Dairy Farm

Annual Report 2017

Our Goal:

"To give
our customers
across Asia a store
they **TRUST**,
delivering **QUALITY**,
SERVICE and **VALUE**"

Dairy Farm International Holdings Limited is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. The Group's businesses are managed from Hong Kong by Dairy Farm Management Services Limited through its regional offices. Dairy Farm is a member of the Jardine Matheson Group.

Jardines
A member of the Jardine Matheson Group

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Corporate Information

Directors

Ben Keswick
Chairman and Managing Director

Ian McLeod
Group Chief Executive

Neil Galloway

Mark Greenberg

George J. Ho

Adam Keswick

Sir Henry Keswick

Simon Keswick

Michael Kok

Dr George C.G. Koo

Anthony Nightingale

Y.K. Pang

Jeremy Parr

Lord Sassoon, Kt

Percy Weatherall

John Witt

Company Secretary

Neil M. McNamara

Registered Office

Jardine House
33-35 Reid Street
Hamilton
Bermuda

Dairy Farm Management Services Limited

Directors

Ben Keswick
Chairman

Ian McLeod
Group Chief Executive

Neil Galloway
Group Finance Director

Choo Peng Chee
Regional Director, North Asia (Food)

Gordon Farquhar
Group Director, Health and Beauty

Martin Lindström
Group Director, IKEA

Michael Wu
Chairman and Managing Director, Maxim's

Mark Greenberg

Y.K. Pang

Jeremy Parr

John Witt

Corporate Secretary

Neil M. McNamara

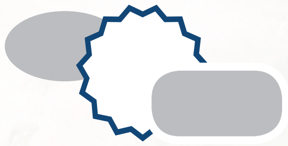
Dairy Farm At-a-Glance

Network Span

11 Asian countries and territories

Total Own Brands

10,000+ SKU*



* Stock keeping units.

Store Network†

7,181 outlets

† Including associates and joint ventures.

Geographical Locations

- Supermarkets and Hypermarkets
- Convenience Stores
- Health and Beauty
- Home Furnishings
- Restaurants

Mainland China
- Yonghui
- 7-Eleven
- Mannings
- Maxim's

Taiwan
- Wellcome
- Jasons
- IKEA

Macau
- San Miu
- 7-Eleven
- Mannings
- IKEA
- Maxim's

Hong Kong
- Wellcome
- MarketPlace
- 7-Eleven
- Mannings
- GNC
- IKEA
- Maxim's

Thailand
- Maxim's

The Philippines
- Shopwise
- Wellcome
- Rustan's
- Rose Pharmacy

Cambodia
- Lucky
- Giant
- Guardian
- Maxim's

Vietnam
- Guardian
- Maxim's

Singapore
- Cold Storage
- MarketPlace
- Jasons
- 7-Eleven
- Guardian
- Maxim's

Brunei
- Giant
- Guardian

Malaysia
- Giant
- Cold Storage
- Jasons
- Guardian

Indonesia
- Hero
- Giant
- Guardian
- IKEA

Highlights

- **Underlying profit 13% lower at US$403 million, after US$64 million of business change costs**
- **Poor operating results from Southeast Asia Food**
- **Strong trading performances from Health and Beauty, IKEA, Maxim's and Yonghui**

Results	2017 US$m	2016 US$m	Change %
Sales			
– subsidiaries	**11,289**	11,201	1
– including associates and joint ventures*	**21,827**	20,424	7
EBITDA†	**589**	672	(12)
Underlying profit attributable to shareholders‡	**403**	460	(13)
Profit attributable to shareholders	**404**	469	(14)
Net debt	**599**	641	(7)

	US¢	US¢	%
Underlying earnings per share‡	**29.77**	34.03	(13)
Basic earnings per share	**29.83**	34.69	(14)
Dividends per share	**21.00**	21.00	–
Net asset value per share^	**124.96**	111.32	12

Store Network*	2017	2016	Net change
Food	**4,217**	3,839	+378
– Supermarkets	**1,450**	1,137	+313
– Hypermarkets	**467**	471	-4
– Convenience Stores	**2,300**	2,231	+69
Health and Beauty	**1,744**	1,715	+29
Home Furnishings	**10**	9	+1
Restaurants	**1,210**	985	+225
	7,181	6,548	+633

* On a 100% basis.

† EBITDA represents operating profit before depreciation and amortization.

‡ The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 1 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

^ Net asset value per share is based on the book value of shareholders' funds.

Total Sales*

7%

Underlying Profit

13%

Profit Attributable to Shareholders

14%

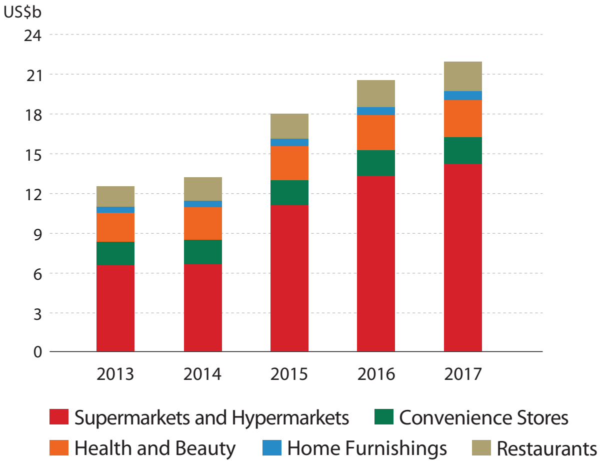
Number of Net New Stores*

633

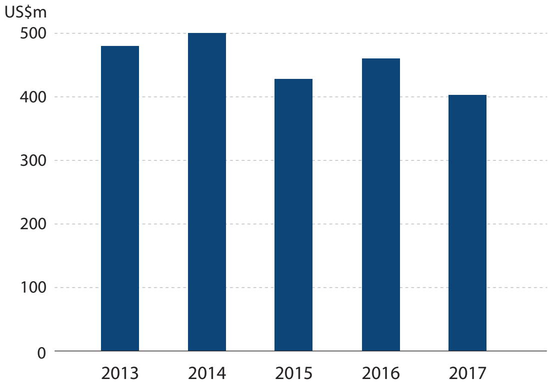
Number of Employees*

some 200,000 people

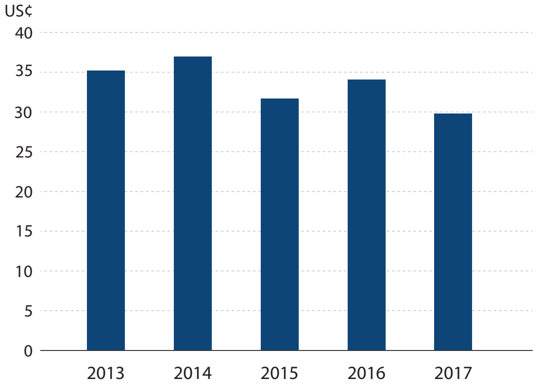
Total Sales*



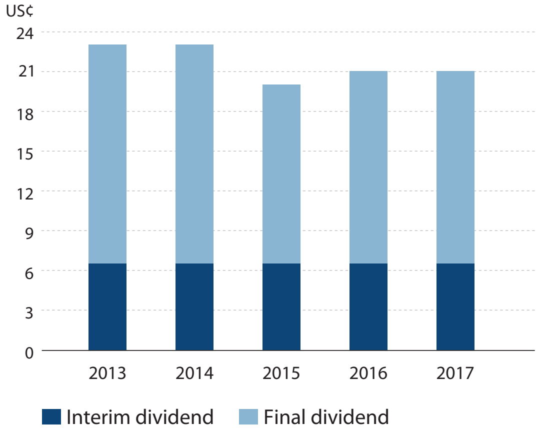
Underlying Profit Attributable to Shareholders



Underlying Earnings per Share



Ordinary Dividends per Share



Chairman's Statement

"After a disappointing year in 2017 for our Food businesses in Southeast Asia, actions are being taken to improve their long-term performance. All of the Group's other formats and markets are trading well . . . With our established market positions in a range of retail formats, our strong balance sheet and our determination to adapt to meet our customers' needs, we are well placed to benefit from the growth prospects in the region."

Overview

Dairy Farm's result in 2017 was disappointing as positive performances in most of the Group's formats and key associates were offset by weakness in the Supermarket and Hypermarket businesses, largely in Southeast Asia. In addition, the Group recognized US$64 million of business change costs, principally relating to the closure of underperforming stores and stock clearance in the Food Division. Recognizing the challenges being faced, a strategic review is underway to determine the actions necessary to re-establish the competitive positions of these businesses and turn around their financial performance.

