CONVENIENCE RETAIL ASIA LIMITED
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00831)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

Financial Highlights

	Change	**2022** HK$'000	2021 HK$'000
• Revenue	+7%	**1,462,864**	1,361,840
• Core operating profit	-4%	**83,758**	87,663
• Core operating profit (included interest expenses on lease liabilities)	-6%	**76,843**	81,627
• Profit attributable to shareholders of the Company			
Continuing Operations	-9%	**67,785**	74,399
Included Discontinued Operations	-16%	**67,785**	80,370
• Basic earnings per share (HK cents)			
Continuing Operations	-9%	**8.7**	9.6
Included Discontinued Operations	-16%	**8.7**	10.4
• Dividend per share (HK cents)			
Final	Nil	**5**	5
Full Year	Nil	**7**	7

Operation Highlights

- 2022 was the most disruptive year for retailing since 2003. The fifth wave of COVID-19 in the first half of 2022 and continually weak consumer sentiment in Greater Bay Area (GBA) markets resulted in a modest increase in full-year sales

- Operating costs remained high due to inflation, shortage of labour and higher cross-boundary logistics costs

- The Group is cautiously optimistic about its 2023 outlook due to relaxations of anti-pandemic measures, gradual improvements in the local retail market, and the reopening of cross-boundary travel between Hong Kong and Mainland China

- New Three-Year Plan targets steady double-digit growth in both top and bottom lines plus further store network expansion across the Group's core market of Hong Kong and the wider GBA

- The Group maintained a healthy financial position with net cash of HK$257 million and no bank borrowings

- The Board of Directors has resolved to declare a final dividend of 5 HK cents per share

Number of Stores

	31 December 2022	31 December 2021
Saint Honore Cake Shops		
Hong Kong	115	100
Macau	12	10
Guangzhou	26	26
Subtotal	**153**	**136**
Pâtisserie Mon cher		
Hong Kong	**7**	**4**
Total number of stores under Bakery Group	**160**	**140**
Zoff Eyewear Stores		
Hong Kong	**14**	**13**
Total number of stores under Convenience Retail Asia	**174**	**153**

Chairman's Statement

The first half of 2022 presented considerable external challenges that ended up impacting the Group's sales and net profit targets for the full year. However, we feel a healthy degree of optimism regarding our fundamentals and prospects moving forward, especially given the developments that have taken place since those troublesome early months. The fifth wave of COVID-19 began to subside in May 2022, resulting in the removal of social distancing measures that, while necessary to ensure public health and safety, had weakened consumer sentiment and greatly reduced foot traffic at retail stores. A few months later, we saw the relaxation of testing and quarantine requirements for international arrivals in our core market of Hong Kong, a signal that the city was once again opening up for business. The resumption of cross-boundary traffic to and from Mainland China in 2023 is a move that is reopening the tap to retail growth in Hong Kong and Macau. Macroeconomic challenges such as inflation, geopolitical tensions and supply chain disruptions are still concerns, but our foundational strengths as well as the solid growth strategy behind our Three-Year Plan for 2023-2025 will enable us to capitalise on what could soon become a much more favourable operating environment.

Another Turbulent Time for Hong Kong Retail

The year began with hope following the modest recovery of 2021, but then the fifth wave of COVID-19 caused the Hong Kong economy and local retail sector to nosedive once again. While the market regained its footing somewhat in the latter half of the year as the crisis subsided and certain anti- pandemic measures were relaxed, these events were still not enough to offset the damage that had already been done. Overall, the value of Hong Kong retail sales for 2022 declined by 0.9%[note]. Sales in the bread, pastry, confectionery and biscuit segment (including Saint Honore and Mon cher) declined by 1.3%, while those for the optical shop segment (including Zoff) saw a 2.8% decrease[note].

Staying the Course

No matter the situation, we remain firmly committed to delivering growth and shareholder value. In 2022, we faced rising operational costs due to inflation, shortage of frontline labour and pandemic-related logistical challenges, but our fast implementation of measures to mitigate these factors enabled us to reasonably protect our bottom line. Prudent financial management and a strong balance sheet also allowed us to keep on track with our store network expansion plans, which will provide a strong foundation for future revenue growth once macroeconomic conditions improve. Meanwhile, the Group strove to remain an employer of choice by offering support to staff and their families as well as robust talent recruitment, development and retention schemes, and it continued to give back to the community through a variety of programmes focused on helping the underprivileged and protecting the environment.

Saint Honore's "Cake Easy" online-to-offline (O2O) customer relationship management (CRM) programme continued to grow during the year and now boasts more than 1.18 million members. Cake Easy has not only helped us weather the storm of the pandemic by enabling customers to order from the safety of home, but it also provides us with an exceptionally strong tools to reach customers directly with marketing initiatives and promotional offers. In 2022, we opened three new locations of our Japanese pâtisserie brand Mon cher, which continued to gain traction in the premium bakery segment. It was a particularly notable year for Zoff, our Japanese fast-fashion eyewear brand, which saw increased sales and a stronger bottom line while continuing to widen its footprint in Hong Kong.

Outlook

The past three years have been the most difficult in the history of Hong Kong's retail sector. However, I feel we can be proud of our accomplishments during this time and the way we have positioned the Group for future success. We have built virtually unrivalled track records in our segments of premium bakery products and fast-fashion eyewear. We are a pioneer in O2O CRM, which has enabled us to build a strong base of loyal customers that will provide rock-solid support for our future business growth. We continue to expand our store networks and bring our quality products and services to more corners of Hong Kong and the GBA. Importantly, we have streamlined the Group into an even nimbler outfit that can react quickly to market developments and deliver positive outcomes, even against unfavourable backdrops – something that has eluded many other companies operating in similar spaces.

