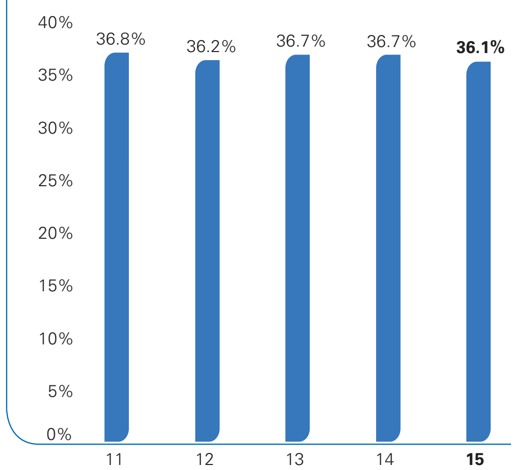
Revenue*

(HK$ Million)



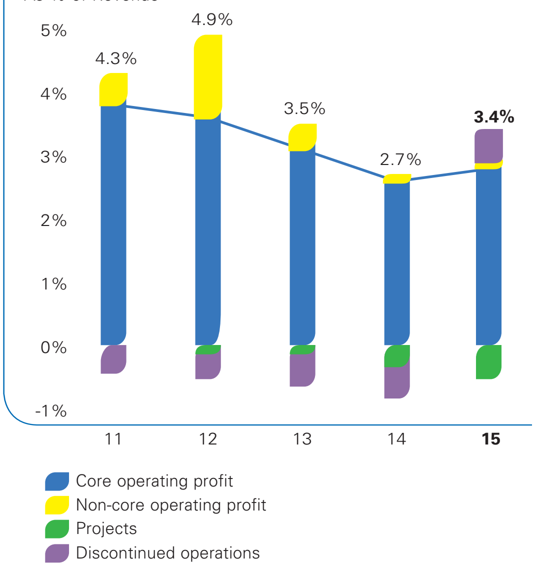
Gross Profit and Other Income*

As % of Revenue



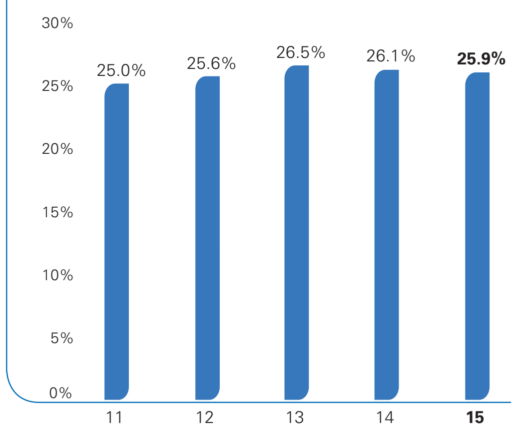
Net Profit

As % of Revenue



Store Operating Expenses*

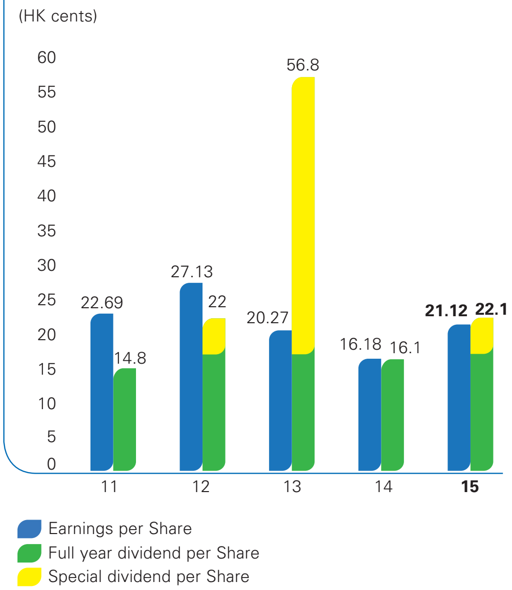
As % of Revenue



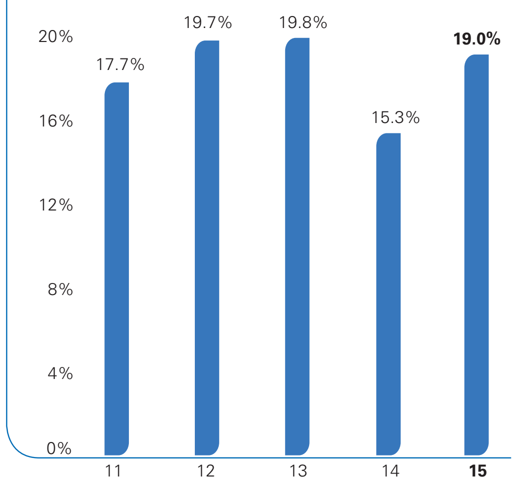
** For Continuing Operations*

Financial Review (continued)

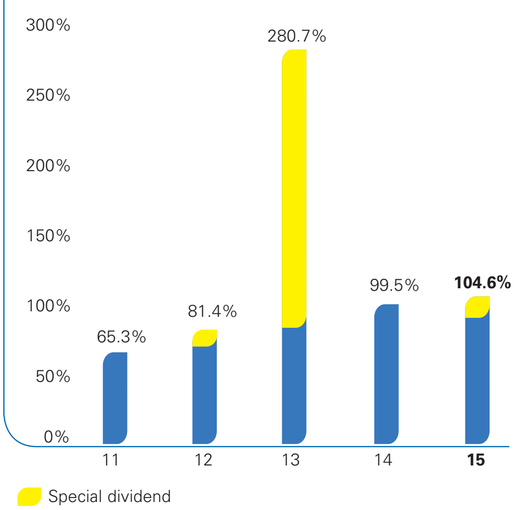
Earnings per Share and Dividend per Share



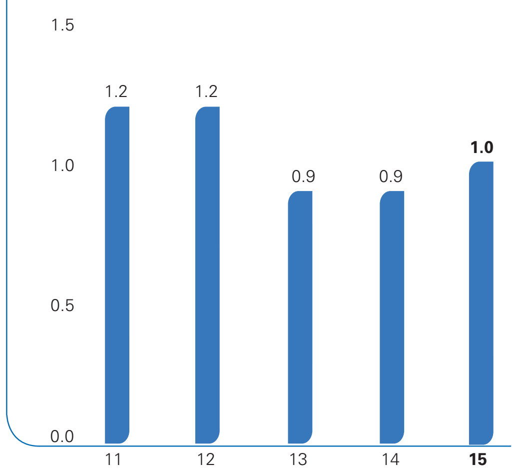
Return on Capital Employed[1]



Dividend Payout[2]



Current Ratio[3]



Notes:

1. *Net profit/capital employed*
2. *Dividend per share/earnings per share*
3. *Current assets/current liabilities*

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 close to 600 stores under the two brands in Hong Kong, Macau, Guangzhou, Shenzhen and Zhuhai.

The Group officially launched FingerShopping.com in 2013. FingerShopping.com is a distinctive O2O (online to offline) shopping platform featuring genuine, quality merchandise that is available via secure, convenient payment channels. It is backed by an extensive retail network of more than 300 Circle K convenience stores, excellent customer service and the Group's comprehensive logistics expertise. Customers place orders online, and more than 90% of them choose to pick up and pay for purchases in a selected Circle K store.

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

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

Business Model and Corporate Strategy (continued)

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

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

Operations Review – Hong Kong

In Hong Kong, the retail environment was challenging with operating costs and rentals remaining high throughout most of 2015.

During the year, Circle K opened 12 new stores and closed 13 stores in Hong Kong for a net decrease of one store. The total number of stores at year-end was 328 compared to 329 at the end of 2014.

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

Employees

As at 31 December 2015, the Group had a total of 6,412 employees, with 4,809, or 75%, based in Hong Kong and 1,603, or 25%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 39% of the Group's total headcount. In 2015, the Group's total staff cost for Continuing Operations was HK$794 million compared with HK$762 million in 2014.

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

To further strengthen the HEARTS (Happy, Energised, Achievement, Respect, Training, Success) employee engagement programme, the Activity Organising Board, which is comprised of voluntary employees, continued to conduct a number of activities across key areas: creating a happy working environment, caring for employees' families and ensuring work-life balance. Some highlights of these activities were "The Little Saint Honore" work experience programme for children of employees, a table tennis competition, a bowling competition and the "Work-life Balance Series", all of which received positive responses from participants.

"The Little Saint Honore" programme gives children of employees the chance to experience being a frontline member.

Operations Review – Circle K

Marketing and Promotion

Over the years the Group has built a reputation for launching innovative campaigns that provide customers with attractive offers, drive foot traffic, boost incremental sales and build brand loyalty.

In October 2015, Circle K Hong Kong launched an advertising campaign supporting its new "Dare to Try" brand positioning, which is designed to appeal to the Internet+ generation. Drawing on Circle K's reputation for introducing new experiences to its customers, the campaign focused on inventive, high-quality food, drinks, merchandise and premiums inspired by popular items from Japan and Korea.

Following the success of its initial collaboration with Kumamoto Prefecture in Japan in the first half of the year, Circle K Hong Kong launched a second promotion with Kumamoto featuring a premium collection of eight Kumamon GOOD LIFE figurines as well as merchandise and food items. The promotion also invited customers to enter an instant lucky draw for attractive prizes.

Other successful marketing and promotional campaigns in the second half of 2015 included "Grow a Little Fortune", which connected the joy of growing plants to various kinds of fortune, and the innovative O2O Instant Lucky Draw Promotion, a crossover promotion with FingerShopping.com that offered HK$100 million in cash coupons to customers of the Group's online-to-offline retailing platform.

Circle K once again won an award in the Retail Chain Store Category of the Yahoo! Emotive Brand Awards 2014-2015. The awards recognise brands with positive values and strong customer engagement and are chosen by Hong Kong netizens through online voting. This is the fourth time Circle K has received this recognition.

Circle K Hong Kong's new "Dare to Try" campaign.

Operations Review – Circle K (continued)

Category Management

Good category management helps stores effectively sell products based on preferences, trends and seasonality. In August 2015, the Group took advantage of the warm summer weather to launch premium Monaka ice cream from Japan. In October, the Group promoted its "Dare to Try" campaign by introducing new Grab & Go products, starting with the popular, Japanese-inspired "Super Soft Sandwich".

Also during the second half of the year, the Group reached out to fans of Apple products with the launch of the iTunes Pass, which featured an exclusive promotion that gave customers a HK$10 Circle K cash coupon for every recharge of their iTunes Pass accounts of HK$10 or more. The Group also took advantage of the special "1111" date in November to run fulfilment promotions with partner brands, giving customers Circle K coupons when they picked up parcels at stores.

Circle K took advantage of the warm summer weather to launch premium Monaka ice cream from Japan.

Customer Service Excellence

Customer service is one of the most important aspects of retail operations, and the Group constantly looks for ways to improve and enhance interactions with its valued shoppers. In 2015, Circle K won the Hong Kong Retail Management Association's ("HKRMA") "2015 Service Retailer of the Year – Convenience Stores Category" for the sixth consecutive year, while a frontline supervisor also won the Supervisory Level "Service & Courtesy Award 2015".

"HEARTS" culture continued to flourish at Circle K throughout the year. Senior management visited frontline staff at stores during festive seasons, and managers also promoted the new service credo "Service from HEARTS", organising skill-sharing sessions and demonstrations for nearly 100 service stars across the company.

The Group introduced new Grab & Go products, starting with the popular, Japanese-inspired "Super Soft Sandwich".