Operating performance

Sales for the year by the Group's subsidiaries of US$11.3 billion were largely unchanged from the US$11.2 billion seen in 2016. Total sales, including 100% of associates and joint ventures, of US$21.8 billion were 7% higher, reflecting strong growth at both Yonghui and Maxim's.

Lower operating profit for Dairy Farm's owned businesses, after recognizing US$64 million of business change costs, was partly offset by increased contributions from both Yonghui and Maxim's. The resulting underlying profit attributable to shareholders was US$403 million, down 13% from 2016. Excluding business change costs, underlying profit would have been 1% higher. Underlying earnings per share of US¢29.77 were down 13%.

The Group generated an improved net cash flow from operating activities of US$671 million, compared with US$543 million in 2016. The improvement was driven by better working capital management. Net debt at the end of 2017 was US$599 million, compared to US$641 million at the prior year end.

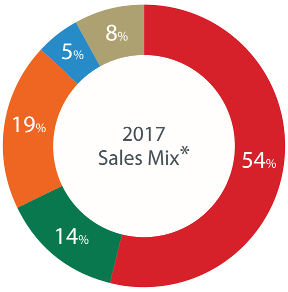
The Board is recommending an unchanged final dividend of US¢14.50 per share, giving a total dividend of US¢21.00 per share for the year.

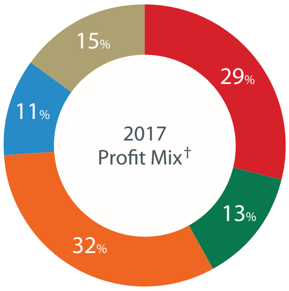
In the Food Division, sales were down and profits were significantly lower than in 2016, primarily due to poor performances in the Supermarket and Hypermarket businesses in Malaysia, Singapore and Indonesia. A number of underperforming stores are being closed and prices lowered to clear or write off discontinued and slow moving stock. In Hong Kong, sales were more resilient, although profits were marginally down due to increasing rents and labour costs. Positive sales growth seen in the Philippines reflected the ongoing investments being made to improve the business.

The Convenience Store format produced increased sales and profit overall for 7-Eleven in the markets where the Group operates. In part, this reflected a consumer shift to more convenient retail formats, as well as a positive reception to the service and range enhancements introduced for customers.

In the Health and Beauty Division, sales and profit were higher, principally due to strong performances in Hong Kong, Macau and Indonesia, together with improvements in mainland China. An increasing focus on the beauty category and the continued development of the Division's Own Brand range have helped to drive growth.

The Home Furnishings Division recorded higher sales and trading profit, but the reported profit declined mainly due to costs associated with the opening of the fourth IKEA store in Hong Kong in October 2017. Taiwan and Indonesia produced strong sales and profit increases. There has also been encouraging growth in IKEA's e-commerce channels.





Supermarkets and Hypermarkets
Convenience Stores
Health and Beauty
Home Furnishings
Restaurants

* Including share of associates and joint ventures.

† Based on operating profit and share of results of associates and joint ventures, excluding store support centre costs, business change costs and non-trading items.

Maxim's enjoyed good sales growth and profit expansion during the year, in large part due to strong performances from its branded products, particularly mooncakes, and its business in mainland China.

The Group's 19.99% owned associate in mainland China, Yonghui Superstores, opened a net 292 new stores in 2017, which underpinned a 19% growth in revenue. Ongoing supply chain optimization and shrinkage improvement resulted in improved margins, which together with better capital utilization, led to a 45% growth in profit.

Business developments

Each Group business is committed to enhancing the shopping experience of its customers and to serving their evolving needs as efficiently as possible. This greater attention to understanding and responding to changing consumer behaviour will be a central driver of Dairy Farm's future success. Investment is also continuing to enable the Group to compete effectively in a challenging and changing retail landscape.

Increasing convenience through expansion and enhancement of the store network remains a priority, and new smaller store formats are being piloted in certain markets. The Group continued to develop its e-commerce presence in 2017 with a number of initiatives in its Home Furnishings, Food, and Health and Beauty operations. Initiatives in all Divisions on range enhancement were also progressed, resulting in an increased fresh food offering, higher ready-to-eat participation and a broader Own Brand range offering.

The Group, including associates and joint ventures, added a net 633 stores in 2017. At 31st December 2017, the Group had 7,181 stores in operation in 11 countries and territories, including its interest in 779 Yonghui stores in mainland China and 1,210 Maxim's stores.

Corporate developments

During 2017, Maxim's acquired the existing businesses and franchises of Genki Sushi in Singapore and Malaysia, and of Starbucks in Singapore. Maxim's opened its first The Cheesecake Factory in Hong Kong in May 2017, which is trading well, and this year will introduce an American casual restaurant format, Shake Shack, to Hong Kong and Macau.

In the Philippines, Rustan became a wholly-owned subsidiary following the acquisition of the remaining 34% interest from the Group's joint venture partner.

People

Despite challenging markets, there has been substantial progress in delivering against existing strategic initiatives, and on behalf of the Board, I would like to thank our colleagues for their efforts in driving the Group forward and wish them well for the year ahead.

Graham Allan stepped down as Group Chief Executive on 31st August 2017 after five years of leading the business. We would like to thank him for his contribution. His successor, Ian McLeod, joined the Board as Group Chief Executive on 18th September and brings over 30 years of international retailing experience. Dr George Koo will step down from the Board at the forthcoming Annual General Meeting and will not seek re-election. We would like to thank him for his contribution to the Company. We are very pleased that Dr Delman Lee, President of TAL Apparel Limited, has been invited to join the Board with effect from 9th May 2018.

Prospects

After a disappointing year in 2017 for our Food businesses in Southeast Asia, actions are being taken to improve their long-term performance. All of the Group's other formats and markets are trading well and growth opportunities are being pursued, in mainland China and elsewhere. With our established market positions in a range of retail formats, our strong balance sheet and our determination to adapt to meet our customers' needs, we are well placed to benefit from the growth prospects in the region.

Ben Keswick
Chairman
8th March 2018

Group Chief Executive's Review

> "The Group will focus on key priorities; growing our major markets, improving profitability in our Southeast Asia Food business, identifying further growth opportunities and improving our digital capability."

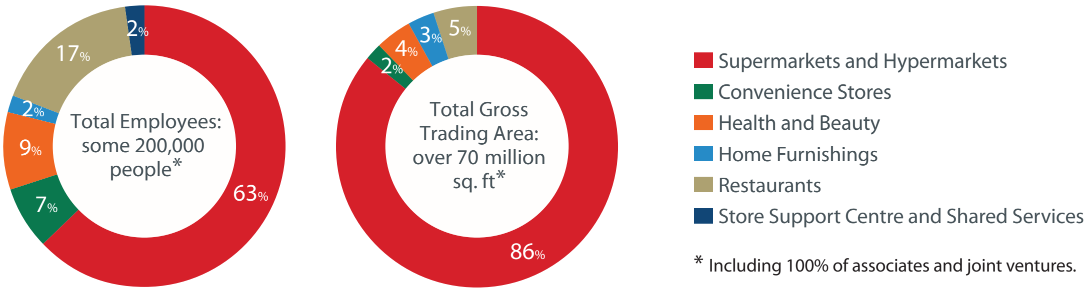
In 2017, Dairy Farm's overall performance has been disappointing. While there was good performance from most divisions and in particular our key associates, Maxim's and Yonghui, our overall results have been significantly held back by the weak performance in the majority of our Southeast Asia Food businesses. Action was taken in the fourth quarter to close a series of loss-making stores in Indonesia, Singapore and Malaysia and a major clearance exercise was undertaken across Southeast Asia to liquidate excess old stock, predominantly in general merchandise. This resulted in the booking of significant business change costs.

It is clear that we need a different approach to our Food proposition in most Southeast Asian markets to turn around our performances in these markets. This will not be a short-term fix and an end-to-end review in each of these markets is already underway.

Strategic review

Since joining the Group as Chief Executive in September 2017, I have spent time in each market seeking to understand first-hand the environment and competitive landscape in which we operate, while visiting our stores and meeting with our team members. A priority has been to understand how we are currently perceived by our customers and can serve them better by both addressing our existing challenges as well as identifying opportunities for future growth.

Despite these very real challenges, we nonetheless have a strong foundation with several market leading businesses, with well-established brands and passionate, committed team members, which provides a robust platform for sustaining our current strength while building improvement where underperformance currently exists.



* Including 100% of associates and joint ventures.

We are facing intensifying and changing competition in many markets, both online and offline, as well as greater demands from increasingly well-informed customers. Retail markets are evolving and we need to be alive to these changes, which will require us to embrace business change and develop new ways of working to improve future performance.