As COVID-19 progresses toward endemic status, those retailers who are best equipped to adjust to constantly changing conditions through innovation, digitalisation, high product quality and a superior customer experience will benefit most. The coming year marks the first of our new Three-Year Plan, which lays out a strategic roadmap to help us achieve these aims. We intend to strengthen our core segments, markets and O2O CRM capabilities while seeking out adjacencies and M&A opportunities to expand our reach and diversify our revenue streams. We also plan on enhancing and modernising our facilities to fuel future growth while placing great attention on the development of our people – the bedrock of our sustained success – as well as the betterment of the communities where we operate. We will remain vigilant about rising costs, constantly revisit our price structures and category strategies, and adjust our product offerings as necessary.

To my fellow Board members, the Group's management and our thousands of talented, dedicated staff, I am grateful for all your efforts to help us navigate an ever-changing world and bring us to the doorstep of what I believe will be an exciting new era. I look forward to working with you all in the coming months and years to realise the goals of our Three-Year Plan and further cement our leadership in specialty retailing in the Greater Bay Area.

Lastly, I would like to extend our sincerest thanks to our CEO Richard Yeung who will be retiring after 24 years at the helm of the Company. It was due to Richard's untiring efforts that have enabled the Company to report steady profitability years after years and have built the strong foundations for future growth. Richard will stay on as a Director of the Company to ensure a smooth transition of his responsibilities and we will continue to leverage from his experience and wisdom.

William FUNG Kwok Lun
Chairman

Hong Kong, 23 March 2023

Note: Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 3 February 2023

CEO's Statement

The year under review proved difficult as the emergence of the fifth wave of COVID-19 in February 2022 led to the reimposition of stringent anti-pandemic and social distancing measures, which resulted in lower store foot traffic and sales. To drive revenue in such a difficult retail environment, we continued to expand our store network, develop innovative new products, launch compelling marketing and promotional campaigns, and execute timely category management initiatives to capture seasonal and ad hoc demand. Powering many of these efforts was Saint Honore's online-to-offline (O2O) customer relationship management (CRM) programme "Cake Easy", which continued to grow throughout the year while offering consumers a safe and convenient way to shop and make purchases. To protect the Group's bottom line against rising inflation and logistics costs, we also continued to practise prudent fiscal management while enhancing the efficiency and productivity of our factories and facilities.

Operations Review – Saint Honore Cake Shop

As at 31 December 2022, the Group had opened 19 Saint Honore stores and closed 2 stores during the year across Hong Kong and Macau for a total of 127, representing an increase of 17 over the previous year. The number of stores in Guangzhou at year-end remained at 26.

In 2022, Saint Honore recorded sales growth in the high single digits. This was mainly due to store network expansion, which helped offset the weakened consumer sentiment and lower footfall of the first half of the year that resulted from the reimposition of anti-pandemic measures. Comparable store sales saw a modest decline, although customers' average basket size increased to compensate for making fewer visits. The easing of anti-pandemic measures in May and the launch of the latest round of government consumption voucher schemes in Hong Kong and Macau in the second half of the year led to some improvement in comparable store sales, but consumer sentiment remained low due to inflationary pressures and higher interest rates. During the year, the Group's burgeoning B2B business continued to enjoy satisfactory growth. Currently, we supply bakery products to two leading retail chains, and new potential accounts are developing.

In 2022, a year that marked the 50th anniversary of Saint Honore, the Group made a number of enhancements to Cake Easy, its popular O2O CRM programme. Initiatives included the launch of Cake Easy in Macau, where more than 80,000 members were quickly recruited, and the introduction of a tiered membership scheme in Hong Kong to deliver an even better, more targeted customer loyalty journey. Cake Easy now has well in excess of 1.18 million members in Hong Kong and Macau.

Despite the on-going closures of cross-boundary travel between Hong Kong and Mainland China, sales of festive products such as Mid-Autumn Festival mooncakes were satisfactory due to rising local consumption as well as successful online and offline marketing and promotional campaigns. Meanwhile, the Group continued to lean on its strong track records of product quality and innovation to launch compelling new items. New product launches during the year included our Boston Cream Pie collection, Okinawa Sweet Potato Cake, Japanese Shine Muscat Cake and Autumn Chestnut Cake as well as a Peppa Pig collection that proved very popular with families.

Pandemic-related transport disruptions between Hong Kong and Mainland China threatened product supplies in the first half of the year. Although we were able to act quickly to bring deliveries from our Shenzhen factory back on schedule, the added requirement to hire local drivers for the Mainland China leg of the journey resulted in a substantial increase in supply chain costs. The Hong Kong Government's Employment Support Scheme subsidies helped alleviate some of the tremendous cost pressures caused by inflation and the pandemic, as did the depreciation of the RMB.

During the course of the pandemic, sales of packaged bread have risen due to their convenience and hygienic appeal. In late 2022, we boosted the production capacity for packaged bread at our Shenzhen factory by 50% – from 83,000 packs per day to 125,000 – to meet demand from customers and our B2B clients. In 2022, we also continued with our programmes to streamline production and increase efficiency at our various manufacturing facilities through lean manufacturing and floor space optimisation initiatives.

In 2022, Saint Honore was once again named a "Trusted E-shop" and "Top 10 Quality E-shop" by the Hong Kong Retail Management Association. Cake Easy also won the Silver award in the "Best Loyalty Programme – Food & Beverage" category of Marketing-Interactive's Loyalty & Engagement Awards.