Operations Review – Circle K (continued)

Supply Chain Management and Logistics

The Group is committed to sourcing goods from suppliers who share its values and adhere to stringent standards and specifications. Since 2014 the Group has enforced its Supplier Code of Conduct, which sets out principles and practices relating to labour, ethical conduct, work safety and environmental protection.

Building capacity and enhancing supply chain management and logistics help the Group support its international sourcing and ensure smooth delivery of in-demand products to stores. The Group's efforts during the year focused not only on the shipping of regular merchandise, but also frozen products from overseas.

To simplify the management process, the Group upgraded its Warehouse Management System with various module features to facilitate routing management. This helps managers respond quickly to new operational needs from the store network and e-fulfilment by enabling more flexible adjustments, and it helps the Group further upgrade its overall physical distribution capability.

Operations Review – Guangzhou

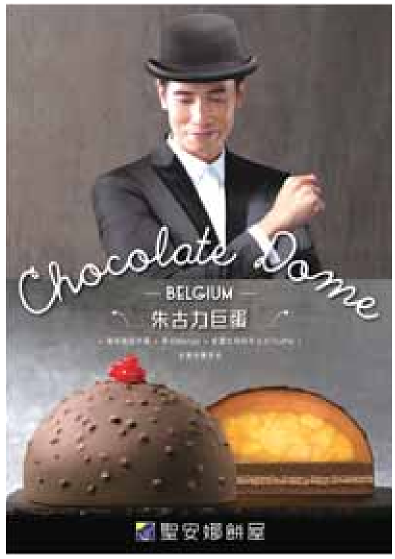
In August 2015, the Group announced the sale of its loss-making Circle K business in Guangzhou to FH 1937. The move came as a result of the continuously difficult operating environment for the convenience store sector on the Chinese Mainland, which has been beset by keen competition, slowing economic growth, low market sentiment and high operational costs, particularly rising staff wages. The sale resulted in a one-off gain for the Group. It also enables the Group to focus resources on other aspects of its business with good revenue-generating potential.

Operations Review – Saint Honore Cake Shop

In 2015, the total number of Saint Honore stores in Hong Kong and Macau decreased from 102 to 98, with the Group adding six shops and closing ten. At year-end Saint Honore's total store network in Guangzhou and Shenzhen amounted to 41 locations.

During the year, Saint Honore Hong Kong recorded 4.7% growth in comparable store sales on the back of successful product launches, enhanced product mix and creative promotional campaigns. For instance, the introduction of the Chocolate Dome cake, a new item in Saint Honore's Belgium Chocolate Cake Collection, was very well received in Hong Kong and generated repeat purchases.

In 2015, the Group soft-launched its digital customer relationship management ("CRM") platform, which will greatly enhance Saint Honore's membership and reward programme and help further drive customer loyalty. Full implementation is expected by the second quarter of 2016. The Group also invested in more production line automation at its factory in Shenzhen in order to achieve better product consistency, improved productivity and reduced labour costs.



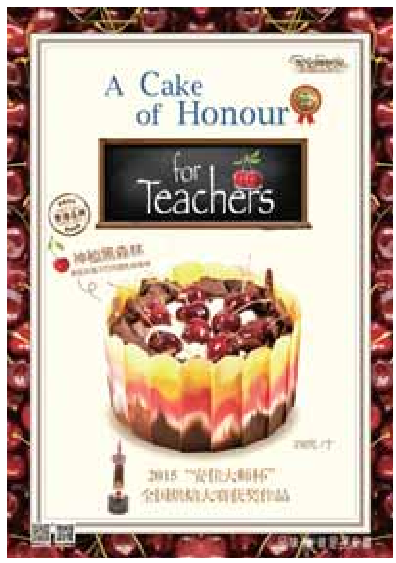
Saint Honore introduced the Chocolate Dome cake, a new member of its Belgium Chocolate Cake Collection.

Operations Review – Saint Honore Cake Shop (continued)

Saint Honore was proud to win a number of prestigious awards in 2015. These included the Apple Daily App Tomo Brand Award (Bakery Category); the "OL Favourite Spokesperson" award in Oriental Sunday/ New Monday/Weekend Weekly/Fashion & Beauty's OL Living Awards; and the "Most Convenient Shop" award in MTR Corporation Limited's MTR Shop Voting Campaign 2015. In addition, a frontline supervisor won the HKRMA's Supervisory Level "Service & Courtesy Award 2015" for the Bakery Category.

Saint Honore also continues to build a brand reputation for quality and innovation. Two of its pastry chefs from the Guangzhou operations qualified for the Anchor Pastry Challenge 2015, a nationwide invitational competition, and won the bronze medal. Their award-winning cake was subsequently launched in all Saint Honore stores across Southern China in celebration of Teachers' Day, generating high sales and word-of-mouth purchases. The Group also collaborated with high-quality food brand Anchor to bring world-renowned pastry chef Jean-Francois Arnaud for a demonstration of his cake-making skills, further developing the professional abilities of Saint Honore's own chefs. This collaboration led to a successful launch of high-end French cakes in all Saint Honore stores in Southern China starting in November. Two of these cakes placed first and second in "The Best Dairy Cream Cake of China" voting contest hosted by dianping.com.

Two of Saint Honore Guangzhou's pastry chefs pose with renowned pastry chef Jean-Francois Arnaud after taking the bronze medal in the Anchor Pastry Challenge 2015.



Saint Honore's winning cake in the Anchor Pastry Challenge 2015 was launched with great success in stores across Southern China to celebrate Teachers' Day.

FingerShopping.com

Featuring approximately 1,200 brands and 17,000 stock-keeping units, FingerShopping.com continues to strengthen the variety of its inventory by inviting merchants with bestselling brands and online hits from all over the world. The site has welcomed new official brand shops from 3M Nexcare, Veet, Scholl, Ming Pao Publications, Kumamoto Gourmet Club and more.

In 2015, FingerShopping.com achieved 100% gross merchandise value ("GMV") growth and 80% member growth over the previous year. The site continues to epitomise a successful O2O business model with a pick-up rate of more than 90% and a 75% payment rate at Circle K Hong Kong. Health and beauty continues to be FingerShopping.com's most successful anchor category. As at 31 December 2015, it represented 75% of all products sold and 77% of total GMV.

FingerShopping.com's O2O promotional campaign and lucky draw boosted monthly sales and membership.

During the year, the Group introduced new functions and services to maximise the user experience. This included revamping the website with a new category structure and launching a responsive mobile version with multi-device compatibility at a faster browsing speed. The Group is also continuing to extend FingerShopping.com's delivery coverage to Guangzhou on a pilot basis. In addition, to boost new member registration and traffic conversion, the Group has developed a member referral programme and dynamic CRM functions.

To enhance synergy with its offline stores, the Group launched five joint O2O promotional programmes with Circle K and Saint Honore in 2015. The O2O Instant Lucky Draw campaign with Circle K Hong Kong in October achieved extraordinary results, with 500% monthly GMV growth and 40% total membership growth.

The Group also continued to work with major third-party brands during the year to drive brand recognition and preference for FingerShopping.com. Partners included Toys"R"Us, Café de Coral, Yamato Transport, CTgoodjobs, euro go go, KKBOX, OpenRice, ZALORA Hong Kong and six of Hong Kong's leading banks.

Strategic partnerships helped build significant traffic for FingerShopping.com.

Health and Safety

The Group is committed to maintaining a safe, healthy workplace that complies with the strictest practices, and it strives to provide this for all its employees through information-sharing and comprehensive training. All new employees receive training on basic work safety and hygiene guidelines, and they are also provided with protection devices such as safety boots and gloves wherever necessary.

Food safety is always regarded as a key business risk, and it is therefore a top priority for management. The Group regularly reviews its food safety management process and closely monitors relevant areas of the business as part of its day-to-day operations, proactively identifying and handling issues in a timely manner.

Saint Honore's factory in Shenzhen has been awarded ISO 9001 and HACCP food safety accreditation. Its factory in Hong Kong is also ISO 9001-accredited. The two facilities have earned these recognitions for their consistently high standards of quality control and food hygiene.

Corporate Social Responsibility

The Group's Corporate Social Responsibility ("CSR") Steering Committee, which is led by the Chief Executive Officer and Chief Operating Officer, continues to oversee CSR-related policy and performance. This includes but is not limited to environmental, social, governance and people aspects. The Steering Committee supervises a Working Committee, which comprises employees from different business units to spearhead various corporate initiatives throughout the organisation.

The Group takes great pride in its CSR efforts, and it does its utmost to involve employees in activities that benefit local communities. This year, Group-wide efforts included Red Décor Day, which supported the Hong Kong Red Cross by encouraging colleagues to dress in red and donate blood; a volunteer visit to Anhui Province, where colleagues learned how long-time Group beneficiary Heifer International Hong Kong has helped improve the living conditions of farmers working in this rural area; a collaboration with the Tung Wah Group of Hospitals to celebrate Mid-Autumn Festival with the elderly; and a visit to WWF Hong Kong's Hoi Ha Marine Life Centre, where colleagues learned about the importance of a sustainable lifestyle to environmental conservation.

During the second half of the year, volunteers from Circle K Hong Kong participated in the Community Chest Wheelock Swim for a Million 2015, organising fun events and raising funds for Community Chest's charity projects. Circle K Hong Kong also supported Heifer International's annual event "Race to Feed" for the ninth straight year, winning the "Top Fundraising Team Award" and "Top Fundraiser Award". Funds will benefit poverty alleviation projects in Yunnan Province.

Saint Honore Hong Kong engaged Foodlink Foundation Limited and Feeding Hong Kong to collect unsold bread across 62 stores. In total, the company donated approximately 200,000 pieces of bread to the less fortunate in 2015. In addition, Saint Honore has witnessed a 16% drop in plastic bag usage year on year by supporting the Plastic Bag Levy Scheme that was initiated in April 2015.

Volunteers joined a humanitarian visit to Anhui Province for Heifer International Hong Kong.

Colleagues visited WWF Hong Kong's Hoi Ha Marine Life Centre.

Future Prospects

The Group's outlooks on the operating environments of Hong Kong and the Chinese Mainland remain conservative. These retail markets will continue to pose challenges in terms of high operating costs and low consumer sentiment, making the Group's prospects for 2016 modest at best.

To ensure long-term growth, the Group is constantly exploring ways its businesses can thrive. The sale of the Circle K Guangzhou business to FH 1937 has benefited the Group's profitability and cash flow. It also enables it to concentrate efforts on business ventures with strong potential, including organic growth initiatives as well as mergers and acquisitions.

While operating costs continue to escalate, rentals in Hong Kong – including secondary locations where the Group has a majority of its stores – are finally showing signs of downward adjustment. The Group can reasonably be expected to return to more aggressive store network growth in 2016.

Labour shortages and wage increases in Hong Kong and on the Chinese Mainland will continue to push up labour costs. However, the Group has confidence that this can be kept under control by focusing on higher productivity at the store and manufacturing floor levels.

With Saint Honore's operating losses in Guangzhou and Shenzhen shrinking, one of the Group's key targets is for the business to achieve breakeven in 2016. This is an important milestone as Saint Honore prepares for the next wave of expansion in the Pearl River Delta.