The current strategic review across the Group is to identify a series of opportunities, be they operational, competitive or strategic, to address our underlying performance issues in our existing businesses along with the necessary actions required to address them and improve financial performance over time, while setting a direction for the business for the next five years. To improve our effectiveness, it will be essential that we enable much closer collaboration across the Group and increase standardization to leverage our overall scale.

The initial stages of the review confirmed the strength of and opportunities for our businesses in North Asia, and we will continue to build on these. However, it also identified the challenges with several loss-making Supermarket and Hypermarket stores across Southeast Asia, particularly in Malaysia, Singapore and Indonesia, where we believe that performance was unlikely to improve materially and took the decision to close these. In some of our larger stores, there had also been a build-up of slow moving stock, particularly in the general merchandise category, and we have taken action to clear this through mark-down sales or have written it off. Additional controls have been put in place to reduce the risk of rebuying stock that is not meeting customer needs.

In general, we have not responded fast enough to new competition and changing consumer preferences across many of our markets, and need to improve the shopping experience for our customers, as well as addressing gaps in our range and becoming more price competitive.

It is increasingly clear that customer buying behaviours are changing with regard to both how people shop and preferences within certain retail categories. As part of our change programme, we will be undertaking a series of range reviews across our businesses to ensure we are providing ranges relevant to our customers' needs in a more tailored way. In addition, we are conducting greater customer insight surveys to provide specific feedback on our store proposition, as well as the overall shopping experience.

With more focus on delivering the right range for customers, we need to ensure that we are competitive on price and making investments in the right areas to deliver this. The acceleration of our Own Brand range will be part of the effort to deliver differentiated, quality products at attractive prices.

We are continuing to invest in both infrastructure and stores to provide an even better shopping experience. New fresh distribution centres in key markets will support an imperative to deliver better quality fresh food to our stores.

Our overall ambition is to give our customers across Asia a store they can trust, delivering quality, service and value.

2017 performance

In 2017, four of our five formats – Convenience Stores, Health and Beauty, Home Furnishings and Restaurants – performed well, as did our key Food associate, Yonghui, in mainland China. The Group results were held back by the Supermarkets and Hypermarkets format, particularly sales and profit declines in Southeast Asia, while our largest business in Hong Kong was resilient. We have challenges in specific areas, but many of our businesses are performing strongly with clear growth trajectories.

In our **Food Division**, overall sales were 2% behind 2016. The trading environment in the Supermarkets and Hypermarkets sector continues to be challenging with intensifying and changing competition. Sales in Hong Kong were flat and profit marginally down, and both sales and profit were lower in Taiwan. Our key markets in Southeast Asia of Malaysia, Singapore and Indonesia, experienced declining sales and significantly lower profit, although with different issues in each market. Consumer spending generally in Malaysia is weak, independent discount retailers and e-commerce are emerging competition in Singapore, and the mini-mart operators continue to take market share in Indonesia, while consumers are highly sensitive to pricing in all markets. The Philippines, in contrast, saw strong like-for-like sales growth in both its upscale and mass market formats and was only held back by the unplanned closure of a hypermarket.

The Group's Convenience Store businesses have fared much better. Both Hong Kong and mainland China enjoyed good sales growth, while Macau sales were impacted by a higher cigarette tax and Singapore had store closures on the back of the loss of a franchise operating Shell's petrol station outlets. All four convenience store businesses reported increased profit.

Operating profit from the Food Division dropped 18% to US$220 million before business change costs.

Sales in our **Health and Beauty Division** were up by 7%. There was strong growth in Hong Kong, Macau, mainland China and Indonesia, partly offset by muted sales growth in Malaysia and lower sales in Singapore. Operating profit increased 20% to US$210 million due mainly to strong performance in Hong Kong and Macau, attributable to increased mainland China visitors. Encouraging progress in Mannings China and margin improvements in Rose Pharmacy in the Philippines were promising developments for the Division.

In our **Home Furnishings Division**, sales were up by 9% but operating profit was 4% lower mainly due to pre-opening expenses and higher costs related to our fourth Hong Kong store which was opened in October 2017. Sales and profit gains were strong in both Taiwan and Indonesia, with positive progress on new store developments in both these markets.

Dairy Farm's **Restaurants Division**, Maxim's, delivered another year of good results. A very successful mooncake programme during the Chinese Mid-Autumn Festival bolstered its sales and profit performance. Operations in mainland China also reported good improvements while regional expansion continued with Starbucks in Vietnam and Cambodia. During the year, Maxim's completed the acquisitions of Starbucks in Singapore and Genki Sushi in Singapore and Malaysia.

Our 19.99% owned associate, Yonghui, opened a net 292 new stores in mainland China underpinning a 19% growth in revenue. Improvements in margins led to year-on-year profit increasing 45%.

Business developments

During the year we have undertaken a number of pilot initiatives to understand better the impact of changing consumer behaviour. For example, in mainland China, our 7-Eleven business has partnered with Meituan, a leading delivery service, on food delivery. Similar initiatives are under trial with Happy Fresh in Malaysia and Go-Jek in Indonesia. We expect to take learnings from these partnerships back into our operations to improve the offer for customers.

IKEA has continued to invest in e-commerce and now has nationwide capability in all our franchise markets.

We have also been refining a small format grocery concept in both Malaysia and Indonesia in recognition of the increasing popularity of more convenient shopping and the growing challenges facing the hypermarket format. In mainland China, Yonghui has also been expanding more rapidly into smaller retail stores.

We have separately completed the buy-out of the remaining minority investment in Rustan, such that it is now wholly-owned, and Maxim's has expanded further into Southeast Asia through a couple of acquisitions. We will continue to look out for non-organic investment opportunities that can accelerate our growth.

The year ahead

Retailers everywhere are facing rapid and unprecedented change from new business models, as well as the changing lifestyles and increased expectations of consumers. These developments necessitate greater urgency in everything we do and a much closer relationship with and deeper understanding of our customers, as well as a need to embrace new technologies and different ways of working. However, we have a well-established presence and long track record serving customers in all the markets we operate, which should allow us to leverage our unique Asian footprint for future success.

With our strong cash generation, solid balance sheet and enthusiastic team, we are in a good position to meet these challenges. The Group will focus on key priorities; growing our major markets, improving profitability in our Southeast Asia Food business, identifying further growth opportunities and improving our digital capability. With the depth of our Asian know-how and the breadth of our retail formats, we are well placed to benefit from the growth prospects in the region.

The passion and commitment of our people are key to our performance and future growth. I would like to thank them for their contribution and look forward to working more closely with team members over the coming year as we build for the future.

Ian McLeod
Group Chief Executive
8th March 2018

Own Brands – creating trusted value

We have a passion for building a portfolio of profitable Own Brands that have quality and customer needs at their heart. Exceptional Own Brands for Asian Consumers.

Over the last year in numerous focus groups, over 40,000 customers in Asia have tested our Own Brand products giving us some important insights into their needs and preferences. By listening to our customers and using those insights, we've made innovative improvements to our current products, while ensuring our new ones are well developed and thoughtfully delivered.

We're already making successful enhancements in our Food and Non-Food categories. For example, our customer-focused approach identified a need for an Italian pasta sauce in a convenient sachet size for smaller families. We launched a dermatologically-tested range of our FeatherSoft paper and introduced Nanopower – a first in our markets – which is a complete laundry solution based on the latest deep-clean nano-technology.

In fact, in 2017 we developed and launched over 770 new Food and Non-Food products, all 'chosen' by our customers. With strict quality standards, we will continue to develop and drive Own Brand products that are relevant, appreciated and trusted by our customers.

On the Health and Beauty side, we've achieved strong sales growth in 2017 and increased market penetration. Momentum was particularly good in the second half of the year with double-digit growth and record sales performance. Innovation and brand building activation marked the last year, with 875 new Health and Beauty products introduced.

Growth has been particularly strong in Hong Kong and Macau which experienced record sales and double-digit growth. Emerging markets – Vietnam, Indonesia, the Philippines, Cambodia and Brunei – showed an impressive 41% growth and strong potential for further growth. Our 'Power Brands' – our best-selling portfolio of brands – delivered a 25% growth in 2017. Their presence has been extended into more markets and visibility in-stores have increased, allowing us to reach even more customers.

Botaneco Garden, our natural hair and body care brand, saw strong growth in 2017 driven by the launch of new lines, implementation of branded counters in several stores, and marketing events that promoted environmental protection. Crystal Moist, our skin care brand formulated with deep ocean water and minerals, expanded across Asia in 2017 with its launch into four new markets.

Happy Mask, a new Own Brand launched in 2017, offers a complete and innovative range of facial masks that targets 18-25 years old customers. Addressing the specific and growing needs of customers with sensitive skin in body care products, a new Own Brand called Derma 365 was developed and launched.