Saint Honore remains firmly committed to being a responsible corporate citizen. During the year, we partnered with Foodlink, Feeding Hong Kong, Bread Line, Green Hour Hong Kong and the Women's Service Association to collect unsold bread and festive products from our outlets and donate them to those in need. On 26 March 2022, Saint Honore stores once again supported WWF's Earth Hour event to raise awareness of climate change issues. We also continued to install LED lights, energy-efficient glass and dual-temperature refrigerators to save energy and contribute to environmental conservation.

In Macau, store footfall and average basket size remained low due to a sluggish economy and weak consumer sentiment, which resulted in a single-digit drop in sales for the year. The situation was exacerbated by a sudden surge in confirmed local COVID-19 cases at the end of the second quarter and another spike towards the end of the year, the latter of which included a high percentage of Group staff and resulted in serious disruptions to store and factory operations.

In Guangzhou, sales remained sluggish due to weak overall consumer demand despite the relaxation of anti-pandemic and social distancing measures in late 2022. To drive sales, the Group rolled out digital marketing promotions on social media platforms such as TikTok and WeChat and partnered with leading food delivery services. Meanwhile, we opened our flagship store at Fortune Plaza and continued to revamp existing stores to boost Saint Honore's brand image in the market.

In August 2022, we completed our registration with the relevant authority to operate a franchise business in Guangdong province and are currently seeking potential franchisees.

Operations Review – Mon cher

Mon cher is a premium pâtisserie from Japan that enjoys high brand affinity among local consumers, particularly valuable younger demographics. The Group acquired the franchise licence for Hong Kong and Macau to add to its growing portfolio of premium brands with excellent potential for expansion in the GBA. Mon cher is famous for its signature “Dojima” cream rolls, which come in a variety of flavours, and the business offers the possibility for expansion both in physical and online formats.

Mon cher made a positive contribution to the Group’s financial performance in 2022. During the year, the Group opened three new stores in Hong Kong, located at Tuen Mun Town Plaza, city’super at Times Square and Aeon in Kornhill, to bring the total to seven outlets throughout the territory. The Group will continue to seek high-traffic, high-end locations at prominent shopping malls and supermarkets to further expand Mon cher’s network.

Operations Review – Zoff

The Group’s franchise of the popular Japanese fast-fashion eyewear brand Zoff enjoyed a strong year in 2022, posting healthy increases in sales and profit. Sales were driven in part by the relaxation of anti-pandemic social distancing measures and the launch of the latest round of the Hong Kong Government’s Consumption Voucher Scheme (CVS). The depreciation of the Japanese yen further improved our products’ gross margin. Following the November opening of another high-traffic location, at New Town Plaza in Shatin, Zoff now has a comprehensive network of 14 stores across Hong Kong. It remains the clear leader in its category in terms of both number of outlets and market share.

Zoff carries more than 1,400 SKUs across its stores, enabling the brand to differentiate itself from competitors while offering fashion-conscious customers the ability to refresh their styles with ease. The second half of 2022 alone saw the launches of several new lines, including collaborations with popular fashion brands, designs based on famous Disney and “Peanuts” characters, seasonal collections, and a new “Made in Japan” series featuring frames constructed with titanium and titanium alloys.

To capture new customers and sales, and to take advantage of the latest rounds of the CVS introduced in August and October 2022, Zoff added PayMe and BOC Pay to its existing roster of payment gateway partners. We also leveraged digital and social media for a variety of marketing promotions during the year. An example was our partnership with media platform Ohpama to promote Zoff’s children’s products and professional services. Zoff Hong Kong also created its first brand video in celebration of its fifth anniversary, launching it on numerous social media platforms and marketing channels in order to further boost brand awareness. Another fifth anniversary celebration was a lucky draw promotion held in November and December 2022; prizes included iPhone 14s, Apple Watches, Airpod Pros, free Zoff frames and cash coupons.

Zoff also strives to be a contributing corporate member of society. Earlier in the year, Zoff Hong Kong sponsored Our Lady of Maryknoll Hospital’s fundraising efforts for a redevelopment project. We are also supporting the Tung Wah Group of Hospitals’ Charity Raffle, which commenced in mid-January 2023, to raise funds for “Accessible Transport Services Vouchers for People with Mobility Difficulties”.

Future Prospects

Following yet another tumultuous year, the Group anticipates that 2023 could be less disruptive as COVID-19 moves towards endemic status. We are also watching the situation after the resumption of cross-boundary travel between Hong Kong and Mainland China with great interest, as such a development would likely provide major boosts in store traffic and sales.

The Group's new Three-Year Plan lays out an ambitious but achievable strategy for future growth. We will continue to strengthen our businesses in our core market of Hong Kong and expand our store networks while seeking opportunities in adjacent categories and geographies. Our B2B enterprise has enjoyed encouraging results to date, and we plan on investing additional resources to acquire more customers and further grow this side of the business. Meanwhile, Saint Honore's first franchise store is expected to open in the GBA in 2023. We will closely monitor its performance while keeping a very selective eye out for other potential franchise partners. We also plan on continuing discussions to expand Zoff into other high-potential markets in the coming year. As always, we are scanning the market for M&A targets that could add value and synergies to our brand portfolio. Overall, we target stable double-digit top- and bottom-line growth each year over the next three years.

To support our growth objectives over the next three years, we are embarking on upgrade programmes at our factories to further boost capacity and enhance efficiency. High operating costs remain a concern, but we are already seeing slowing inflation and normalisation in cross-boundary transport costs, both of which should help improve our bottom line over time. Regular price reviews, strong category management and diligent price negotiations with vendors will also continue to play key roles in our cost management efforts.