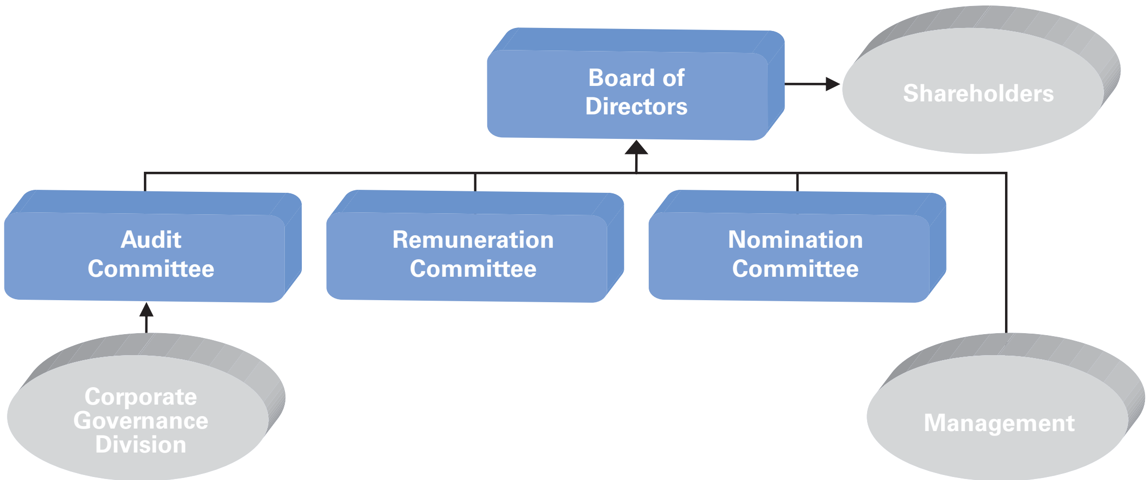
Elsewhere, the Group will continue to place strong emphasis on the all-important areas of product innovation, effective marketing, strong customer service, high workplace satisfaction, talent retention, cost control and operational efficiency.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 15 March 2016

Corporate Governance Report

The Board of Directors and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence. 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 2015, 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 44 to 49.

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 and monitoring of appropriate and effective risk management and internal control systems, review of relevant financial, operational and compliance controls, 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 2015 (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 2015 Board meetings and committee meetings were determined in the third quarter of 2014 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 2015 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	–	–	**1**/1	**1**/1
William FUNG Kwok Lun	**5**/5	–	**1**/1	–	**0**/1
Godfrey Ernest SCOTCHBROOK	**4**/5	**3**/4	–	–	**0**/1
Jeremy Paul Egerton HOBBINS	**5**/5	–	**1**/1	–	**1**/1
Benedict CHANG Yew Teck	**5**/5	**4**/4	–	–	**1**/1
Independent Non-executive Directors:					
Anthony LO Kai Yiu *(Chairman of Audit Committee)*	**5**/5	**4**/4	–	**1**/1	**1**/1
Malcolm AU Man Chung *(Chairman of Remuneration Committee)*	**4**/5	**4**/4	**1**/1	–	**1**/1
ZHANG Hongyi	**5**/5	**4**/4	**1**/1	**1**/1	**1**/1
Sarah Mary LIAO Sau Tung	**5**/5	–	**1**/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 and Risk Management Officer:					
Jason YEUNG Chi Wai + *(appointed with effect from 1 July 2015)*	**2**/2	**2**/2	–	–	–
Srinivasan PARTHASARATHY + *(ceased as Group Chief Compliance Officer with effect from 1 July 2015)*	**3**/3	**2**/2	**1**/1	**1**/1	**0**/1
Average Attendance Rate of Directors	96%	95%	100%	100%	73%
Dates of Meeting in 2015	18 March 21 May 29 June 25 August 10 November	18 March 21 May 25 August 10 November	18 March	18 March	21 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 2015.

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.

No new Director was appointed during the year ended 31 December 2015.

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

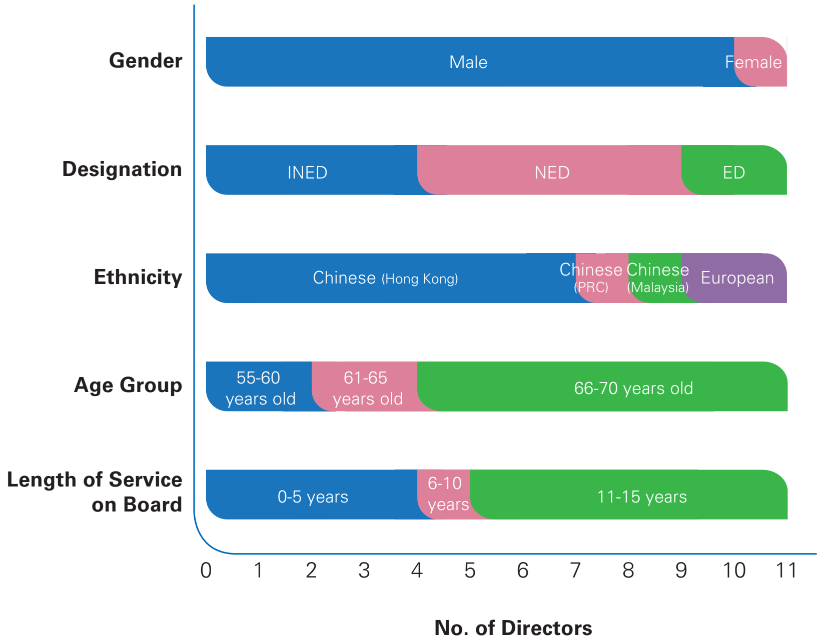
The Company recognises and embraces the benefits of having a diverse Board. A Board Diversity Policy has been adopted by the Board. In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry 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.

Based on the latest review, the Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria. The Nomination Committee has considered but decided not to set any measurable objectives for implementing the Board Diversity Policy. The Nomination Committee will continue to ensure that diversity is taken into consideration when assessing Board composition.

The Board (continued)

Board Diversity (continued)

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 44 to 49.

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.

The Board (continued)

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 2015, all Directors have attended the training sessions arranged by the Company, or have attended and/or given speech 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 2015.

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

Board Committees

The Board has established the following committees with defined terms of reference (available on the Company's corporate website), 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, risk management, internal controls and corporate governance matters, and to make recommendations to the Board. Its current members include:

Anthony LO Kai Yiu * – *Committee Chairman*
Malcolm AU Man Chung *
Godfrey Ernest SCOTCHBROOK +
Benedict CHANG Yew Teck +
ZHANG Hongyi *

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

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

Board Committees (continued)

Audit Committee (continued)

The Audit Committee met four times in 2015 (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, risk management and internal control systems, policies and practices on corporate governance, treasury and financial reporting matters (including the annual and interim financial statements before recommending to the Board for approval);
- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting 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, risk management and internal control matters, to either senior management or the Group Chief Compliance and Risk Management Officer. Any shareholders or stakeholders can also report similar concerns by writing in confidence to the Group Chief Compliance and Risk Management 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 2015.

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 2015, the following fees paid or payable to the external auditor have been endorsed by the Audit Committee:

	Fees HK$'000
Audit services	1,926
Non-audit services (including agreed-upon procedures regarding interim financial information and tax services)	681
Total	2,607

Prior to the commencement of the audit of the Company's financial statements for the year ended 31 December 2015, 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 2016 at the forthcoming AGM.

Remuneration Committee

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

Malcolm AU Man Chung * – *Committee Chairman*
William FUNG Kwok Lun +
Jeremy Paul Egerton HOBBINS +
ZHANG Hongyi *
Sarah Mary LIAO Sau Tung *

* *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 regarding remuneration for all Directors and senior management, 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 2015 (with a 100% attendance rate) to consider possible alternative incentive to Directors and employees, 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 12 to the consolidated financial statements on pages 101 to 102.

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 once in 2015 (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 2015, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

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 2015.

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 58 to 59.

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 64 and 65 respectively.

Risk Management and Internal Control

The Board is responsible for ensuring that the Group maintains appropriate and effective risk management and internal control systems, and for reviewing the effectiveness and adequacy of such systems through the Audit Committee. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only 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 management the design, implementation and ongoing monitoring of the risk management and internal control systems. Qualified personnel throughout the Group maintain and monitor these systems on an ongoing basis. Described below are the main characteristics of the Group's risk management and internal control framework.

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. Risk identification, assessment and mitigation are performed across the business.

Risk Management and Internal Control (continued)

Financial Risk Management

The Board approves the Group's Three-Year Business Plan and annual budgets, reviews the Group's operating and financial performance and key performance indicators against the budgets on a quarterly basis. 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 88 to 90.

Operational Risk Management

Corporate policies and procedures covering key risks and control standards have been established and implemented. Such policies and procedures are reviewed regularly to ensure their effectiveness. 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.

Reputational Risk Management

The reputation of the Group is built on its long-established standards of ethics in conducting business. Guidelines of the Group's business ethical practices as endorsed by the Board are set out in the Code of Conduct and Business Ethics (available on the Company's corporate website). 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.

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. Any ethical concerns raised under the Whistleblowing Policy will be investigated independently.

In 2015, no incident of non-compliance with the Code of Conduct and Business Ethics that had significant impact on the Group's operations was reported.

Regulatory Compliance Risk Management

The Corporate Compliance Group comprises CGD and the Corporate Secretarial Division. Under the supervision of the Group Chief Compliance and Risk Management Officer and in conjunction with the Group's external advisors, the team regularly reviews adherence to relevant laws and regulations, compliance with the Listing Rules, public disclosure requirements and the Group's standards of compliance practices.

Risk Management and Internal Control (continued)

Internal and External Auditors

CGD staff independently review the Group's risk management and internal control systems, and evaluate their adequacy, effectiveness and compliance. In addition, CGD staff regularly visit the Group's offices, factories and selected stores in Hong Kong, Macau and on the Chinese Mainland to help embedding the compliance culture in the Group's business practices by performing on-site reviews.

The Audit Committee approved 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 risk management and internal control systems, CGD independently reviews the Internal Control Self-Assessment Checklist completed by management, and assesses the adequacy and effectiveness of the risk management procedures and 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 2015.

Inside Information

The Company handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

With regard to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- has adopted the Policy on Inside Information to ensure potential inside information is captured and confidentiality of such information is maintained until timely disclosure is made.
- has included in the Code of Conduct and Business Ethics a prohibition on dealing in the Company's securities whilst in possession of inside information.
- has established and implemented procedures for responding to external enquiries about the Group's affairs.

Risk Management and Internal Control (continued)

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 2015:

- The risk management and internal control systems, as well as accounting systems of the Group were in place and functioning effectively and adequately, and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorisation and the financial statements were reliable for publication.
- There was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.
- The resources, staff qualifications and experience, training programmes and budget of the Group's accounting 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 2015.

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.

Changes in Constitutional Documents

The Board confirmed that there were no significant changes in the Company's constitutional documents during the year ended 31 December 2015 which affected the Company's operations and reporting practices.

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.

Key calendar events for shareholders' attention and share information, including market capitalisation as at 31 December 2015, are set out in the Information for Investors section on page 50.

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 21 May 2015 at 4:30 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 2014	100%
• To declare a final dividend of 13 HK cents per share	100%
• To re-elect Dr. William Fung Kwok Lun as Director	99.65%
• To re-elect Mr. Anthony Lo Kai Yiu as Director	100%
• To re-elect Mr. Jeremy Paul Egerton Hobbins as Director	99.65%
• To re-elect Mr. Richard Yeung Lap Bun as Director	99.65%
• To re-appoint PwC as Auditor and authorise the Board to fix their remuneration	100%
• To give a general mandate to the Directors to allot and issue additional shares not exceeding 20% of the number of issued shares of the Company	58.46%
• To give a general mandate to the Directors to repurchase shares not exceeding 10% of the number of issued shares 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 total number of shares repurchased by the Company	72.26%

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.