Responding to customers' requests for healthy snack options, we developed our Nature's Heart range, which provides a healthy selection of nuts and dried fruits. Available in Hong Kong, mainland China, Singapore and Malaysia, it has been well received by customers.

To provide more choice and better value to our customers in mainland China, we introduced Oriental Herbs, a new skin care brand that uses traditional Chinese ingredients in a modern way. It targets 20-30 years old women looking for hydration and brightening beauty products with natural ingredients at an affordable price.

Celebrity of KissHop Colour Cosmetics: L.I.K.E (Chinese popular artists)

In 2017, we entered the fast-growing colour cosmetic market with Kiss Hop, our fun Korean-inspired beauty brand. A young and innovative range of face, lips, eyes and nails cosmetic products were developed and successfully launched. With the great response from our customers, Kiss Hop has the potential to be a star performer in this category.

Big hearts bring big change

Giving back to local communities where we work and live is a big focus for Dairy Farm. We know we have the responsibility and ability to make a difference to lives of our customers and to those who are less fortunate and in need across the region, so our teams have been hard at work helping those around them to get more from life. Here are some of their stories…

estimated to reduce

15,000kg

of CO_2 emissions a year

7-Eleven Southern China Goes Green with Innovative 'Plastic' Bags

In 2017, our 7-Eleven stores in Southern China made the switch from plastic bags to innovative biodegradable 'plastic' bags, taking a significant step to help reduce waste. 920 stores have made the change, which is estimated to help reduce approximately 15,000 kg of CO_2 emissions a year, not to mention reduce the number of plastic bags that end up in landfills for decades to come. The bag decomposes into ash and costs even less to produce than an average plastic bag. It's a win-win for our business – and the environment.

Dairy Farm Continues to Support Mental Health – Hong Kong and Singapore

With the theme of 'Connecting Minds', Dairy Farm joined in the annual Walk Up Jardine House event to raise money to support Mindset, a charity established by the Jardine Matheson Group, aimed at changing people's attitudes by raising awareness and education on mental health issues. Over US$24,000 was raised and donated to Mindset by 13 participating teams from Dairy Farm.

US$24,000

donated to Mindset by 13 participating teams from Dairy Farm

In Singapore, Dairy Farm launched the first ever donation box programme, called 'Dairy Farm Cares', in support of two charities – Mindset and Care Community Services Society (CCSS), a non-profit voluntary, charitable organization which aims to provide assistance, education, training, counselling and therapy to the needy and strengthen the family unit. A major launch event attended by key senior management teams from the charities and Dairy Farm, and Mr S Iswaran, Singapore's Minister for Trade and Industry, saw the rollout of over 1,000 donation boxes in Dairy Farm's 650 stores across Singapore. This coincided with the Group's annual family day, where beneficiaries from the two charities came together for a fun-filled day at Singapore Zoo, alongside our 2,500 employees and their families.

Giant Shows its Big Heart in Malaysia

On 4th November 2017, heavy rains fell in Pengang, Malaysia, causing an 18-hour storm that inundated the city with up to four metres of water, forcing the evacuation of more than 5,500 people, damaged roads and infrastructure and led to significant flooding. As one of Malaysia's largest retailers with 141 stores, it was clear that Giant, could play a key role in providing much needed assistance to the affected people. That began with making sure all team members and customers at its 141 stores were safe and accounted for, before ensuring the food storage equipment was working, so that the food and water people consumed in the aftermath of the disaster were safe.

After that, it was time to help the local community and those worst affected by the flood. Joining forces with the National Disaster Management Agency (NaDMA), employees at five Giant hypermarket stores in Seberang Prai, Bayan Baru, Kulim, Alor Setar and Sg. Petani worked to get relief packages of food supplies, baby food, mattresses and personal hygiene products to over 2,000 flood-stricken victims, all in the space of 36 hours.

In the weeks that followed, Giant continued its efforts to support relief centres in aid of flood victims in Penang, Kedah and Perak, all the while making sure their stores stayed open and had adequate food and water stock for their loyal customers. This ongoing CSR commitment is at the heart of the company's practices in Malaysia.

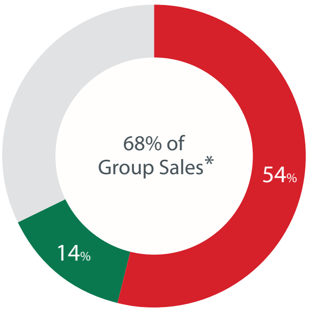
Business Review

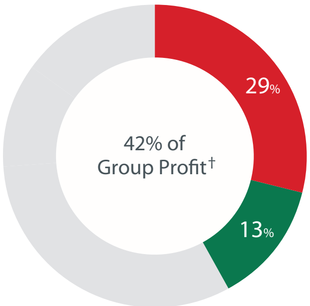
Food

Weakness in Southeast Asia resulted in lower sales and profits.

Food (excluding Yonghui) reported US$8.0 billion in sales, 1% lower than last year in constant currency.^ Operating profit decreased 18% to US$220 million, excluding business change costs, driven by weak performance from the Supermarket and Hypermarket businesses, particularly in Southeast Asia. In contrast to Supermarkets and Hypermarkets, the Convenience Store format performed well across all markets, mitigating the weaker performance in the Food Division overall.

^ All commentary in the Business Review section is in constant currency.





Supermarkets and Hypermarkets
Convenience Stores

* Including share of associates and joint ventures.

† Based on operating profit and share of results of associates and joint ventures, excluding store support centre costs, business change costs and non-trading items.

Supermarkets and Hypermarkets   Convenience Stores

Total Sales‡ (US$)

16.1 billion

Operating Profit (US$)

220 million

Store Network‡

4,217 stores

‡ Including 100% of associates and joint ventures.

Food – Supermarkets and Hypermarkets

Sales of US$6.0 billion from our Supermarkets and Hypermarkets were 3% lower than last year in constant currency, while operating profit fell by 30% to US$135 million. Like-for-like sales were generally weak or negative, other than in the Philippines where we saw good growth. While Hong Kong was resilient, our Southeast Asian businesses suffered from intensifying competition and changes in consumer behaviour with lower sales and significantly reduced profits.

Hong Kong

Despite a difficult operating environment and stiff price competition, sales were largely in line with last year. With more sites secured in key new locations, we continue to bolster our store network in Hong Kong while also refining our e-commerce offer to improve digital engagement with our customers. Operating profit fell slightly with higher labour and rental costs, despite implementing a number of productivity initiatives. Several key stores were renovated during the year with the disruption further impacting performance.

Macau

Sales were ahead while profits were in line with last year due to refurbishment works in our flagship store. During the year, a new dry distribution centre was commissioned to sustain San Miu's growth and improve our stores' assortment and range availability.

Taiwan

A decline in mainland Chinese tourist arrivals and weaker consumer spending created a tough operating environment in 2017, resulting in a decline in sales. However, the impact on profitability was mitigated by disciplined cost control, such that operating profit was only slightly behind last year. Our flagship Jasons store at Taipei 101 was fully revamped and relaunched during the year.

Indonesia

Alongside a limited recovery in consumer confidence, the intensifying competition from smaller format mini-mart operators resulted in another challenging year for our Food businesses in Indonesia, with sales and profits both substantially lower than last year. Attention is being given to a review of our range to ensure it is relevant for our customers while also ensuring that we are competitive on price and service. Our upscale Hero brand has fared better than our mass market brand, Giant, and promisingly, our newly refurbished stores are proving popular with customers.

Malaysia

Sales were slightly lower than prior year but profits were significantly behind reflecting lower margins in another challenging year. Falling household income and lower government subsidies have contributed to subdued consumer sentiment, with strong competition amongst retailers further intensifying pricing pressure. To remain competitive, investment is being made in our stores to improve the customer experience and we have opened a new flagship Cold Storage store in KLCC in the centre of Kuala Lumpur. Our new merchandising system was implemented during the year and we expect to open our new, purpose-built fresh distribution centre in the first half of 2018, which will improve our fresh food capability. Several small format pilot stores have been opened and initial results are encouraging. A range of cost saving measures, including a reduction in headcount, were implemented during the year.

The Philippines

Sales were ahead of prior year driven by like-for-like growth and new store openings, partially held back by the unplanned closure of a large hypermarket. Our upscale brand, Rustan's, performed extremely well and continues to lead the market with customers in this segment. The acquisition of a further 34% interest in Rustan was completed in the third quarter, making the business a wholly-owned subsidiary of Dairy Farm. Significant improvements in our supply chain are being made – a new, purpose-built fresh distribution centre was opened during the year and we expect to move to a new dry distribution centre in 2019.