Our people are our most important asset. To manage the current manpower shortage in the retail industry, we are taking a two-pronged approach towards meeting our staffing needs over the coming years. We will continue to streamline our work processes, restructuring our manpower where necessary and introducing more digitisation to reduce administrative burdens and improve efficiency. We are also focusing on employee engagement, staff recruitment, development and retention with renewed vigour, striving to create opportunities for talented, passionate individuals while bolstering the Group's reputation as an employer of choice.

Our O2O CRM platform is integral to our business development, and we will make further investments to enhance its features and the digital customer experience. We will continue to emphasise our operational guidelines of "Product TFP" (Tastiness, Freshness and Presentation), "Operation EFSS" (Easy, Fast, Simple and Safe) and "Focus CX" (Customer Experience) to ensure our delivery of world-class product quality and service. Last but not least, we will strive to constantly reinvent ourselves – our Group, our brands and our offerings – keeping experiences fresh across our portfolio and always delivering something new and exciting for our valued customers.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 23 March 2023

Management Discussion and Analysis

Financial Review

In 2022, the Group's turnover increased 7.4% to HK$1,463 million. Turnover for the bakery business increased 7.6% to HK$1,324 million. Higher sales to corporate customers and store network expansion enabled top-line growth despite a single-digit percentage drop in comparable store sales in Hong Kong and Macau. Turnover in Guangzhou recorded a drop of 15.8% amidst a weak economic environment in the Mainland. Turnover for the Zoff eyewear business increased 5.6% to HK$139 million on the back of outlet expansion.

Gross margin as a percentage of turnover improved by 0.5 percentage point to 50.6%. Pricing adjustments together with the favourable impact from the weaker renminbi and Japanese yen were able to offset most product cost inflation. Other income decreased by 71.5% or HK$25 million in 2022. This was because a transitional arrangement was made in 2021 to provide administrative and general services for the disposed convenience store business service, which earned income amounting to HK$26 million.

Operating expenses as a percentage of turnover decreased from 46.3% to 45.5%. An escalation in distribution expenses as a result of tightened cross-border quarantine requirements following the fifth wave of COVID-19 in Hong Kong was offset by subsidies from the Employment Support Scheme as well as reduced administration expenses upon restructuring of the corporate office after the disposal of convenience store business. Including interest expenses on lease liabilities arising from operating leases, operating expenses decreased to 46.0% of turnover from 46.7%.

Core operating profit before interest expenses on lease liabilities decreased 4.5% to HK$84 million. Including interest expenses on lease liabilities, core operating profit decreased 5.9% to HK$77 million. Net profit including Discontinued Operations decreased 15.7% to HK$68 million from HK$80 million. In 2020, the Group sold its Circle K convenience store business in Hong Kong to the brand owner, Alimentation Couche-Tard Inc. A profit of HK$6 million was recorded last year after final settlement of transaction consideration and reversal of related provisions.

Basic earnings per share for Continuing Operations decreased 9.4% to 8.7 HK cents from 9.6 HK cents, and basic earnings per share including Discontinued Operations decreased 16.3% to 8.7 HK cents from 10.4 HK cents.

As at 31 December 2022, the Group had a net cash balance of HK$257 million, generated mainly from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi resulting from its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future. The Group has standby banking facilities of HK$148 million in support of treasury planning and management.

The Board of Directors has resolved to declare a final dividend of 5 HK cents per share.

Business Model and Corporate Strategy

Convenience Retail Asia is a member of the Fung Retailing Group. It owns the famous Saint Honore Cake Shop bakery chain, operating stores in Hong Kong, Macau and the Greater Bay Area. As at 31 December 2022, there were 153 Saint Honore stores in total across Hong Kong, Macau and Guangzhou.

In 2017, the Group secured the Hong Kong, Macau and Southern China franchise for Zoff, Japan's leading fast-fashion eyewear chain and a highly popular brand among style-conscious young consumers. There are currently 14 Zoff stores, all located in high-traffic commercial areas in Hong Kong.

In 2020, the Group obtained the franchise licence to operate Mon cher, a premium Japanese pâtisserie, in Hong Kong and Macau. There are currently 7 locations in Hong Kong, and more openings are planned.

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

- Innovative products and services offered through its online-to-offline (O2O) physical store network and "Cake Easy" customer relationship management (CRM) platforms
- Customer-centric business focus
- Excellence in customer service
- Convenient outlet locations
- Highly motivated, engaged employees
- Maximised efficiency through the adoption of the latest information technology
- Synchronised supply chain management infrastructure and processes
- Continuous investment in brand-building, store networks, people development, eCRM platforms and supply chain infrastructure

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

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

Employees

As at 31 December 2022, the Group had a total of 3,202 employees, with 1,536, or 48%, based in Hong Kong and 1,666, or 52%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 22% of total headcount. Employee benefit expenses for the year amounted to HK$446 million compared to HK$457 million in 2021.

The Group offers competitive remuneration schemes, and eligible employees also receive salary packages plus discretionary bonuses based on individual and company performance. Staff have access to job-related skill enhancement programmes and attractive career advancement opportunities, and frontline staff receive comprehensive customer service training. To provide safe, healthy, stable and secure work environments, the Group places the highest priority on hygiene, sanitisation and workplace safety. Because of these efforts, the Group has been acknowledged as a "Super MD" under the Employees Retraining Board (ERB) Manpower Developer Award Scheme for the years 2020-2025.