Directors and Senior Management Profile

Executive Directors

Richard YEUNG Lap Bun – *Chief Executive Officer*

Mr. Yeung, aged 59, 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's 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 57, 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's degree of Science in Engineering, and also holds a Master's 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.

Non-executive Directors

Victor FUNG Kwok King – *Chairman*

Dr. Fung, aged 70, 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's and Master's 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) and Koç Holding A.Ş. (Turkey). 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), and has retired from the board of China Petrochemical Corporation (People's Republic of China). In July 2015, Dr. Fung was appointed as Chairman of the Advisory Board of the Asia Global Institute at The University of Hong Kong, a new multi-disciplinary think-tank to assume and carry forward the mission and operations of Fung Global Institute, of which Dr. Fung was Founding Chairman (July 2010 – June 2015). 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. 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 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 (2009–2014). 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 67, 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. 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's 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 69, 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 is 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 68, 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. 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 62, 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 a member of the Advisory Board of the School of Information Systems, Singapore Management University. He was the Chairman of the Advisory Board of the Asian Institute of Supply Chains & Logistics of the Chinese University of Hong Kong from September 2006 to March 2015.

Independent Non-executive Directors

Malcolm AU Man Chung

Mr. Au, aged 66, 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 67, 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 accounting, banking, finance and investments. Mr. Lo also serves as an independent non-executive director of Hong Kong listed Playmates Holdings Limited, Tristate Holdings 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). He retired as independent non-executive director of Mecox Lane Limited, a company listed on NASDAQ, in June 2014 and Hong Kong listed IDT International Limited in August 2015. 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 70, 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 is currently a Council Member of China Development Institute (Shenzhen) and an independent non-executive director of Bank of East Asia (China) Limited, and was an independent non-executive director of Shenzhen Rural Commercial Bank Limited from August 2012 to July 2015. 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 64, 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 and Risk Management Officer

Jason YEUNG Chi Wai

Mr. Yeung, aged 61, was appointed as the Group Chief Compliance and Risk Management Officer of the Company in July 2015. He is also the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and its publicly listed companies in Hong Kong. He has extensive experience in handling legal, compliance and regulatory matters, and worked previously in both the public and private sectors practising corporate, commercial and securities law. Prior to joining the Fung Group, he was Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited ("BOCHK") with responsibility for the overall performance of the personal banking businesses of BOCHK. Mr. Yeung graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences. He also graduated from The College of Law, United Kingdom and holds a Bachelor's degree in Law and a Master's degree in Business Administration from The University of Western Ontario, Canada.

Senior Management

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

Mrs. Chan, aged 53, has over 27 years of experience in the food and beverage and retail chain industry. She is currently responsible for the Saint Honore operations in Hong Kong and Macau 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 on the Chinese Mainland. Mrs. Chan holds a Master's 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's 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.

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's degree in Business Administration majoring in Accounting and also holds a Master's 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

15 March 2016	Announcement of 2015 Final Results
16 May 2016	Record date for right to attend Annual General Meeting
17 May 2016	Annual General Meeting
26 May to 27 May 2016 (both days inclusive)	Closure of Register of Shareholders for 2015 Final and Special Dividends
7 June 2016	Despatch of 2015 Final and Special Dividend warrants

Share Information

Board lot size	2,000 shares
Shares outstanding as at 31 December 2015	754,640,974 shares
Market capitalisation as at 31 December 2015	HK$2,626,151,000
Earnings per share for 2015	
Interim	4.09 HK cents
Full year	
Continued Operations	17.80 HK cents
Included Discontinued Operations	21.12 HK cents
Dividend per share for 2015	
Interim	3.10 HK cents
Final	13.00 HK cents
Special	6.00 HK cents
Full year	22.10 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
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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 2015.

Principal Activities, Business Review 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 on the Chinese Mainland. The Group also started an e-Commerce business in 2013 and operates an online retailing platform of FingerShopping.com. Further review and analysis of these business activities, including the risks and uncertainties facing the Group and likely future developments in the Group's businesses, are set out in the Chairman's Statement and Management Discussion and Analysis sections on pages 5 to 9 and pages 10 to 25 of this Annual Report respectively. These review and analysis form part of this Report.

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 pages 66 and 67.

The Board of Directors had declared an interim dividend of 3.1 HK cents per share, totaling HK$23,393,000, which was paid on 18 September 2015.

The Board of Directors recommended the payment of a final dividend of 13.0 HK cents per share, totaling HK$98,103,000 and a special dividend of 6.0 HK cents per share, totaling HK$45,278,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 24 and note 30 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$217,000.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the consolidated financial statements.

Share Capital and Shares Issued

Details of the movements in share capital of the Company together with the shares issued during the year are set out in note 23 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2015 calculated under the Companies Law of the Cayman Islands amounted to HK$565,828,000 (2014: HK$555,505,000).

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 2015 are set out in note 31 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 132.

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

On 10 May 2010, the 2010 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company for the purpose of providing incentives and/or rewards to eligible persons as defined in the Scheme following expiration of the previous share option scheme.

A summary of the major terms of the 2010 Share Option Scheme are as follows:

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme 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 Scheme 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 of or supplier of goods or services to the Group or any Affiliate or any employee of the business alliance, joint venture partner of 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 2010 Share Option Scheme must not exceed 10% of the shares in issue as at the date of approval of the 2010 Share Option Scheme.

The total number of shares available for issue, save for those already granted, under the 2010 Share Option Scheme is 37,042,597, representing approximately 4.91% 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 2010 Share Option Scheme during the year ended 31 December 2015 are as follows:

(A) Continuous contract employees

Number of share options									
As at 1 January 2015	Granted (Note 1)	Exercised (Note 2a)	Lapsed (Note 3)	Expired	As at 31 December 2015	Exercise price HK$	Grant date	Exercisable from	Exercisable until
7,279,000	–	(2,489,000)	(100,000)	–	4,690,000	3.22	10 March 2011	1 April 2014	31 March 2017
66,000	–	–	–	–	66,000	3.71	8 March 2012	1 April 2014	31 March 2017
470,000	–	–	–	–	470,000	5.40	28 March 2013	1 April 2014	31 March 2017
14,078,000	–	–	(1,346,000)	–	12,732,000	5.53	28 February 2014	1 April 2017	31 March 2020
–	726,000	–	(110,000)	–	616,000	5.10	19 March 2015	1 April 2017	31 March 2020
21,893,000	726,000	(2,489,000)	(1,556,000)	–	18,574,000				

Share Options (continued)

(B) Directors

	Number of share options									
	As at 1 January 2015	Granted	Exercised *(Note 2b)*	Lapsed	Expired	As at 31 December 2015	Exercise price HK$	Grant date	Exercisable from	Exercisable until
Richard Yeung Lap Bun	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	–	(1,000,000)	–	–	1,000,000	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
	8,000,000	–	(1,000,000)	–	–	7,000,000				

Notes:

1. *During the year, share options to subscribe for a total of 726,000 shares were granted on 19 March 2015. The closing price of the shares immediately before the date on which the options were granted was HK$5.1.*

2. *(a) Share options to subscribe for 2,489,000 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$4.7.*

   (b) Share options to subscribe for 1,000,000 shares were exercised by Pak Chi Kin during the year. The weighted average closing market price per share immediately before the date on which the options were exercised was approximately HK$5.1.

3. *Share options to subscribe for 1,556,000 shares lapsed during the year following the cessation of employment of certain grantees.*

4. *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.*

5. *The value of the options granted during the year is HK$444,000 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK$5.1 at the grant date, exercise price shown above, standard deviation of expected share price returns of 22.5%, expected life of options of four years, expected dividend paid out rate of 3.6% and annual risk-free interest rate of 1.1%. 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 2015, 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*
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. Victor Fung Kwok King, Mr. Zhang Hongyi, Mr. Benedict Chang Yew Teck and Mr. Pak Chi Kin 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 (including those who are proposed for re-election at the forthcoming annual general meeting) has any service contract 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 Transactions, Arrangements and Contracts

No transactions, arrangements or 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 or an entity connected with such Director 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 29 "Related Party Transactions" to the consolidated financial statements.

Permitted Indemnity Provisions

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2015. The Company has maintained liability insurance to provide appropriate cover for the Directors of the Company and its subsidiaries.

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

As at 31 December 2015, 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:

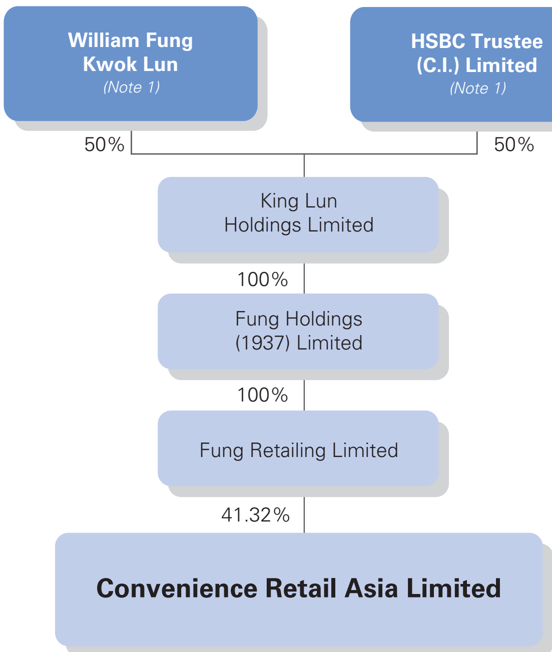
Long positions in shares and the underlying shares of the Company

	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	41.32%
William Fung Kwok Lun	–	–	311,792,000 *(Note 1)*	–	311,792,000	41.32%
Richard Yeung Lap Bun	20,396,000	–	–	4,000,000 *(Note 2)*	24,396,000	3.23%
Pak Chi Kin	1,044,000	–	–	3,000,000 *(Note 2)*	4,044,000	0.54%
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 2015, 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 2015, 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

Other than the interests of the Directors or chief executives of the Company as disclosed above, at 31 December 2015, the following persons had notified the Company of their 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)*	41.32%
King Lun Holdings Limited	311,792,000 *(L)*	Interest of controlled corporation *(Note 1)*	41.32%
Arisaig Asia Consumer Fund Limited ("Arisaig ACF")	82,580,000 *(L)*	Beneficial owner	10.94%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	82,580,000 *(L)*	Investment manager *(Note 2)*	10.94%
Arisaig Partners (Asia) Pte Ltd ("Arisaig Asia")	82,580,000 *(L)*	Investment manager *(Note 2)*	10.94%
Arisaig Partners (Holdings) Ltd.	82,580,000 *(L)*	Interest of controlled corporation *(Note 2)*	10.94%
Skye Partners Limited	82,580,000 *(L)*	Interest of controlled corporation *(Note 2)*	10.94%
International Financial Services Limited	82,580,000 *(L)*	Interest of controlled corporation *(Note 2)*	10.94%
IFS Trustees	82,580,000 *(L)*	Interest of controlled corporation *(Note 2)*	10.94%
Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group")	77,220,000 *(L)*	Investment manager *(Note 3)*	10.23%
Aberdeen Global	60,720,000 *(L)*	Investment manager *(Note 3)*	8.05%
The Capital Group Companies, Inc.	51,330,000 *(L)*	Interest of controlled corporation	6.80%