Singapore

Sales were down and profit was significantly below prior year with lower margins and higher costs. There was increasing competition in the market from the growth of independent discount retailers and e-commerce players, resulting in intense price competition. Cold Storage undertook a detailed range review during the year, refreshing the offer across several categories. Early signs are that this is resonating with customers and work is continuing to drive improvements.

Cambodia

Sales and profit were in line with last year in Cambodia despite being held back by store renovations. Looking ahead, we aim to improve sales mix with higher fresh and Own Brand penetration.

Food – Convenience Stores

Convenience Stores reported US$2.0 billion in sales, an increase of 4% over last year in constant currency. Operating profit increased by 16% to US$85 million.

Hong Kong | Macau

7-Eleven Hong Kong recorded another year of excellent results, building on the market share gains from last year. Like-for-like sales growth was good, aided by exclusive product launches, assortment improvement and a gain in consumer spending in certain categories from other retail formats. We also introduced new customer service initiatives, such as e-commerce delivery pick-up and a self-service laundromat concept, in addition to expanding payment options. In Macau, sales were impacted negatively by an increase in the cigarette tax, although profit remained flat with higher margin contribution from ready-to-eat food.

Mainland China

In mainland China, 7-Eleven increased both sales and profit, driven by both strong like-for-like sales and 92 net new store openings to end the year with 920 stores. During the year, we introduced the Meituan delivery service and WeChat self-checkout as part of our drive to provide more convenient access to our products and services. Meituan, one of China's largest online delivery platforms, now covers 330 of our stores.

Singapore

Like-for-like sales were ahead of prior year supported by continued cooperation with 7-Eleven Japan delivering advances in ready-to-eat and 7-Eleven's private label range. Overall sales declined slightly due to the termination of a multi-site agreement with Shell to service their petrol stations across the city. Notwithstanding this, profitability improved during the year and progress is being made to replace the lost stores with new sites.

7-Eleven: Adding value to customers' lives

Knowing how time-starved people are, we're always on the lookout for time-saving solutions to help our customers. 7-Eleven's in-store value-added service sets us apart from our competitors.

From paying utility bills, returning and picking up online shopping from key online partners such as Zalora and Taobao, to accessing laundromat services and buying stamps, our 7-Eleven stores continually look for new services to provide greater convenience to our customers.

In 2017, we introduced several new value-added services including:

- Partnering with SingTel to allow customers to top-up their Dash app at any 7-Eleven store in Singapore, allowing them to transfer money overseas more easily to their friends and family.
- Our 7-Eleven stores in mainland China partnered with Meituan, to offer food delivery services in eight cities. One of our Shenzhen stores in the World Trade Centre Square, has completed 6,185 orders in just five months.

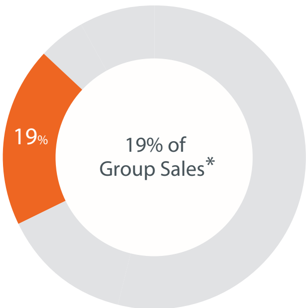
In achieving our goal of providing value and great service to our customers, the focus on finding new ways to make our customers' lives easier will be at the heart of our continued success.

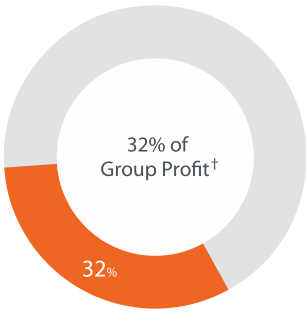
Business Review

Health and Beauty

Health and Beauty achieved US$2.8 billion in total sales, an increase of 7% in constant currency, while operating profit increased 20% with better performance across most markets.

We continue to roll out our Health and Beauty business concept across the region through well-established brands – Mannings, Guardian and Rose Pharmacy. Serving the needs of Asia's increasingly health-conscious population, Dairy Farm's Health and Beauty business now spans ten countries and territories.





* Including share of associates and joint ventures.

† Based on operating profit and share of results of associates and joint ventures, excluding store support centre costs, business change costs and non-trading items.

Health and Beauty

Total Sales‡ (US$)

2.8 billion

Operating Profit (US$)

210 million

Store Network‡

1,744 stores

‡ Including 100% of associates and joint ventures.

Hong Kong | Macau

Mannings Hong Kong recorded strong growth in both sales and profit, driven by higher local consumption and a recovery in tourist arrivals and spending. Like-for-like sales strengthened throughout the year, particularly in the last quarter. Range selection was reviewed to better serve both local and tourist customer needs, while the introduction of new mobile payment options and more relevant promotions were successful.

The recovery in Macau tourism supported a growth in sales and profit ahead of last year, despite severe disruption to several stores caused by Typhoon Hato. During the year there were improvements in range selection, particularly in skin care, and a new flagship store was opened in the Venetian Hotel to capture tourist sales opportunities.

Mainland China

Mannings China's performance was very encouraging with strong like-for-like sales as well as a continued rollout of physical stores and expansion of e-commerce initiatives. There has been more focus on differentiation across several product categories with new face mask centres proving especially popular. In addition, there has been an increased focus on the beauty segment and several new stores have been opened giving greater prominence to this category with promising initial results. Our Own Brand range continues to prove especially popular with our customers.

Singapore

Despite fierce price competition, the growth of both discount retailers and e-commerce and the closure of some stores, sales were in line with last year in Singapore. However, profitability declined, with margins impacted by aggressive sales promotions as well as increased operating costs. As with other markets, greater attention was given to our customers' beauty care needs, and a new beauty focused store concept was opened in October featuring new ranges including exclusive and Own Brand products.

Malaysia

After a challenging year in 2016, Guardian Malaysia recorded sales growth during 2017 with positive like-for-like sales driven by a strong performance in beauty care. However, pricing remains very competitive in Malaysia, which together with higher costs related to strengthening the team and the implementation of a new merchandising system in the first half of the year, led to a decline in profit.

Indonesia

Guardian Indonesia delivered significant growth in both sales and profit. Strong like-for-like sales growth was driven primarily by beauty care where range enhancements proved to be popular with customers. Having closed loss-making stores in 2016, and with positive results from the range review, the business began to expand again with new stores added during the year.

Vietnam

Guardian Vietnam continued to deliver strong like-for-like sales growth driven by higher customer footfall. Store openings also boosted sales and the 50th store milestone was passed during the year. Own Brand penetration remained strong, with the launch of our premium skincare brand, Crystal Moist, in October being well received by our customers.

Cambodia

Good progress continued in Cambodia with encouraging sales growth, particularly in the Guardian Own Brand range.

The Philippines

Sales fell slightly at Rose Pharmacy as a result of the closure of a number of underperforming stores, although like-for-like sales were positive. Operating results improved driven by cost controls and a better sales mix. Sales of Guardian Own Brand items increased significantly during the year with additional healthcare products being added to the personal care and beauty categories.

Enhancing beauty

As a leading health and beauty player across Asia, one of our goals is to offer our customers the very best quality and choice in holistic beauty – whether that's specialist derma skincare or the ultimate beauty regimen with our range of colour cosmetics.

With beauty increasingly accelerating our growth, we've embraced consumer trends and given our store experience its very own 'makeover'– our customers can now explore, experiment and play with make-up in store, with our trusted beauty advisors on hand to offer professional yet friendly advice and tips in a non-pressurized environment.

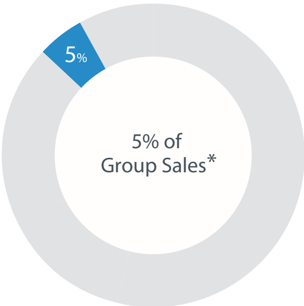
One of the most exciting areas in our beauty strategy is colour cosmetics. The new colour cosmetics zone in selected stores include dedicated stations for lips, face and eyes, with expert make-up artists on hand to offer quick five-minute makeovers or full make-up consultations for special occasions.

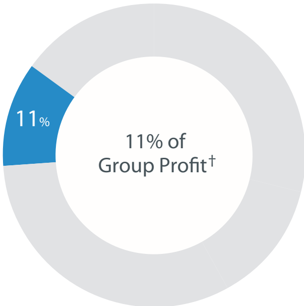
Business Review

Home Furnishings

IKEA achieved record sales again in 2017, bolstered by the opening of a new store in Hong Kong and strong performances in Taiwan and Indonesia. In constant currency, sales rose by 7% to US$653 million, although operating profit fell slightly to US$68 million, after absorbing new store pre-opening costs totalling US$9 million.

Well-established in Hong Kong and Taiwan, and now with a presence in Indonesia, IKEA provides a comprehensive range of affordable and attractive home furnishings products.