We also place great emphasis on workplace satisfaction to retain quality staff and achieve high levels of customer service in support of our business objectives. Each year, the Activity Organising Board (AOB) coordinates a number of initiatives under the HEARTS (Happy, Energised, Achievements, Respect, Training and Success) employee engagement programme – including career development and work-life balance events as well as social activities – to help colleagues succeed professionally and foster staff camaraderie. In 2022, community programmes included food donation drives, outreach engagements for the elderly, participation in recycling and food waste reduction programmes, participation in efforts to raise awareness of the importance of carbon footprint reduction, and more.

Health and Safety

The Group is committed to providing the very highest levels of safety and hygiene for its customers and staff. Saint Honore's factories in Hong Kong and Shenzhen are both ISO 9001-accredited. The Shenzhen factory has also achieved Hazard Analysis and Critical Control Points (HACCP) food safety accreditation, and its in-house microbiological laboratory has been certified by the China National Accreditation Services (CNAS). Staff receive comprehensive food safety, workplace safety and hygiene training as well as protective clothing and equipment where necessary. The Group carries out regular inspections to ensure that its factories and stores continue to meet relevant compliance guidelines. Staff also receive training on the "5S" principles of "sort, straighten, shine, standardise and sustain".

The Group monitors the COVID-19 situation closely, implementing the latest recommended guidelines from local health authorities to ensure healthy, stable and secure work environments. Staff are provided with anti-pandemic training and personal protection equipment, while stores, factories and vehicles are regularly cleaned and sanitised. We have also invested in air purifiers and other equipment to combat the pandemic and introduced work-from-home arrangements wherever necessary to minimise exposure risk.

Sustainability and Corporate Social Responsibility

As a member of the Fung Group, the Group adheres to the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability. The Group is committed to achieving sustainability in its operations wherever possible, striving to protect the environment and conserve natural resources while saving costs through the “three Rs” of reducing, reusing and recycling. It also uses energy-efficient equipment and low-carbon fuels to minimise its carbon footprint.

In 2022, Saint Honore was honoured to receive the “10 Years Plus Caring Company Logo” from the Hong Kong Council of Social Service once again, while Zoff continued to be awarded with the “Caring Company Logo 2019-22”. These awards are given in recognition of companies that demonstrate care for the community, employees and the environment.

Further environmental, social and governance policies as well as performance information will be provided in a separate report on the Group’s website.

Results

The Board of Directors (the "Board") is pleased to announce the audited results of Convenience Retail Asia Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2022, together with the audited comparative figures for the corresponding year ended 31 December 2021. The annual results have been reviewed by the Company's Audit Committee and agreed by the Company's auditor.

Consolidated Profit and Loss Account

	Note	**2022 HK$'000**	2021 HK$'000
Continuing Operations			
Revenue	*3*	**1,462,864**	1,361,840
Cost of sales	*4*	**(723,325)**	(678,891)
Gross profit		**739,539**	682,949
Other income	*3*	**9,877**	34,618
Store expenses	*4*	**(468,717)**	(441,083)
Distribution costs	*4*	**(87,819)**	(66,292)
Administrative expenses	*4*	**(109,122)**	(122,529)
Core operating profit		**83,758**	87,663
Non-core operating gains	*5*	**-**	5,132
Operating profit		**83,758**	92,795
Interest expenses, net	*6*	**(4,718)**	(4,853)
Profit before income tax		**79,040**	87,942
Income tax expenses	*7*	**(11,255)**	(13,543)
Profit for the year from Continuing Operations		**67,785**	74,399
Discontinued Operations			
Profit for the year from Discontinued Operations		**-**	5,971
Profit attributable to shareholders of the Company		**67,785**	80,370
Earnings per share (HK cents)			
Basic/diluted earnings per share	*8*		
Continuing Operations		**8.7**	9.6
Included Discontinued Operations		**8.7**	10.4

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	2022 **HK$'000**	2021 HK$'000
Profit attributable to shareholders of the Company	**67,785**	80,370
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss		
Actuarial (losses)/gains on post employment benefit obligation, net of tax	**(2,121)**	434
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(642)**	219
Total comprehensive income attributable to shareholders of the Company	**65,022**	81,023
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	**65,022**	75,052
Discontinued Operations	**-**	5,971
	65,022	81,023

Consolidated Balance Sheet
As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Fixed assets		**190,976**	173,577
Right-of-use assets		**252,169**	228,231
Investment properties		**5,727**	5,961
Lease premium for land		**69,821**	72,768
Intangible assets		**357,465**	357,465
Rental and other long-term deposits		**43,739**	40,646
Deferred tax assets		**6,747**	10,580
		926,644	889,228
Current assets			
Inventories		**43,098**	43,127
Rental deposits		**13,739**	19,913
Trade receivables	*10*	**48,282**	45,290
Other receivables, deposits and prepayments		**34,412**	32,157
Taxation recoverable		**278**	324
Restricted bank deposit		**1,268**	245
Cash and cash equivalents		**256,125**	290,285
		397,202	431,341
Total assets		**1,323,846**	1,320,569
Equity			
Share capital		**77,624**	77,624
Reserves		**578,199**	566,724
Total equity		**655,823**	644,348
Liabilities			
Non-current liabilities			
Lease liabilities		**127,656**	115,859
Long service payment liabilities		**11,710**	5,069
Deferred tax liabilities		**9,332**	8,865
		148,698	129,793
Current liabilities			
Trade payables	*11*	**75,398**	80,146
Other payables and accruals		**158,965**	173,924
Lease liabilities		**129,353**	118,901
Taxation payable		**4,367**	8,236
Cake coupons		**151,242**	165,221
		519,325	546,428
Total equity and liabilities		**1,323,846**	1,320,569

Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	Attributable to shareholders of the Company					
	Share capital 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 2021	77,624	20,002	606	98	480,524	578,854
Profit attributable to shareholders of the Company	-	-	-	-	80,370	80,370
Exchange differences	-	-	-	219	-	219
Actuarial gain on post-employment benefit obligation	-	-	-	-	434	434
Total comprehensive income for the year	-	-	-	219	80,804	81,023
Employee share option benefit	-	-	(246)	-	242	(4)
Dividends paid	-	-	-	-	(15,525)	(15,525)
	-	-	(246)	-	(15,283)	(15,529)
At 31 December 2021	77,624	20,002	360	317	546,045	644,348
At 1 January 2022	**77,624**	**20,002**	**360**	**317**	**546,045**	**644,348**
Profit attributable to shareholders of the Company	**-**	**-**	**-**	**-**	**67,785**	**67,785**
Exchange differences	**-**	**-**	**-**	**(642)**	**-**	**(642)**
Actuarial loss on post employment benefit obligation						
Gross	**-**	**-**	**-**	**-**	**(2,366)**	**(2,366)**
Tax	**-**	**-**	**-**	**-**	**245**	**245**
Total comprehensive income for the year	**-**	**-**	**-**	**(642)**	**65,664**	**65,022**
Employee share option benefit	**-**	**-**	**782**	**-**	**8**	**790**
Dividends paid	**-**	**-**	**-**	**-**	**(54,337)**	**(54,337)**
	-	**-**	**782**	**-**	**(54,329)**	**(53,547)**
At 31 December 2022	**77,624**	**20,002**	**1,142**	**(325)**	**557,380**	**655,823**

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 (i) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; (ii) a chain of premium pâtisserie under the brand name of Mon cher in Hong Kong – one of Japan’s most popular pâtisserie and cake brands; and (iii) a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is 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 23 March 2023.

2. 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 at 31 December 2022, the Group had net current liabilities of HK$122,123,000 (2021: HK$115,087,000). In preparing these financial statements, the Group’s management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Based on the Group’s history of its operating performance, availability of banking facilities and its expected future working capital requirements, the Group’s management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. Basis of preparation (continued)

The Group has adopted the following amended standards of HKFRS and accounting guidelines which are mandatory for accounting periods beginning on or after 1 January 2022 and relevant to its operations:

HKAS 16 Amendment	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 Amendment	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 Amendment	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of amended standards of HKFRS and accounting guidelines 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 standard, amendments to standards and interpretation of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2023.

HKAS 1 Amendment	Classification of Liabilities as Current or Non-current
HKAS 1 Amendment	Non-current Liabilities with Covenants
HKAS 1 Amendment and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 Amendment	Definition of Accounting Estimates
HKAS 12 Amendment	Deferred Tax related to Assets and Liabilities from a Single Transaction
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16 Amendment	Lease Liability in a Sales and Leaseback
HKFRS 17 and HKFRS 17 Amendment	Insurance Contracts
Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

3. Revenue, other income and segment information

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

	2022	2021
	HK$'000	HK$'000
Revenue		
Bakery sales revenue	**1,324,282**	1,230,566
Eyewear sales revenue	**138,582**	131,274
	1,462,864	1,361,840
Other income		
Transitional services income *(note)*	-	25,906
Service and miscellaneous income	**9,877**	8,712
	9,877	34,618

Note:

The transitional services income was received from the disposed convenience store business in respect of certain administrative and general services provided.

Segment information

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

The management considers the business principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of bakery and eyewear businesses. For bakery segment, revenues are mainly comprised of sale of bakery and festival products under the brand names of Saint Honore and Mon cher. For eyewear segment, revenues are mainly derived from the sale of eyewear products under the brand name of Zoff. Geographically, the management considers the performance of retailing business in Hong Kong and others, and on the Chinese Mainland.

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

Segment information (continued)

The segment information provided to the management for the reportable segments for the years ended 31 December 2022 and 2021 are as follows:

	2022			
	Bakery		**Eyewear**	
Continuing Operations	**HK & Others HK$'000**	**Chinese Mainland HK$'000**	**HK HK$'000**	**Group HK$'000**
Total segment revenue	**1,272,584**	**77,773**	**138,582**	**1,488,939**
Inter-segment revenue	**(26,022)**	**(53)**	**-**	**(26,075)**
Revenue from external customers	**1,246,562**	**77,720**	**138,582**	**1,462,864**
Other income	**9,132**	**10**	**735**	**9,877**
	1,255,694	**77,730**	**139,317**	**1,472,741**
Core operating profit/(loss)	**66,269**	**(5,046)**	**22,535**	**83,758**
Core operating profit/(loss) (included interest expenses on lease liabilities)	**61,567**	**(6,585)**	**21,861**	**76,843**
Depreciation	**(151,281)**	**(15,661)**	**(23,726)**	**(190,668)**
Depreciation (excluded depreciation on right-of-use assets)	**(40,138)**	**(1,606)**	**(3,755)**	**(45,499)**

	2021			
	Bakery		Eyewear	
Continuing Operations	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	1,167,105	92,336	131,274	1,390,715
Inter-segment revenue	(28,875)	-	-	(28,875)
Revenue from external customers	1,138,230	92,336	131,274	1,361,840
Other income	33,164	776	678	34,618
	1,171,394	93,112	131,952	1,396,458
Core operating profit	74,020	1,385	12,258	87,663
Core operating profit/(loss) (included interest expenses on lease liabilities)	70,214	(157)	11,570	81,627
Depreciation	(124,212)	(17,963)	(26,122)	(168,297)
Depreciation (excluded depreciation on right-of-use assets)	(35,478)	(2,275)	(4,734)	(42,487)

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

Segment information (continued)

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

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the consolidated profit and loss account and interest expenses, net from Continuing Operations in note 6, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue represents internal sales within Bakery segment.