(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 ACF, and Arisaig Mauritius and Arisaig Asia are the fund manager and the sub-investment manager of Arisaig ACF respectively. Arisaig Mauritius and Arisaig Asia are wholly-owned by Arisaig Partners (Holdings) Ltd., which is in turn wholly-owned by Skye Partners Limited. IFS Trustees and International Financial Services Limited are the trustees of the trusts, each of which owns one-third of Skye Partners Limited. Therefore Arisaig Mauritius, Arisaig Asia, Arisaig Partners (Holdings) Ltd., Skye Partners Limited, IFS Trustees and International Financial Services Limited are deemed to have interests in the shares of the Company held by Arisaig ACF. Mr. Lindsay William Ernest Cooper has transferred his shareholding to IFS Trustees.*

3. *The Aberdeen Group held the shares on behalf of accounts (under discretionary or segregated mandates) managed by the Aberdeen Group. 60,720,000 shares were held by Aberdeen Global of which the Aberdeen Group is the investment manager and investment advisers.*

Save as disclosed above, as at 31 December 2015, 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	27%
–	five largest suppliers combined	48%

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

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

Connected Transactions

Continuing Connected Transactions

During the year, the Group had various transactions with related parties (details are set out in note 29 to the consolidated financial statements on pages 126 to 128), such as certain reimbursement of office and administrative expenses between the Group and FH 1937 (the controlling shareholder of the Company) and its associates, also constituted 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)*	16,893
2.	Properties leasing and/or licensing arrangements with FH 1937 and its associates *(Note 2)*	11,602
3.	Sales of food products to FH 1937 and its associates *(Note 3)*	5,809

Notes:

1. *This refers to the purchases of various products (being both food and non-food products) by the Group from FH 1937 and its associates under a master agreement signed on 22 November 2012 for a term of three years from 1 January 2013 to 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 granting of license for the right to use properties (or any part thereof) by FH 1937 and its associates to the Group under a master agreement signed on 22 November 2012 for a term of three years from 1 January 2013 to 31 December 2015 (details of which were disclosed in the announcement dated 22 November 2012).*

3. *This refers to the sales of food products by the Group to FH 1937 and its associates under a master agreement signed on 25 August 2015 for the period from 25 August 2015 to 31 December 2015 (details of which were disclosed in the announcement dated 25 August 2015).*

Connected Transactions (continued)

Continuing Connected Transactions (continued)

The pricing and the terms of the above transactions have been determined in accordance with the pricing policies and guidelines as set out in the respective announcement.

On 20 November 2015, new master agreements in connection with (1) purchases of various products (being both food and non-food products) from; (2) properties leasing and/or licensing arrangements with; and (3) sales of various products (being both food and non-food products) to, FH 1937 and its associates were signed by the Company with FH 1937. Each of the new master agreement is for a term of three years commencing 1 January 2016, details of which, including the annual caps, were disclosed in the announcement dated 20 November 2015. Such master agreements constituted continuing connected transactions (exempt from independent shareholders' approval requirements) of the Company.

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.

Connected Transaction

On 25 August 2015, Convenience Retail Asia (BVI) Limited (a wholly-owned subsidiary of the Company) and FH 1937 entered into a sale and purchase agreement in connection with the disposal (the "Disposal") of the entire interests of the indirect wholly-owned subsidiaries of the Company, namely, Circle K Convenience Stores PRC Limited and its subsidiary, Circle K PRC Properties Limited, New Success Ventures Limited and Convenience Consultancy Services Limited (collectively the "Target Group") and the benefit of the indebtedness owed by the Target Group for a total cash consideration of HK$104,500,000 (subject to adjustment) (details of which were disclosed in the announcement dated 25 August 2015). The Directors consider that the Disposal can provide an immediate exit to discard the financial burden of the Target Group and improve the overall profitability of the Group. The transaction constituted a connected transaction (exempt from independent shareholders' approval requirements) of the Company.

Connected Transactions (continued)

Connected Transaction (continued)

Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are considered to have material interest in the abovementioned continuing connected transactions and connected transaction by virtue of their deemed interests in FH 1937.

Contracts with Controlling Shareholders

Save as disclosed under "Connected Transactions" above and note 29 "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 2015, 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, 15 March 2016

Independent Auditor's Report

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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 set out on pages 66 to 131, which comprise the consolidated balance sheet as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2016

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Consolidated Profit and Loss Account

For the year ended 31 December 2015

	Note	**2015 HK$'000**	2014 HK$'000 (Restated)
Continuing Operations			
Revenue	*5*	**4,728,151**	4,531,321
Cost of sales	*6*	**(3,124,522)**	(2,963,855)
Gross profit		**1,603,629**	1,567,466
Other income	*5*	**102,831**	95,653
Store expenses	*6*	**(1,225,140)**	(1,184,926)
Distribution costs	*6*	**(125,398)**	(108,868)
Administrative expenses	*6*	**(193,675)**	(192,483)
Core operating profit		**162,247**	176,842
Non-core operating loss	*6*	**(618)**	(1,334)
Operating profit		**161,629**	175,508
Interest income	*7*	**3,358**	5,573
Profit before income tax		**164,987**	181,081
Income tax expenses	*8*	**(30,810)**	(36,073)
Profit for the year from Continuing Operations		**134,177**	145,008
Discontinued Operations			
Profit/(loss) for the period/year from Discontinued Operations	*27(a)*	**25,001**	(23,976)
Profit attributable to shareholders of the Company		**159,178**	121,032

	Note	2015 HK$'000	2014 HK$'000 (Restated)
Earnings per share (HK cents)			
Basic earnings per share	*9*		
Continuing Operations		**17.80**	19.38
Included Discontinued Operations		**21.12**	16.18
Diluted earnings per share	*9*		
Continuing Operations		**17.75**	19.24
Included Discontinued Operations		**21.06**	16.06

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Profit attributable to shareholders of the Company	**159,178**	121,032
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gains on post employment benefit obligation, net of tax	**–**	2,006
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(5,171)**	(1,715)
Total comprehensive income attributable to shareholders of the Company	**154,007**	121,323
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	**127,369**	144,627
Discontinued Operations	**26,638**	(23,304)
	154,007	121,323

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Fixed assets	*13*	**334,875**	337,775
Investment properties	*14*	**28,585**	22,567
Lease premium for land	*15*	**37,906**	60,199
Intangible assets	*16*	**357,465**	357,465
Available-for-sale financial asset	*17*	**1,895**	1,895
Rental and other long-term deposits		**74,361**	76,446
Deferred tax assets	*18*	**14,075**	10,448
		849,162	866,795
Current assets			
Inventories	*19*	**185,358**	194,579
Rental deposits		**53,794**	47,528
Trade receivables	*20*	**48,495**	52,970
Other receivables, deposits and prepayments		**80,527**	85,915
Taxation recoverable		**–**	166
Bank and restricted deposits	*21*	**957**	9,169
Cash and cash equivalents	*21*	**567,114**	528,177
		936,245	918,504
Current liabilities			
Trade payables	*22*	**539,783**	589,688
Other payables and accruals		**212,039**	211,962
Taxation payable		**7,430**	11,952
Cake coupons		**166,246**	158,106
		925,498	971,708
Net current assets/(liabilities)		**10,747**	(53,204)
Total assets less current liabilities		**859,909**	813,591

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Financed by:			
Share capital	*23*	**75,464**	75,115
Reserves	*24*	**763,070**	715,046
Shareholders' funds		**838,534**	790,161
Non-current liabilities			
Long service payment liabilities	*25*	**11,505**	13,738
Deferred tax liabilities	*18*	**9,870**	9,692
		859,909	813,591

On behalf of the Board

Victor FUNG Kwok King
Director

Richard YEUNG Lap Bun
Director

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	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

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2015

	Attributable to shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserves HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2015	75,115	364,289	177,087	18,474	11,062	7,388	136,746	790,161
Profit attributable to shareholders of the Company	–	–	–	–	–	–	159,178	159,178
Exchange differences	–	–	–	–	–	(5,171)	–	(5,171)
Total comprehensive income for the year	–	–	–	–	–	(5,171)	159,178	154,007
Issue of new shares	349	10,885	–	–	–	–	–	11,234
Employee share option benefit	–	2,072	–	–	2,139	–	358	4,569
Dividends paid	–	–	–	–	–	–	(121,437)	(121,437)
	349	12,957	–	–	2,139	–	(121,079)	(105,634)
At 31 December 2015	75,464	377,246	177,087	18,474	13,201	2,217	174,845	838,534

The notes on pages 74 to 131 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000 (Restated)
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations	*26*	**193,426**	272,002
Hong Kong profits tax paid		**(33,205)**	(29,873)
Overseas income tax paid		**(5,640)**	(6,446)
Net cash generated from operating activities		**154,581**	235,683
Cash flows from investing activities			
Purchase of fixed assets		**(84,180)**	(62,809)
Purchase of lease premium for land		**–**	(7,326)
Proceeds from disposal of fixed assets		**899**	1,805
Net proceeds from disposal of Discontinued Operations		**81,100**	–
Decrease in bank deposits		**6,280**	42,955
Interest received		**3,842**	5,152
Net cash generated from/(used in) investing activities		**7,941**	(20,223)
Cash flows from financing activities			
Proceeds from issuance of shares		**11,234**	26,176
Fund transfer to Discontinued Operations		**(14,349)**	(23,920)
Dividends paid		**(121,437)**	(120,630)
Net cash used in financing activities		**(124,552)**	(118,374)
Increase in cash and cash equivalents from Continuing Operations		**37,970**	97,086
Increase in cash and cash equivalents from Discontinued Operations	*27(c)*	**3,348**	1,447
Increase in cash and cash equivalents		**41,318**	98,533
Cash and cash equivalents at 1 January		**528,177**	431,348
Effect of foreign exchange rate changes		**(2,381)**	(1,704)
Cash and cash equivalents at 31 December	*21*	**567,114**	528,177

The notes on pages 74 to 131 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 on 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 15 March 2016.

On 25 August 2015, the Group has disposed of certain subsidiaries which are principally engaged in the operation of the convenience store business in Guangzhou and the operation is presented as Discontinued Operations. The financial results of the Discontinued Operations for the period ended 25 August 2015 and comparatives for the year ended 31 December 2014 have been restated accordingly. Details of the Discontinued Operations are set out in note 27 to the consolidated financial statements.

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 all applicable Hong Kong Financial Reporting Standards ("HKFRS") and under historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss which are carried at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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.

The Group has adopted the following amended standards of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2015 and relevant to its operations:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Projects	Annual Improvements 2010–2012 Cycle
Annual Improvements Projects	Annual Improvements 2011–2013 Cycle

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 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 2016. 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 Amendment	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 27 Amendment	Equity Method in Separate Financial Statements
Annual Improvements Projects	Annual Improvements 2012-2014 Cycle

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(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.

(iii) Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(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.

(d) Foreign currency translation

(i) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 39 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.

(f) Investment properties

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 properties are depreciated on a straight-line basis over the unexpired term of the leases of 25 years to 40 years.

Major costs incurred in restoring properties to its normal working conditions are charged to the consolidated profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties (continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

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.

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$2,548,000 (2014: HK$95,167,000) as at 31 December 2015.

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$25,000 (2014: HK$952,000) for the year ended 31 December 2015.

(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 on 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 on 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. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank deposits and banking facilities considered to be adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. All of the Group's financial liabilities, including trade payables of HK$539,783,000 (2014: HK$589,688,000) and other payables and accruals of HK$212,039,000 (2014: HK$211,962,000) are contractually maturing within one year.