* Including share of associates and joint ventures.

† Based on operating profit and share of results of associates and joint ventures, excluding store support centre costs, business change costs and non-trading items.

Home Furnishings

Total Sales (US$)

653 million

Operating Profit (US$)

68 million

Store Network

10 stores

Hong Kong | Taiwan | Indonesia

All markets recorded sales growth, with Taiwan and Indonesia achieving strong like-for-like growth and increased profit. Profit in Hong Kong was lower largely due to the pre-opening costs and additional costs of the new store which also resulted in lower overall profit for the Division.

In 2017, we fully launched e-commerce and now have the capability for nationwide delivery across all our markets, making IKEA more accessible to 'the many people'. Our Taichung store in Taiwan was selected as one of the Top 5 stores in the global IKEA network, reflecting the dedicated efforts of our team members in serving our customers.

We are also aggressively pursuing physical expansion in all markets. A fourth IKEA store was opened in Tsuen Wan, Hong Kong in October and is already trading well. Some progress was made on a second store in Indonesia with the acquisition of a second site in Jakarta and although licensing approvals are taking longer than planned, development pace is expected to pick up in 2018. Our rollout of distribution points in Jakarta and Surabaya in Indonesia enhanced accessibility further. In Taiwan, we have secured new sites in Taoyuan and South Taipei, with these stores expected to open in 2019 and 2021 respectively.

In the coming year, we aim to boost our business as we look to accelerate the growth of our store network while developing new online platforms, including a presence on selective marketplace sites. In addition, we will continue to improve affordability and service to bring better value to 'the many people'.

Four is a magic number

In late 2017, IKEA returned to Tsuen Wan, Hong Kong in style. The new four-storey store is easily accessible to residents of the New Territories and West Kowloon areas and offers a relaxing shopping experience for customers, who can browse more than 7,500 products with ease.

This enables IKEA to improve accessibility for 'the many people' in Hong Kong, offering stylish and affordable home furnishing ideas and practical solutions for all. And because IKEA products are for everyday living, all in-store home sets are based on real-life public housing estates, Home Ownership Scheme flats and private housing in nearby areas.

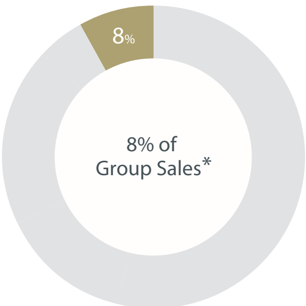
There's something for everyone, and that's what matters most to IKEA Hong Kong.

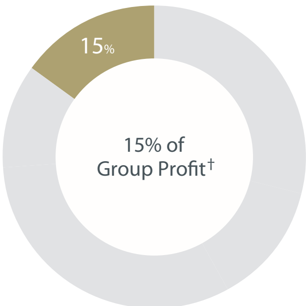
Business Review

Restaurants

Maxim's reported another record year, with US$2.2 billion in total sales, an increase of 11% over the previous year in constant currency, while profit contribution increased by 9%. The business had a particularly strong performance in both its mainland China operations and branded products division, while actively expanding through acquisitions into new markets. Maxim's also celebrated the opening of its 1,000th store – the Symphony by Jade in Hong Kong.

Dairy Farm's restaurant associate, Maxim's, is known for its passion for excellence, innovative approach to cuisine, and superior service. With operations in Hong Kong, Macau, mainland China, Singapore, Vietnam, Cambodia and Thailand, Maxim's offers a diverse mix of Chinese, Asian and Western restaurants in addition to fast food and coffee outlets and cake shops.





* Including share of associates and joint ventures.

† Based on operating profit and share of results of associates and joint ventures, excluding store support centre costs, business change costs and non-trading items.

Restaurants

Total Sales‡ (US$)
2.2 billion

Share of Results (US$)
95 million

Store Network‡
1,210 stores

‡ Including 100% of associates and joint ventures.

In Hong Kong, the business achieved healthy sales and profit growth and enjoyed the first full year of operation of COVA. Maxim's mooncakes achieved another year of record high sales, driven by the popularity of its Lava Custard Mooncake. 2017 also saw the creation of new concepts and the award and launch of new franchises, with the first The Cheesecake Factory opening in Hong Kong during the year.

In mainland China, all formats performed ahead of last year as Maxim's continued to expand, launching new brands in Beijing and Hangzhou and moving into Nanning in the southwest of the country. In Beijing, there were two major brand launches during the year, Café Landmark and Jade Garden, with The Cheesecake Factory set to open in early 2018.

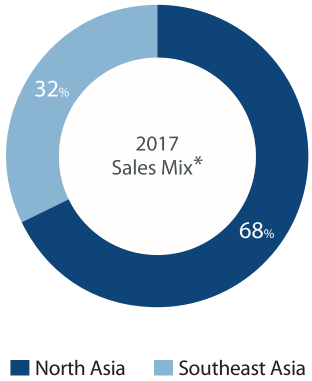
Maxim's underlined its growing regional ambitions with the acquisition of the existing business and Starbucks franchise in Singapore and the Genki Sushi franchises in Singapore and Malaysia in September 2017.

Maxim's mooncakes spreading joy around the world

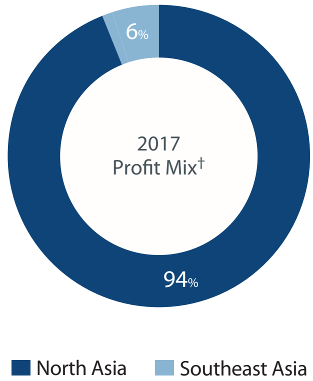
In 2005, Maxim's launched their first mooncakes. Since then, it has become the best-selling, most popular brand for mooncakes in Hong Kong. The launch of the ground-breaking Lava Custard Mooncakes in 2014 solidified its winning status, taking Hong Kong by storm. Delivered by experienced chefs, the Lava Custard Mooncake gets its molten inside through a double-baking technique, which keeps the custard suitably magma-like, even at room temperature.

Because of their hit-popularity and success across Asia, Maxim's mooncakes are now distributed globally, offering delicious festive fare to over 80 cities. Not only are they assured by the Hong Kong Q-Mark stamp of approval, but their White Lotus Seed Paste Mooncake with double Egg Yolks gained international recognition when it received the prestigious Grand Gold Medal of Monde Selection.

Financial Review



* Including share of associates and joint ventures.



† Based on operating profit and share of results of associates and joint ventures, excluding store support centre costs, business change costs and non-trading items.

"Excluding . . . business change costs the adjusted underlying operating profit for Group would have been US$440 million for the full year, down 3% on prior year."

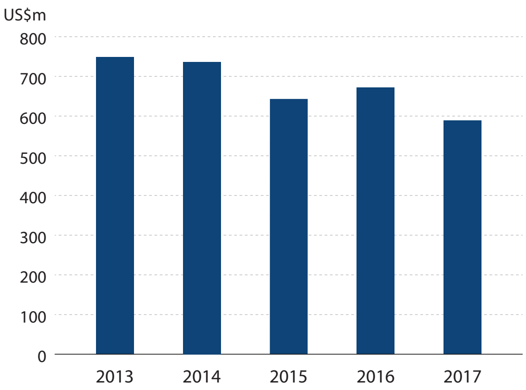
Accounting policies

The accounting policies are consistent with those of the previous year. The Directors continue to review the appropriateness of the accounting policies adopted by the Group with regard to developments in International Financial Reporting Standards.

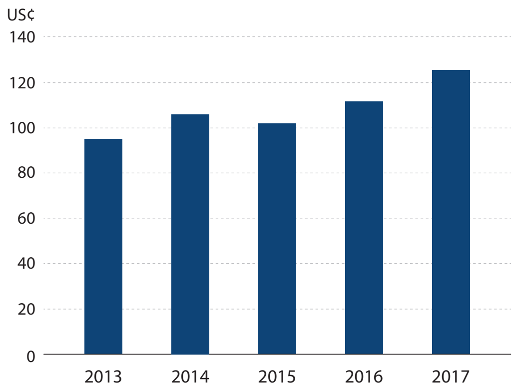
Results

Sales, excluding those of associates and joint ventures, at US$11.3 billion, were flat on last year. With the inclusion of 100% of associates and joint ventures, total sales were US$21.8 billion, an increase of 7% over 2016, principally driven by growth in key associates, Yonghui and Maxim's. Underlying operating profit at US$367 million, was 19% lower than 2016 principally due to weaker trading in the Supermarket and Hypermarket operations in Southeast Asia, including significant one-off business change costs for store closure and stock write off and clearance. Excluding these business change costs the adjusted underlying operating profit for Group would have been US$440 million for the full year, down 3% on prior year.