The segment assets and liabilities as at 31 December 2022 and 2021 are as follows:

	2022			
	Bakery		**Eyewear**	
	HK & Others HK$'000	**Chinese Mainland HK$'000**	**HK HK$'000**	**Group HK$'000**
Total segment assets	**1,099,948**	**54,491**	**79,881**	**1,234,320**
Total segment assets include:				
Additions to segment non-current assets	**201,404**	**14,775**	**19,482**	**235,661**
Total segment liabilities	**581,676**	**26,427**	**46,221**	**654,324**

	2021			
	Bakery		Eyewear	
	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment assets	1,070,612	53,697	69,454	1,193,763
Total segment assets include:				
Additions to segment non-current assets	166,995	24,462	32,833	224,290
Total segment liabilities	578,793	29,343	50,984	659,120

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. During the year, the Group reclassified its certain segment assets to better reflect the operations of the segment. The comparative figures in the respective segments have been reclassified to conform with the presentation.

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

Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	2022	2021
	HK$'000	HK$'000
Segment assets for reportable segments	**1,234,320**	1,193,763
Unallocated:		
Deferred tax assets	**6,747**	10,580
Taxation recoverable	**278**	324
Corporate bank deposits	**82,501**	115,902
Total assets per consolidated balance sheet	**1,323,846**	1,320,569

Reportable segment liabilities are reconciled to total liabilities as follows:

	2022	2021
	HK$'000	HK$'000
Segment liabilities for reportable segments	**654,324**	659,120
Unallocated:		
Deferred tax liabilities	**9,332**	8,865
Taxation payable	**4,367**	8,236
Total liabilities per consolidated balance sheet	**668,023**	676,221

The Group is domiciled in Hong Kong. The result of its revenue of Continuing Operations from external customers in Hong Kong is HK$1,220,481,000 (2021: HK$1,115,712,000), and the total of revenue of Continuing Operations from external customers from other regions is HK$242,383,000 (2021: HK$246,128,000) for the year ended 31 December 2022.

The total of non-current assets other than deferred tax assets located in Hong Kong is HK$780,017,000 (2021: HK$740,032,000), and the total of these non-current assets located in other regions is HK$139,880,000 (2021: HK$138,616,000) as at 31 December 2022.

As of 31 December 2022, cake coupons related to contracts with customers is HK$151,242,000 (2021: HK$165,221,000). During the year, revenue recognised in the consolidated profit and loss account related to carried-forward cake coupons is HK$55,390,000 (2021: HK$28,546,000).

4. Expenses by nature from Continuing Operations

	2022 **HK$'000**	2021 HK$'000
Auditor's remuneration		
Audit services	**1,354**	1,354
Non-audit services	**392**	333
Cost of inventories sold	**435,325**	422,174
Delivery charges	**63,949**	33,214
Depreciation of owned fixed assets	**42,318**	39,079
Depreciation of right-of-use assets	**145,169**	125,810
Depreciation of investment properties	**234**	1,054
Depreciation of lease premium for land	**2,947**	2,354
Impairment of right-of-use assets	**430**	-
Employee benefit expense	**446,434**	456,525
Losses on disposal of fixed assets/right-of-use assets	**586**	793
Short-term and variable lease payments *(note)*	**18,974**	16,766
Utilities	**42,628**	37,224
Foreign exchange losses/(gains)	**4,955**	(1,713)
Other expenses	**183,288**	173,828
Total cost of sales, store expenses, distribution costs and administrative expenses	**1,388,983**	1,308,795

Note:

Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$3,182,000 (2021: HK$2,945,000) for the year ended 31 December 2022.

5. Non-core operating gains

The non-core operating gains for the year ended 31 December 2021 were the disposal gains of an asset held for sales which was an office property and an investment property which was a retail property. Both properties were located in Guangzhou, the Chinese Mainland.

6. Interest expenses, net from Continuing Operations

	2022	2021
	HK$'000	HK$'000
Interest income on bank deposits	**2,203**	1,183
Interest expenses on bank loan	**(6)**	-
Interest expenses on lease liabilities	**(6,915)**	(6,036)
	(4,718)	(4,853)

7. 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 2022 and 2021. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

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

	2022	2021
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**3,505**	3,656
Overseas profits tax	**3,255**	5,209
Deferred income tax	**4,495**	4,678
	11,255	13,543

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:

	2022	2021
	HK$'000	HK$'000
Profit before income tax	**79,040**	87,942
Calculated at a taxation rate of 16.5%	**13,042**	14,510
Effect of different taxation rates in other jurisdictions	**(889)**	38
Income not subject to taxation	**(4,710)**	(212)
Expenses not deductible for tax purposes	**1,267**	393
Tax losses not recognised	**2,904**	278
Reversal of previously recognised tax losses	**514**	-
Utilisation of tax losses previously not recognised	**-**	(1,115)
Over provision in prior year	**(873)**	(349)
	11,255	13,543

8. 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.

	2022 **HK$'000**	2021 HK$'000
Profit attributable to shareholders of the Company		
Continuing Operations	**67,785**	74,399
Discontinued Operations	**-**	5,971
	67,785	80,370
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**776,244,974**	776,244,974
Adjustment for:		
Share options	**933,174**	-
Weighted average number of ordinary shares for diluted earnings per share	**777,178,148**	776,244,974

9. Dividends

	2022 **HK$'000**	2021 HK$'000
Interim dividend, proposed of 2 HK cents (2021: 2 HK cents) per share	**15,525**	15,525
Final dividend, proposed of 5 HK cents (2021: 5 HK cents) per share	**38,812**	38,812
	54,337	54,337

At a meeting held on 23 March 2023, the Directors proposed a final dividend of 5 HK cents per share. This proposed dividend is not reflected as dividend payable in these consolidated financial statement.