(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$1,643,000 (2014: HK$1,393,000) for the year ended 31 December 2015.

(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 2015 and 2014 are as follows:

	2015	2014
	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 16)*.

(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 23. 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:

	2015 **HK$'000**	2014 HK$'000 (Restated)
Revenue		
Merchandise sales revenue	**3,692,768**	3,528,192
Bakery sales revenue	**1,015,707**	994,779
e-commerce revenue	**19,676**	8,350
	4,728,151	4,531,321
Other income		
Service items and miscellaneous income	**102,831**	95,653

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 on the Chinese Mainland.

The segment information provided to the management for the reportable segments for the years ended 31 December 2015 and 2014 are as follows:

	2015				
	Convenience Store	Bakery		e-commerce	
Continuing Operations	HK & Others HK$'000	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	3,692,768	1,001,731	139,072	19,676	4,853,247
Inter-segment revenue	–	(125,096)	–	–	(125,096)
Revenue from external customers	3,692,768	876,635	139,072	19,676	4,728,151
Total segment other income	95,049	10,098	760	24	105,931
Inter-segment other income	(883)	(2,217)	–	–	(3,100)
Other income	94,166	7,881	760	24	102,831
	3,786,934	884,516	139,832	19,700	4,830,982
Core operating profit/(loss)	158,896	35,429	(10,533)	(21,545)	162,247
Depreciation and amortisation	(26,502)	(29,659)	(7,647)	(1,167)	(64,975)

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

Segment information (continued)

	2014				
	Convenience Store	Bakery		e-commerce	
Continuing Operations	HK & Others HK$'000 (Restated)	HK & Others HK$'000 (Restated)	Chinese Mainland HK$'000 (Restated)	HK HK$'000 (Restated)	Group HK$'000 (Restated)
Total segment revenue	3,528,192	981,224	128,332	8,350	4,646,098
Inter-segment revenue	–	(114,441)	(336)	–	(114,777)
Revenue from external customers	3,528,192	866,783	127,996	8,350	4,531,321
Total segment other income	90,151	6,926	1,546	7	98,630
Inter-segment other income	(749)	(2,228)	–	–	(2,977)
Other income	89,402	4,698	1,546	7	95,653
	3,617,594	871,481	129,542	8,357	4,626,974
Core operating profit/(loss)	153,105	51,400	(13,062)	(14,601)	176,842
Depreciation and amortisation	(27,042)	(26,663)	(6,754)	(649)	(61,108)

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 2015 and 2014 are as follows:

	2015				
	Convenience Store	**Bakery**		**e-commerce**	
	HK & Others	**HK & Others**	**Chinese Mainland**	**HK**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total segment assets	**546,980**	**733,945**	**70,700**	**10,504**	**1,362,129**
Total segment assets include:					
Additions to segment non-current assets	**38,344**	**39,091**	**7,130**	**1,976**	**86,541**
Total segment liabilities	**620,988**	**281,110**	**14,975**	**12,500**	**929,573**

	2014					
	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 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

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:

	2015 HK$'000	2014 HK$'000
Segment assets for reportable segments	**1,362,129**	1,444,864
Unallocated:		
Deferred tax assets	**14,075**	10,448
Taxation recoverable	**–**	166
Corporate bank deposits	**409,203**	329,821
Total assets per consolidated balance sheet	**1,785,407**	1,785,299

Reportable segment liabilities are reconciled to total liabilities as follows:

	2015 HK$'000	2014 HK$'000
Segment liabilities for reportable segments	**929,573**	973,494
Unallocated:		
Deferred tax liabilities	**9,870**	9,692
Taxation payable	**7,430**	11,952
Total liabilities per consolidated balance sheet	**946,873**	995,138

The Group is domiciled in Hong Kong. The result of its revenue of Continuing Operations from external customers in Hong Kong is HK$4,440,800,000 (2014 (restated): HK$4,266,530,000), and the total of revenue of Continuing Operations from external customers from other countries is HK$287,351,000 (2014 (restated): HK$264,791,000) for the year ended 31 December 2015.

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$742,623,000 (2014: HK$723,291,000), and the total of these non-current assets located in other countries is HK$90,569,000 (2014: HK$131,161,000) as at 31 December 2015.

6. EXPENSES BY NATURE FROM CONTINUING OPERATIONS

	2015 HK$'000	2014 HK$'000 (Restated)
Amortisation of lease premium for land *(note 15)*	**1,459**	1,431
Auditor's remuneration		
Audit services	**1,926**	1,926
Non-audit services	**681**	507
Cost of inventories sold	**2,888,265**	2,758,926
Depreciation of owned fixed assets *(note 13)*	**62,722**	59,182
Depreciation of investment properties *(note 14)*	**794**	495
Employee benefit expense *(note 11)*	**793,769**	762,396
Losses on disposal of fixed assets	**3,726**	868
Operating leases rental for land and buildings		
Minimum lease payment	**467,595**	439,992
Contingent lease payment	**5,718**	6,771
Foreign exchange (gains)/losses	**(342)**	1,484
Other expenses	**443,040**	417,488
Total cost of sales, store expenses, distribution costs, administrative expenses and non-core operating loss	**4,669,353**	4,451,466

7. INTEREST INCOME FROM CONTINUING OPERATIONS

	2015 HK$'000	2014 HK$'000 (Restated)
Interest income on bank deposits	**3,358**	5,573

8. INCOME TAX EXPENSES FROM CONTINUING OPERATIONS

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2015 and 2014. 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:

	2015	2014
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**29,144**	30,763
Overseas profits tax	**5,279**	6,562
Deferred income tax credit *(note 18)*	**(3,613)**	(1,252)
	30,810	36,073

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:

	2015	2014
	HK$'000	HK$'000
		(Restated)
Profit before income tax	**164,987**	181,081
Calculated at a taxation rate of 16.5%	**27,223**	29,878
Effect of different taxation rates in other jurisdictions	**(2,148)**	(1,774)
Income not subject to taxation	**(2,360)**	(1,592)
Expenses not deductible for tax purposes	**865**	3,086
Tax losses not recognised	**6,377**	5,628
Reversal of previously recognised temporary differences	**282**	605
Under provision in prior year	**571**	242
	30,810	36,073

9. 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.

	2015 **HK$'000**	2014 HK$'000 (Restated)
Profit attributable to shareholders of the Company arising from the Continuing Operations	**134,177**	145,008
Profit/(loss) attributable to shareholders of the Company arising from the Discontinued Operations	**25,001**	(23,976)
	159,178	121,032
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**753,645,119**	748,083,479
Adjustment for:		
Share options	**2,346,352**	5,512,573
Weighted average number of ordinary shares for diluted earnings per share	**755,991,471**	753,596,052

10. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim dividend, proposed of 3.1 HK cents (2014: 3.1 HK cents) per share	**23,393**	23,261
Final dividend, proposed of 13 HK cents (2014: 13 HK cents) per share	**98,103**	97,760
Special dividend, proposed of 6 HK cents (2014: nil) per share	**45,278**	–
	166,774	121,021

At a meeting held on 15 March 2016, the Directors proposed a final dividend of 13 HK cents per share and a special dividend of 6 HK cents per share. These proposed dividends are not reflected as dividends payable in these consolidated financial statements.

11. EMPLOYEE BENEFIT EXPENSE FROM CONTINUING OPERATIONS

	2015 HK$'000	2014 HK$'000 (Restated)
Wages and salaries	**760,701**	728,864
Unutilised annual leave	**164**	317
Employee share option benefit	**4,569**	4,974
Pension costs – defined contribution plan *(note b & c)*	**27,951**	27,747
Long service payment costs *(note 25)*	**384**	494
	793,769	762,396

Notes:

(a) The employee benefit expense includes directors' and senior management's emoluments *(note 12)*.

(b) Forfeited contributions totalling HK$2,275,000 (2014: HK$1,586,000) were utilised during the year leaving nil (2014: nil) available at the year-end to reduce future contributions.

(c) Contributions totalling HK$4,762,000 (2014: HK$4,478,000) were payable to the independently administered fund at the year-end.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2015 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits *(note i)* HK$'000	Employer's contribution to a retirement benefit 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	3,600	6,106	619	18	10,543
Pak Chi Kin	200	2,400	1,221	633	18	4,472
Malcolm Au Man Chung	380	–	–	–	–	380
Godfrey Ernest Scotchbrook	270	–	–	–	–	270
Anthony Lo Kai Yiu	390	–	–	–	–	390
Benedict Chang Yew Teck	270	–	–	–	–	270
Zhang Hongyi	370	–	–	–	–	370
Sarah Mary Liao Sau Tung	250	–	–	–	–	250
	3,140	6,000	7,327	1,252	36	17,755

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

(a) Directors' emoluments (continued)

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	Discretionary bonuses HK$'000	Estimated money value of other benefits *(note i)* HK$'000	Employer's contribution to a retirement benefit 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

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 2015 and 2014.

(vi) During the year, no emoluments have been paid by the Group to the Directors as remuneration to accept office as director, or as remuneration in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

(vii) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company 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 (2014: nil).

12. 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:

	2015 **HK$'000**	2014 HK$'000
Salaries, housing allowances, share options, other allowances and benefit in kind	**6,050**	6,570
Discretionary bonuses	**1,182**	1,140
Pension costs – defined contribution plan	**54**	50
	7,286	7,760

The emoluments of the above individuals fell within the band between HK$2,000,001 and HK$3,000,000 during the years of 2015 and 2014.

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 two (2014: three) senior executives fell within the band between HK$2,000,001 and HK$3,000,000 during the years of 2015 and 2014.

13. FIXED ASSETS

	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 2014					
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
Continuing Operations					
Additions	199	22,322	41,778	256	64,555
Transfer to investment properties *(note 14)*	(23,062)	–	–	–	(23,062)
Disposals	–	(1,242)	(1,421)	(10)	(2,673)
Depreciation *(note 6)*	(5,236)	(17,742)	(33,918)	(2,286)	(59,182)
Exchange differences	(83)	(190)	(129)	(32)	(434)
Discontinued Operations					
Additions	–	3,288	5,533	–	8,821
Disposals	–	–	(212)	–	(212)
Depreciation *(note 27(a))*	(30)	(3,456)	(3,598)	(152)	(7,236)
Exchange differences	(4)	(119)	(213)	(12)	(348)
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

13. FIXED ASSETS (continued)

	Land and properties HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2015					
Opening net book amount	167,310	57,480	107,097	5,888	337,775
Continuing Operations					
Additions	–	33,444	51,263	575	85,282
Transfer to investment properties *(note 14)*	(182)	–	–	–	(182)
Disposals	–	(2,512)	(2,113)	–	(4,625)
Depreciation *(note 6)*	(5,040)	(20,942)	(35,224)	(1,516)	(62,722)
Exchange differences	(188)	(359)	(346)	(33)	(926)
Discontinued Operations					
Additions	–	1,084	469	–	1,553
Disposals	–	(505)	(32)	–	(537)
Depreciation *(note 27(a))*	(19)	(1,847)	(2,379)	(98)	(4,343)
Exchange differences	(8)	(14)	(363)	(14)	(399)
Disposal of Discontinued Operations *(note 27(d))*	(468)	(4,849)	(10,341)	(343)	(16,001)
Closing net book amount	161,405	60,980	108,031	4,459	334,875
At 31 December 2015					
Cost	204,052	268,395	509,034	18,855	1,000,336
Accumulated depreciation	(42,647)	(207,415)	(401,003)	(14,396)	(665,461)
Net book amount	161,405	60,980	108,031	4,459	334,875

13. FIXED ASSETS (continued)

As at 31 December 2015, leasehold land of HK$96,567,000 (2014: HK$99,830,000) and HK$10,048,000 (2014: HK$10,319,000) included in land and properties are located in Hong Kong and outside Hong Kong respectively.