EBITDA

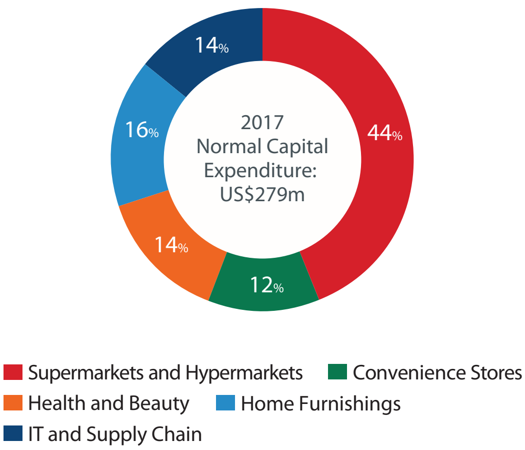


Net Asset Value per Share



The Group's share of results of associates and joint ventures increased 22% to US$144 million from 2016 which reflected significantly better performance from Yonghui and consistent good performance from Maxim's.

North Asia, including the proportionate contribution from both Yonghui and Maxims, accounted for 68% of proportionate Group sales of US$14.1 billion and 94% of proportionate operating profit. Southeast Asia contributed 32% and 6% of proportionate sales and operating profit respectively. Based on this metric mainland China has become our second most important market after Hong Kong in terms of both sales and profit contribution and growth.



The tax charge for 2017 was US$93 million, 9% higher than 2016, mainly due to the change of profit contribution mix from different territories.

Underlying net profit was US$403 million, a decrease of 13% versus 2016. There was a net non-trading gain of US$1 million in 2017, principally from the profit on disposal of certain properties, and share of profit on disposal of an investment by Yonghui. Consequently the reported net profit was US$404 million, 14% lower than prior year. Adjusting for the business change costs, adjusted underlying net profit would have been US$467 million for 2017, 1% higher than prior year.

Underlying earnings per share were US¢29.77, also 13% behind 2016. Adjusted underlying earnings per share would have been US¢34.54.

Cash flow

The Group generated a net inflow of US$671 million operating cash flow, compared to the previous year's US$543 million. The improvement was mainly better working capital management and higher dividends from associates which more than offset a decline in EBITDA from US$672 million in prior year to US$589 million in 2017, as a result of weaker performance from the Food Division.

Capital expenditure was higher at US$279 million (2016: US$245 million), principally due to an increase in new store expansion and refurbishment of the existing estate. The Group's businesses, including associates and joint ventures, added a net 633 outlets in 2017, ending the year with 7,181 stores across all formats in 11 markets, which included its interest in 779 Yonghui stores and 1,210 Maxim's stores.

During the year, the Group completed the acquisition of the remaining 34% interest in Rustan for US$60 million to become a wholly-owned subsidiary of the Group.

Balance sheet

Total assets, excluding cash and bank balances, of US$5.1 billion were 7% higher than 2016, mainly reflecting the capital expenditure for new and refurbished stores. Inventory was down by 3% to US$950 million reflecting the effort to manage inventory more tightly and clear poor quality stocks, while trade creditors were broadly flat. Net operating assets were US$1.8 billion at the end of 2017, an 11% increase versus the previous year.

The Group ended the year with net debt of US$599 million, US$42 million lower as compared to US$641 million at 31st December 2016.

Dividend

The Board is recommending an unchanged final dividend of US¢14.50 per share, bringing the total dividend in respect of 2017 to US¢21.00 per share, the same as prior year.

Financing

Where required, and typically for working capital purposes, borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund daily operations. Borrowings to fund any strategic expansion of the Group are managed centrally and typically funded in US dollars and Hong Kong dollars, with hedging of foreign exchange and interest rate risk as may be appropriate depending on the particular investment. The Group, excluding associates and joint ventures, had gross debt of US$935 million at the year end, a decrease of US$30 million from 2016. Total committed banking facilities at the year end totalled US$1.2 billion with US$749 million drawn at year end, and had an average life to maturity of 1.9 years. Net financing charges increased slightly from US$22 million in 2016 to US$26 million in 2017, in part reflecting the drawdown of facilities to fund the purchase of the additional investment in Rustan.

Financial risk management

A comprehensive discussion of the Group's financial risk management policies is included in note 2 to the financial statements. The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. As a matter of policy, the Group does not enter into speculative transactions in derivatives. The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt (short and long term), to maximize flexibility for the future development of the business.

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 117 and 118.

Neil Galloway
Group Finance Director
8th March 2018

Directors' Profiles

Ben Keswick * *Chairman and Managing Director*	Mr Ben Keswick joined the Board as Managing Director in 2012 and became Chairman in 2013. He has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage and a commissioner of Astra. He is also chairman and managing director of Hongkong Land and Mandarin Oriental, managing director of Jardine Matheson and Jardine Strategic, and a director of Jardine Pacific and Jardine Motors.
Ian McLeod * *Group Chief Executive*	Mr McLeod joined the Board as Group Chief Executive in September 2017. He has extensive experience in the retail sector, and was previously chief executive of Southeastern Grocers in the United States before which he was managing director of Coles in Australia. He is also a director of Yonghui Superstores and a commissioner of Hero.
Neil Galloway * *Group Finance Director*	Mr Galloway joined the Board as Group Finance Director in 2013. He was previously finance director and chief financial officer of The Hongkong and Shanghai Hotels from 2008. Mr Galloway began his career in investment banking and he held a range of senior positions in Hong Kong and the United Kingdom. He is also a commissioner of Hero.
Mark Greenberg	Mr Greenberg joined the Board in 2006. He is group strategy director of Jardine Matheson. He had previously spent 16 years in investment banking with Dresdner Kleinwort Wasserstein in London. He is also a director of Jardine Matheson Limited, Hongkong Land, Jardine Cycle & Carriage and Mandarin Oriental, and a commissioner of Astra and Bank Permata.
George J. Ho	Mr Ho joined the Board in 1998. He was previously engaged in private law practice in San Francisco and is currently engaged in the broadcasting and multi-media industries. Mr Ho is also chairman of Hong Kong Commercial Broadcasting Company.
Adam Keswick	Mr Adam Keswick joined the Board in 2012. Having joined Jardine Matheson in 2001, he was appointed to the board in 2007 and was deputy managing director from 2012 to 2016. Mr Keswick is also deputy chairman of Jardine Lloyd Thompson and a director of Hongkong Land, Jardine Strategic and Mandarin Oriental. He is also a director of Ferrari, and a supervisory board member of Rothschild & Co.
Sir Henry Keswick	Sir Henry joined the Board in 1988. He is chairman of Jardine Matheson, having first joined the group in 1961, and is also chairman of Jardine Strategic. He is a director of Hongkong Land and Mandarin Oriental. He is also vice chairman of the Hong Kong Association.
Simon Keswick	Mr Simon Keswick joined the Board in 1986 and was Chairman of the Company from 1986 to 2013. He joined the Jardine Matheson group in 1962 and is a director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

* Executive Director

Directors' Profiles

Michael Kok	Mr Kok was Group Chief Executive from 2007, when he first joined the Board, until he retired from executive office in 2012. He began his career in Dairy Farm in 1987 and has extensive experience in the retail industry in Asia. He is also a director of Jardine Cycle & Carriage, Mapletree Greater China Commercial Trust Management and SATS.
Dr George C.G. Koo	Dr Koo, a Fellow of the Royal College of Surgeons, was appointed as a Director in 1990. He is also a director of Jardine Strategic.
Anthony Nightingale	Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to 2012. He is also a director of Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic, Mandarin Oriental, Prudential, Schindler, Shui On Land and Vitasoy, and a commissioner of Astra. He is chairman of The Sailors Home and Missions to Seamen in Hong Kong.
Y.K. Pang	Mr Pang joined the Board in 2016. He is deputy managing director of Jardine Matheson, chairman of Jardine Pacific, and chairman and chief executive of Jardine Motors. He previously held a number of senior executive positions in the Jardine Matheson group, which he joined in 1984, including chief executive of Hongkong Land between 2007 and 2016. Mr Pang is also deputy chairman of Jardine Matheson Limited, and a director of Hongkong Land, Jardine Matheson (China), Jardine Strategic, Mandarin Oriental, Yonghui Superstores and Zhongsheng. He is chairman of the General Committee of the Employers' Federation of Hong Kong and a past chairman of the Hong Kong General Chamber of Commerce.
Jeremy Parr	Mr Parr joined the Board in 2015. He is general counsel of the Jardine Matheson group. He was previously a senior corporate partner with Linklaters, where he was the global head of the firm's corporate division, based in London. Mr Parr is also a director of Jardine Matheson Limited, Jardine Matheson and Mandarin Oriental.
Lord Sassoon, Kt	Lord Sassoon joined the Board in 2013. He began his career at KPMG, before joining SG Warburg (later UBS Warburg) in 1985. From 2002 to 2006 he was in the United Kingdom Treasury as a civil servant, where he had responsibility for financial services and enterprise policy. Following this, he chaired the Financial Action Task Force; and conducted a review of the UK's system of financial regulation. From 2010 to 2013 Lord Sassoon was the first Commercial Secretary to the Treasury and acted as the Government's Front Bench Treasury spokesman in the House of Lords. He is a director of Hongkong Land, Jardine Lloyd Thompson, Jardine Matheson and Mandarin Oriental. He is also chairman of the China-Britain Business Council.
Percy Weatherall	Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 2006. He first joined the Jardine Matheson group in 1976 and retired from executive office in 2006. He is also a director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental. He is chairman of Corney & Barrow and the Nith District Salmon Fishery Board.
John Witt	Mr Witt joined the Board in 2016, following his appointment as group finance director of Jardine Matheson. He is a Chartered Accountant and has an MBA from INSEAD. He has been with the Jardine Matheson group since 1993 during which time he has held a number of senior finance positions, most recently chief financial officer of Hongkong Land. He is also a director of Jardine Matheson Limited and a commissioner of Astra.