10. Trade receivables

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from corporate 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 2022, the aging analysis by invoice date of trade receivables is as follows:

	2022 **HK$'000**	2021 HK$'000
0-30 days	**26,825**	26,204
31-60 days	**17,811**	13,808
61-90 days	**1,855**	3,967
Over 90 days	**1,791**	1,311
	48,282	45,290

11. Trade payables

At 31 December 2022, the aging analysis by invoice date of the trade payables is as follows:

	2022 **HK$'000**	2021 HK$'000
0-30 days	**44,813**	48,520
31-60 days	**29,602**	27,576
61-90 days	**79**	596
Over 90 days	**904**	3,454
	75,398	80,146

Corporate Governance

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

In order to enhance independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. Their respective responsibilities are clearly defined by the Board in writing.

The Board is responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters as well as investments. The Board has established the following committees with defined terms of reference (available on the Company's corporate website), which are in line with the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

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

Full details of the Company's corporate governance practices are set out in the Company's 2022 Annual Report.

Audit Committee

The Audit Committee met four times in 2022 (with an average attendance rate of 90%) to consider and review with senior management, the Company's internal auditor under the Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

- 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);

- Quarterly business and financial performance of the Group including the Group's cash flow positions;

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

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

- Audit plans, findings and reports of external auditor and CGD, as well as their effectiveness.

The Audit Committee has authority to investigate any activity within its terms of reference and has full access to and the cooperation of management. It has direct access to CGD and the external auditor, and full discretion to invite any management to attend its meetings.

The Group's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted a Code for Securities Transactions by Directors and Relevant Employees (the "Securities Code") governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the Securities Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2022.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness and adequacy with the assistance of the Audit Committee.

The Board has delegated to management the design, implementation and ongoing monitoring of the risk management and internal control systems. Qualified personnel throughout the Group maintain and monitor these systems on an ongoing basis.

The Audit Committee, with delegated authority from the Board and the assistance of CGD, conducted an annual review of the effectiveness and adequacy of the Group's risk management and internal control systems for the year ended 31 December 2022 which has been confirmed by senior management by the completion of a Risk Management and Internal Control Self-Assessment Checklist in each material business unit across the Group.

Based on the above and the assessment made by CGD, and also taking into account the results of the work conducted by the external auditor for the purpose of their audit, the Audit Committee considered that for the year ended 31 December 2022:

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

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the code provisions set out in the CG Code in Appendix 14 of the Listing Rules throughout the year ended 31 December 2022.

The Company has applied the principles of the CG Code to its corporate governance structure and practices. The Board has delegated its corporate governance functions to the Audit Committee, with its duties as set out in their terms of reference (available on the websites of the Company).

Purchase, Sale or Redemption of the Company's Listed Securities

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

Dividends

The Board recommended to pay to the shareholders of the Company a final dividend of 5 HK cents (2021: 5 HK cents) per share for the year ended 31 December 2022. Together with the interim dividend of 2 HK cents (2021: 2 HK cents) per share paid by the Company on 8 September 2022, the proposed final dividend make a total dividend of 7 HK cents (2021: 7 HK cents) per share for the year.

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

Annual General Meeting

The Annual General Meeting of the Company will be held at 4:00 p.m. on Wednesday, 24 May 2023 at 1/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. The Notice of Annual General Meeting will be published on the Company's website at *www.cr-asia.com* and HKExnews website at *www.hkexnews.hk*, and despatched to the shareholders of the Company shortly.

Record Dates and Closure of Register of Members

	Hong Kong Time *2023*
For determining shareholder's right to attend and vote at Annual General Meeting:	
Latest time to lodge transfer documents with share registrar [(i)]	4:30 p.m., 18 May
Record date [(ii)]	18 May
For determining shareholder's entitlement to the proposed final dividend:	
Latest time to lodge transfer documents with share registrar [(i)]	4:30 p.m., 30 May
Closure of Register of Members [(iii)]	31 May to 1 June (both days inclusive)
Record date [(ii)]	1 June
Expected despatch date of dividend warrants	12 June

Notes:

(i) *To be eligible to attend and vote at the Annual General Meeting, and to be entitled to the final dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than the respective latest time mentioned above.*

(ii) *Shareholders who are eligible to attend and vote at the Annual General Meeting are those whose names appear on the Register of Members of the Company as at the close of business on Thursday, 18 May 2023. Shareholders who are entitled to the final dividend are those whose names appear on the Register of Members of the Company as at the close of business on Thursday, 1 June 2023.*

(iii) *No transfer of shares will be registered during the closure of Register of Members.*

On behalf of the Board
Convenience Retail Asia Limited
William FUNG Kwok Lun
Chairman

Hong Kong, 23 March 2023

As at the date of this announcement, Executive Director of the Company is Mr Richard Yeung Lap Bun; Non-executive Directors are Dr William Fung Kwok Lun, Mr Godfrey Ernest Scotchbrook, Mr Benedict Chang Yew Teck, Ms Sabrina Fung Wing Yee and Mr Terence Fung Yue Ming; Independent Non-executive Directors are Mr Anthony Lo Kai Yiu, Dr Sarah Mary Liao Sau Tung and Mr Terrence Tsang Diao-Long.