As at 31 December 2015 and 2014, freehold land of HK$11,561,000 included in land and properties is located outside Hong Kong.

Depreciation expense of HK$12,743,000 (2014 (restated): HK$11,481,000) has been charged in cost of sales, HK$40,793,000 (2014 (restated): HK$38,910,000) in store expenses, HK$2,491,000 (2014 (restated): HK$2,808,000) in distribution costs and HK$6,695,000 (2014 (restated): HK$5,983,000) in administrative expenses.

14. INVESTMENT PROPERTIES

	2015 **HK$'000**	2014 HK$'000
At 1 January	**22,567**	–
Transfer from fixed assets *(note 13)*	**182**	23,062
Transfer from lease premium for land *(note 15)*	**6,710**	–
Depreciation *(note 6)*	**(794)**	(495)
Exchange differences	**(80)**	–
Net book value at 31 December	**28,585**	22,567
At 31 December		
Cost	**36,517**	29,352
Accumulated depreciation	**(7,932)**	(6,785)
Net book value	**28,585**	22,567

Depreciation expense of HK$794,000 (2014: HK$495,000) has been charged in administrative expenses.

The fair value of investment properties 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 properties is approximately HK$127,000,000 as at 31 December 2015 (2014: HK$120,000,000) based on management's estimation with reference to the latest market transaction. The fair value measurement at 31 December 2015 is using significant other observable inputs, which is categorised within level 2 of the fair value measurement hierarchy.

15. 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:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**60,199**	55,388
Continuing Operations		
Addition	**–**	7,326
Transfer to investment properties *(note 14)*	**(6,710)**	–
Amortisation *(note 6)*	**(1,459)**	(1,431)
Exchange differences	**(1,447)**	(536)
Discontinued Operations		
Amortisation *(note 27(a))*	**(300)**	(462)
Exchange differences	**(142)**	(86)
Disposal of Discontinued Operations *(note 27(d))*	**(12,235)**	–
At 31 December	**37,906**	60,199

16. INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks HK$'000	Group HK$'000
At 31 December 2015 and 2014			
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)*	6%-7%
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 2015 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.

16. 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 2015 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.

17. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2015 HK$'000	2014 HK$'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.

18. DEFERRED TAXATION

Movements on the net deferred tax assets are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**(756)**	71
Credited to the consolidated profit and loss account *(note 8)*	**(3,613)**	(1,252)
Charged directly to other comprehensive income	**–**	361
Exchange differences	**164**	64
At 31 December	**(4,205)**	(756)

18. 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:

Deferred tax assets	Tax losses		Accelerated tax depreciation		Others		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**(8,481)**	(6,418)	**(2,980)**	(3,088)	**(808)**	(1,063)	**(12,269)**	(10,569)
(Credited)/charged to the consolidated profit and loss account	**(4,346)**	(2,127)	**711**	108	**(271)**	293	**(3,906)**	(1,726)
Charged/(credited) directly to other comprehensive income	**–**	–	**–**	–	**1,122**	(38)	**1,122**	(38)
Exchange differences	**164**	64	**–**	–	**–**	–	**164**	64
At 31 December	**(12,663)**	(8,481)	**(2,269)**	(2,980)	**43**	(808)	**(14,889)**	(12,269)

Deferred tax liabilities	Accelerated tax depreciation		Fair value gain		Others		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**3,026**	2,401	**7,152**	7,401	**1,335**	838	**11,513**	10,640
Charged/(credited) to the consolidated profit and loss account	**541**	625	**(248)**	(249)	**–**	98	**293**	474
(Credited)/charged directly to other comprehensive income	**–**	–	**–**	–	**(1,122)**	399	**(1,122)**	399
At 31 December	**3,567**	3,026	**6,904**	7,152	**213**	1,335	**10,684**	11,513

18. DEFERRED TAXATION (continued)

	2015 HK$'000	2014 HK$'000
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**(14,757)**	(11,807)
Deferred tax assets to be recovered within 12 months	**(132)**	(462)
	(14,889)	(12,269)
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**10,220**	11,262
Deferred tax liabilities to be settled within 12 months	**464**	251
	10,684	11,513

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:

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**(14,075)**	(10,448)
Deferred tax liabilities	**9,870**	9,692

The Group did not recognise deferred income tax assets amounting to HK$16,439,000 (2014: HK$37,120,000) in respect of tax losses amounting to HK$80,207,000 (2014: HK$153,867,000) 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:

	2015 HK$'000	2014 HK$'000
Less than 1 year	**1,175**	17,118
1-5 years	**36,670**	121,527
	37,845	138,645

Deferred income tax liabilities of HK$318,000 (2014: HK$2,222,000) 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 amounted to HK$6,367,000 at 31 December 2015 (2014: HK$44,445,000).

19. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials and packing materials	**23,061**	26,163
Finished goods	**162,297**	168,416
	185,358	194,579

20. 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 2015, the aging analysis of trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
0–30 days	**35,899**	40,254
31–60 days	**4,098**	5,707
61–90 days	**4,457**	2,219
Over 90 days	**4,041**	4,790
	48,495	52,970

The amount of the provision was HK$255,000 as of 31 December 2015 (2014: HK$637,000). 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 2015, trade receivables of HK$12,596,000 (2014: HK$12,065,000) 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:

	2015 HK$'000	2014 HK$'000
Past due		
Up to 3 months	**8,555**	7,926
Over 3 months	**4,041**	4,139
	12,596	12,065

20. TRADE RECEIVABLES (continued)

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

	2015 HK$'000	2014 HK$'000
HK dollar (HK$)	**43,209**	40,341
Renminbi (RMB)	**4,162**	10,514
Patacas (MOP)	**1,124**	2,115
	48,495	52,970

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

	2015 HK$'000	2014 HK$'000
At 1 January	**637**	473
Disposal of Discontinued Operations	**(391)**	–
Provision for receivable impairment	**40**	164
Receivables written off	**(31)**	–
At 31 December	**255**	637

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.

21. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash at bank and in hand	**157,672**	198,103
Bank deposits	**409,442**	330,074
Cash and cash equivalents	**567,114**	528,177
Current bank deposits	**–**	6,280
Restricted bank deposits	**957**	2,889
Total cash and bank balances	**568,071**	537,346

The maximum exposure to credit risk relates to the cash at bank and bank deposits held at financial institutions of HK$503,249,000 (2014: HK$477,818,000).

As at 31 December 2015, bank and restricted bank deposits of HK$410,399,000 (2014: HK$339,243,000) bear effective interest rate of approximately 1.0% (2014: 1.9%) per annum. These deposits have an average maturity of 30 days (2014: 33 days).

As at 31 December 2015, certain cash and bank balances of HK$38,351,000 (2014: HK$108,114,000) are kept on 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 2015, the Group's total bank balances and cash are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK dollar (HK$)	**511,677**	291,603
Renminbi (RMB)	**40,760**	203,136
Patacas (MOP)	**15,634**	42,607
	568,071	537,346

22. TRADE PAYABLES

At 31 December 2015, the aging analysis of the trade payables is as follows:

	2015 HK$'000	2014 HK$'000
0–30 days	**307,212**	336,958
31–60 days	**142,299**	154,076
61–90 days	**54,578**	61,284
Over 90 days	**35,694**	37,370
	539,783	589,688

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

23. SHARE CAPITAL

	2015 Shares of HK$0.10 each		2014 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	**751,151,974**	**75,115**	743,081,974	74,308
Issue of shares on exercise of share options *(note)*	**3,489,000**	**349**	8,070,000	807
At 31 December	**754,640,974**	**75,464**	751,151,974	75,115

Note:

During the year, 3,489,000 (2014: 8,070,000) shares were allotted and issued pursuant to the exercise of share options.

23. SHARE CAPITAL (continued)

Share options

(i) *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 2010 Share Option Scheme is set out in the "Share Options" section of Directors' Report.

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

	2015		2014	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January	**29,893,000**	**4.65**	20,109,000	3.29
Granted	**726,000**	**5.10**	18,624,000	5.53
Lapsed	**(1,556,000)**	**5.35**	(750,000)	5.07
Expired	**–**	**–**	(20,000)	3.39
Exercised	**(3,489,000)**	**3.22**	(8,070,000)	3.24
At 31 December	**25,574,000**	**4.82**	29,893,000	4.65
Exercisable	**8,226,000**	**3.35**	11,815,000	3.31

During the year ended 31 December 2015, the weighted average share price at the date of share options exercised was HK$4.84 (2014: HK$5.25). The options outstanding at 31 December 2015 and 2014 had a weighted average remaining contractual life of 3.3 years and 4.1 years respectively.

23. 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$	**2015 Number of options**	2014 Number of options
1 April 2017	3.22	**7,690,000**	11,279,000
1 April 2017	3.71	**66,000**	66,000
1 April 2017	5.40	**470,000**	470,000
1 April 2020	5.53	**16,732,000**	18,078,000
1 April 2020	5.10	**616,000**	–
		25,574,000	29,893,000

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$0.61 (2014: HK$0.82) per option. The significant inputs into the models for the share options granted in 2015 were as follows:

Expected volatility	**22.5%**
Expected life	**4 years**
Risk free rate	**1.1%**
Expected dividends	**3.6%**

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.

24. RESERVES

	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 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
At 1 January 2015	**364,289**	**177,087**	**18,474**	**11,062**	**7,388**	**136,746**	**715,046**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**159,178**	**159,178**
Exchange differences	**–**	**–**	**–**	**–**	**(5,171)**	**–**	**(5,171)**
Issue of new shares	**10,885**	**–**	**–**	**–**	**–**	**–**	**10,885**
Employee share option benefit	**2,072**	**–**	**–**	**2,139**	**–**	**358**	**4,569**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(121,437)**	**(121,437)**
At 31 December 2015	**377,246**	**177,087**	**18,474**	**13,201**	**2,217**	**174,845**	**763,070**

25. 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:

	2015 HK$'000	2014 HK$'000
At 1 January	**13,738**	16,462
Expenses recognised in the consolidated profit and loss account – as shown below	**384**	494
Benefit paid	**(2,617)**	(851)
Actuarial gains recognised in other comprehensive income	**–**	(2,367)
At 31 December	**11,505**	13,738

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

	2015 HK$'000	2014 HK$'000
Current service cost	**143**	242
Interest cost	**241**	252
Total, included in employee benefit expense *(note 11)*	**384**	494

Of the total charge, HK$64,000 (2014: HK$112,000), HK$243,000 (2014: HK$274,000), HK$27,000 (2014: HK$38,000) and HK$50,000 (2014: HK$70,000) were included in cost of sales, store expenses, distribution costs and administrative expenses respectively.

25. LONG SERVICE PAYMENT LIABILITIES (continued)

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

	2015	2014
Discount rate	**1.7%**	1.7%
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%

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash generated from Continuing Operations

	2015 HK$'000	2014 HK$'000 (Restated)
Profit for the year	**134,177**	145,008
Adjustments for:		
Income tax expenses	**30,810**	36,073
Interest income	**(3,358)**	(5,573)
Depreciation of owned fixed assets	**62,722**	59,182
Depreciation of investment properties	**794**	495
Amortisation of lease premium for land	**1,459**	1,431
Employee share option benefit	**4,569**	4,974
Losses on disposal of fixed assets	**3,726**	868
Long service payment costs	**384**	494
Foreign exchange (gains)/losses	**(2,134)**	1,128
	233,149	244,080
Changes in working capital		
Inventories	**(9,769)**	(18,279)
Trade receivables, rental deposits, other receivables, deposits and prepayments	**(13,555)**	(12,739)
Trade payables, other payables and accruals	**(17,390)**	64,318
Amount due to Discontinued Operations	**(4,532)**	(9,140)
Long service payment liabilities	**(2,617)**	(851)
Cake coupons	**8,140**	4,613
	193,426	272,002

27. DISCONTINUED OPERATIONS

On 25 August 2015 ("Completion Date"), the Group completed its disposal of the entire interests of the wholly-owned subsidiaries namely, Circle K Convenience Stores PRC Limited, Circle K PRC Properties Limited, New Success Ventures Limited and Convenience Consultancy Services Limited (collectively the "Discontinued Operations") to Fung Holdings (1937) Limited ("FH 1937") at a cash consideration of HK$104.5 million (subject to adjustment). The consideration was adjusted to HK$99 million after Completion Date with reference to the combined working capital of the Discontinued Operations as at the Completion Date. The Discontinued Operations was principally engaged in the operation of the convenience store business in Guangzhou. Accordingly, the results of convenience store business together with the related gain on disposal have been presented as Discontinued Operations in the consolidated financial statements for the year ended 31 December 2015.

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

(a) Results of the Discontinued Operations have been included in the Consolidated Profit and Loss Account as follows:

	For the period ended 25 August 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Revenue	**153,532**	223,862
Cost of sales*	**(95,216)**	(137,917)
Gross profit	**58,316**	85,945
Other income*	**1,392**	1,794
Store expenses*	**(59,089)**	(82,974)
Distribution costs	**(6,816)**	(9,555)
Administrative expenses*	**(16,885)**	(19,265)
Core operating loss	**(23,082)**	(24,055)
Interest income	**83**	79
Loss for the period/year	**(22,999)**	(23,976)
Gain on disposal of Discontinued Operations before income tax	**49,747**	–
Income tax expense	**(1,747)**	–
Gain on disposal of Discontinued Operations after income tax	**48,000**	–
Profit/(loss) for the period/year from Discontinued Operations	**25,001**	(23,976)

* Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of HK$12,403,000 (2014: HK$18,623,000).

27. DISCONTINUED OPERATIONS (continued)

(a) Results of the Discontinued Operations have been included in the Consolidated Profit and Loss Account as follows: (continued)

Operating loss is stated after crediting and charging the following:

	For the period ended 25 August 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Amortisation of lease premium for land *(note 15)*	**300**	462
Auditor's remuneration		
Audit services	**16**	24
Cost of inventories sold	**93,982**	136,463
Depreciation of owned fixed assets *(note 13)*	**4,343**	7,236
Employee benefit expense	**35,285**	46,954
Losses on disposal of fixed assets	**509**	131
Operating leases rental for land and building		
Minimum lease payment	**21,571**	29,422
Contingent lease payment	**926**	1,539
Other expenses	**21,074**	27,480
Total cost of sales, store expenses, distribution costs and administrative expenses	**178,006**	249,711

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

	For the period ended 25 August 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Exchange differences	**1,637**	672

27. DISCONTINUED OPERATIONS (continued)

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

	For the period ended 25 August 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Net cash used in operating activities	**(9,499)**	(11,920)
Net cash used in investing activities	**(1,502)**	(10,553)
Net cash generated from financing activities	**14,349**	23,920
Total cash flow	**3,348**	1,447

(d) Disposal of Discontinued Operations

Analysis of assets and liabilities over which control was lost:

	25 August 2015 HK$'000
Net assets disposed of:	
Fixed assets *(note 13)*	**16,001**
Lease premium for land *(note 15)*	**12,235**
Inventories	**15,551**
Trade receivables, rental deposits, other receivables, deposits and prepayments	**20,851**
Restricted bank deposit	**1,875**
Cash and cash equivalents	**14,914**
Trade payables, other payables and accruals	**(48,970)**
	32,457

28. COMMITMENTS

(a) Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets. Capital expenditure contracted but not yet provided as at 31 December 2015 is HK$5,664,000 (2014: HK$6,211,000).

(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:

	2015	2014
	HK$'000	HK$'000
Not later than one year	**404,288**	413,762
Later than one year and not later than five years	**323,813**	437,983
Later than five years	**1,585**	6,920
	729,686	858,665

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:

	2015	2014
	HK$'000	HK$'000
Not later than one year	**5,709**	4,560
Later than one year and not later than five years	**2,979**	5,865
	8,688	10,425

29. RELATED PARTY TRANSACTIONS

Fung Retailing Limited ("FRL") is a substantial shareholder of the Company, which owns 41.32% of the Company's shares. All of the related party transactions of the Group are entered into with FH 1937 (the holding company of FRL and a substantial shareholder of the Company), its subsidiaries and associates.

On 25 August 2015, the Group completed its disposal of entire interests of Discontinued Operations to FH 1937, which constituted a related party transaction for the Company. Details of the disposal are set out in note 27 to the consolidated financial statements.

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

(a) Related party transactions

	Note	**2015** **HK$'000**	2014 HK$'000
Income			
Service income and reimbursement of office and administrative expenses	*(i)*		
Subsidiaries/fellow subsidiaries of a substantial shareholder		**2,011**	4,116
Associates of a substantial shareholder		**75**	840
Rental and service income	*(ii)*		
Subsidiary/fellow subsidiary of a substantial shareholder		**452**	–
Associate of a substantial shareholder		**67**	99
Sales of food products	*(iii)*		
Subsidiary of a substantial shareholder		**5,809**	–
Expenses			
Reimbursement of office and administrative expenses	*(iv)*		
Subsidiaries/fellow subsidiaries of a substantial shareholder		**3,644**	2,434
Associates of a substantial shareholder		**1,082**	735
Rental payable	*(v)*		
Subsidiary/fellow subsidiaries of a substantial shareholder		**2,584**	9,709
Associates of a substantial shareholder		**9,018**	429
Net purchases	*(vi)*		
Subsidiaries of a substantial shareholder		**3,892**	–
Associates of a substantial shareholder		**13,001**	11,721
Consultancy and advisory service fee paid to a director of subsidiaries of the Company		**92**	840

29. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

	2015 HK$'000	2014 HK$'000
Fees	**3,140**	3,140
Bonuses	**8,311**	9,017
Salaries and other allowances	**10,948**	11,542
Employee share option benefit	**1,651**	1,787
Pension costs – defined contribution plan	**84**	84
	24,134	25,570

(c) Year-end balances with related parties

	2015 HK$'000	2014 HK$'000
Amounts due from:		
Subsidiaries of a substantial shareholder	**487**	503
Associates of a substantial shareholder	**10**	–
Amounts due to:		
Subsidiaries of a substantial shareholder	**(1,252)**	(820)
Associates of a substantial shareholder	**(3,189)**	(3,752)

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 (2014: HK$32,888,000). As of 31 December 2015, the banking facilities of the subsidiaries amounting to HK$7,152,000 (2014: HK$7,152,000) were utilised.

29. RELATED PARTY TRANSACTIONS (continued)

(e) Reference is made to the agreements made between the Company and FH 1937 in connection with the continuing connected transactions (details of which are set out in the Directors' Report), Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are considered to have material interest in the said continuing connected transactions by virtue of their deemed interests in FH 1937.

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) Rental and service income from subsidiary/fellow subsidiary/associate of a substantial shareholder were carried out in ordinary course of business and on terms mutually agreed between the Group and the subsidiary/fellow subsidiary/associate.

(iii) Sales of food products to subsidiary of a substantial shareholder were carried out in ordinary course of business and terms mutually agreed between the Group and the subsidiary.

(iv) 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.

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

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

30. BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Balance sheet of the Company

	2015 **HK$'000**	2014 HK$'000
Non-current assets		
Investments in subsidiaries	**885,293**	654,538
Fixed assets	**13,436**	2,602
Rental deposits	**2,341**	525
	901,070	657,665
Current assets		
Amounts due from subsidiaries	**307,041**	459,469
Rental deposits	**–**	1,816
Other receivables, deposits and prepayments	**2,415**	1,293
Cash and cash equivalents	**4,148**	3,493
	313,604	466,071
Current liabilities		
Amounts due to subsidiaries	**553,474**	479,395
Other payables and accruals	**19,233**	13,088
	572,707	492,483
Net current liabilities	**(259,103)**	(26,412)
Total assets less current liabilities	**641,967**	631,253
Financed by:		
Share capital	**75,464**	75,115
Reserves	**565,828**	555,505
	641,292	630,620
Non-current liability		
Long service payment liabilities	**675**	633
	641,967	631,253

On behalf of the Board

Victor FUNG Kwok King	**Richard YEUNG Lap Bun**
Director	*Director*

30. BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY (continued)

(b) Movement of reserves of the 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 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
At 1 January 2015	**364,289**	**12,792**	**11,062**	**167,362**	**555,505**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**116,455**	**116,455**
Issue of new shares	**10,885**	**–**	**–**	**–**	**10,885**
Employee share option benefit	**2,072**	**–**	**2,139**	**209**	**4,420**
Dividends paid	**–**	**–**	**–**	**(121,437)**	**(121,437)**
At 31 December 2015	**377,246**	**12,792**	**13,201**	**162,589**	**565,828**

31. PRINCIPAL SUBSIDIARIES

As at 31 December 2015, 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)*	Convenience stores and bakery chain operator and lease-holder	Registered capital of RMB20,000,000	100%
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)*	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)*	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.*

Note:

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

Ten-Year Financial Summary

The following table summarise the results, assets and liabilities of the Group for the ten years ended 31 December 2015.

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Revenue *(note ii)*	**4,728,151**	4,531,321	4,317,130	4,101,217	3,842,696	3,462,886	3,217,432	3,168,236	2,794,903	2,143,244
Core operating profit *(note i and ii)*	**162,247**	176,842	188,404	198,047	199,820	164,864	136,115	137,458	120,151	85,749
Profit for the year from Continuing Operations	**134,177**	145,008	170,834	217,792	183,062	158,933	129,293	119,510	108,511	94,104
Profit/(loss) for the period/ year from Discontinued Operations *(note ii)*	**25,001**	(23,976)	(20,481)	(17,841)	(16,742)	(22,574)	(38,844)	(30,637)	(21,644)	(19,050)
Profit attributable to shareholders of the company	**159,178**	121,032	150,353	199,951	166,320	136,359	90,449	88,873	86,867	75,054
Total assets	**1,785,407**	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
Total liabilities	**(946,873)**	(995,138)	(928,331)	(909,416)	(919,889)	(809,463)	(742,585)	(760,263)	(767,749)	(457,422)
Non-controlling interests	**–**	–	–	–	–	–	–	8,256	7,954	8,173
Shareholders' funds	**838,534**	790,161	758,318	1,015,181	940,072	849,629	782,006	766,334	727,602	529,030

Notes:

(i) 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.

(ii) The financial results for the Discontinued Operations for the period ended 25 August 2015 were presented as Discontinued Operations and comparatives of revenue and core operating profit for prior years have been restated accordingly.

Convenience Retail Asia