Our Leadership

Ian McLeod

Group Chief Executive

Mr McLeod was named Group Chief Executive of Dairy Farm in September 2017, having spent the previous two years as CEO of Southeastern Grocers, the fifth largest supermarket chain in the United States. With over 30 year's retail experience, Mr McLeod began his career with Asda (subsequently Wal-Mart) in 1981, where he spent 20 years working in the United Kingdom and Germany. Following this, he moved to Halfords where he became CEO in 2005. In 2008, he moved to Australia as Managing Director of Coles, overseeing 2,200 outlets and 100,000 employees. Whilst there he oversaw fundamental improvements in product quality and value as well as customer service. This resulted in Coles producing substantial increases in both turnover and profits, as well as significant market outperformance.

Mr McLeod attended the Harvard Business School Advanced Management Program in 1999 and was awarded an Honorary Doctorate in his native Scotland in 2010 for services to Business and Retail.

Neil Galloway

Group Finance Director

Mr Galloway joined the Board as Group Finance Director in 2013. He was previously Finance Director and Chief Financial Officer of The Hongkong and Shanghai Hotels from 2008.

Mr Galloway began his career in investment banking and he has held a range of senior positions in Hong Kong and the United Kingdom. He is also a commissioner of Hero.

Tongwen Zhao

Group Human Resources Director

Ms Zhao was appointed Group Human Resources Director of the Dairy Farm Group in July 2013. Prior to her appointment, she lived and worked in Singapore as Regional HR Director, Asia Pacific for Rentokil Initial. Ms Zhao began her career with Unilever in 1992 where she worked within Research & Development and Supply Chain functions. Following her career transition to Human Resources within Unilever, she had held several leadership roles in China, Thailand as well as Singapore.

Ms Zhao holds a Bachelor degree in Polymer Engineering from Tongji University in Shanghai, and an MBA from China Europe International Business School. She is also a supervisor of Yonghui Superstores.

Suzanne Wong

Group Commercial Director

Ms Wong was named the Group Commercial Director in May 2016 responsible for the Group's Own Brand, Quality Assurance, Fresh, General Merchandise and Non-trade Procurement functions. Ms Wong previously served as Group Corporate Brand Director responsible for the Group's Own Brand strategy, including product and brand development, marketing, group sourcing, quality assurance for Own Brand products across the Group from May 2009. Prior to joining Dairy Farm, Ms Wong lived and worked in Shanghai as the Vice President, Asia for the US sales and marketing consulting firm Daymon Worldwide covering mainland China, Asia, Korea and Japan; working with retail customers like Lotte, Mandai, the CP Group, Lianhua and Dairy Farm. Ms Wong began her career in Mars in the United Kingdom and has worked and lived in Asia with the company where she held senior roles in Regional Brand Management, Marketing, Sales and Business Development.

Ms Wong brings more than 20 years of brand marketing, product development and sourcing experience to her role. Born and educated in Singapore, Ms Wong holds a Bachelor's degree in Science in Economics from the University of Singapore.

Our Leadership

Sam Oh

Group CIO

Mr Oh joined Dairy Farm as the Group Chief Information Officer in 2015. Mr Oh has over 25 years of IT management experience in the retail industry. Mr Oh has led and built a number of global, sustainable, and transformational IT capabilities for multi-national organizations including Tesco, Fujitsu, and Lotus. Mr Oh has lived and worked in Shanghai, Hong Kong, Bangkok and the US. Mr Oh also founded and led a number of non-profit organizations to serve communities around the globe.

Mr Oh holds a Bachelor's degree in Mathematics and Computer Science from University of California, San Diego and completed the Executive Management Academy from University of California, Los Angeles.

Charlie Wood

Group Counsel

Mr Wood was appointed Group Counsel in January 2007. He was initially recruited in September 1999 to set up a legal department for Dairy Farm in Hong Kong, and subsequently became responsible for the legal affairs of Dairy Farm in North Asia before assuming his current role.

Mr Wood qualified as a solicitor in England and worked in private practice in London for three years before moving to Vietnam in 1995 to work for an international law firm.

Gordon Farquhar

Group Director, Health and Beauty

Mr Farquhar was appointed Group Director, Health and Beauty in November 2016. Prior to joining Dairy Farm, Mr Farquhar was Regional Managing Director for Europe and the Middle East of Walgreens Boots Alliance. He was previously based in New York as Managing Director of Boots Retail USA where he led Boots retail programmes following the integration of Walgreens and Alliance Boots. His career at Boots (over two separate periods) has spanned 25 years having begun as a store manager and newly qualified pharmacist 30 years ago.

Mr Farquhar holds a Bachelor degree in Pharmacy with honours from the University of Strathclyde and an MBA from the University of Nottingham.

Pierre-Olivier Deplanck

CEO, Malaysia and Brunei (Food)

Mr Deplanck was appointed Chief Executive Officer of Malaysia and Brunei (Food) in August 2016, responsible for the Group's food retail operations in Malaysia and Brunei.

Prior to the appointment, Mr Deplanck was Chief Executive Officer of Rustan Supercenters, Inc., leading the Group's food retail operations in the Philippines. He was initially recruited as Merchandise Director for Giant Singapore in 2007 and became Chief Executive Officer of Guardian Singapore in 2011.

Mr Deplanck has more than 25 years of retail experience in food and non-food retail, starting in France and developed most of his career over the last 20 years in Asia.

Choo Peng Chee

Regional Director, North Asia (Food)

Mr Choo was appointed Regional Director, North Asia (Food) in January 2013, covering all food related business units in Hong Kong, Macau, China and Taiwan. Mr Choo previously served as Chief Executive Officer for Wellcome Hong Kong from May 2010. Prior to that, he was Chief Executive Officer of Cold Storage, Market Place and Shop N Save in Singapore. Mr Choo joined the Dairy Farm Group in 2000.

Mr Choo brings more than 30 years of retail experience to his role and holds an MBA in Retailing from the University of Stirling, Scotland.

Irwin Lee

CEO, RSCI

Mr Lee joined in September 2016 as Chief Executive Officer of Rustan Supercenters, Inc. (RSCI). Prior to this, he served as a board director at Wm Morrison Supermarkets Plc and a senior advisor at McKinsey & Co.

Mr Lee started his career at Procter & Gamble (P&G) in the Philippines and rose to become Chief Financial Officer in Indonesia, Japan/Korea and Greater China. He then held General Manager and Managing Director roles in China and UK/Ireland, culminating as Regional CEO for P&G Northern Europe.

Mr Lee graduated Summa Cum Laude with an Accountancy degree from De La Salle University, and completed Executive Education program at IESE Business School, University of Navarra.

Stéphane Deutsch

President Director, PT Hero

Mr Deutsch was appointed President Director of PT Hero in July 2014. Mr Deutsch moved into the role from his prior position as Chief Executive Officer of Dairy Farm's operations in Vietnam, which he has held since August 2013. Prior to joining Dairy Farm, Mr Deutsch worked for Carrefour for 23 years in various Chief Financial Officer roles and as Chief Operating Officer for Carrefour South China. In 2010, Mr Deutsch became Chief Executive Officer of Carrefour Malaysia and Singapore. He is a French citizen with more than 25 years of experience in retail operations and finance roles across China, Malaysia, Singapore, Korea, Vietnam, Portugal and France.

Mr Deutsch has executive training from ESCP Paris.

Mark Herbert

CEO, Singapore and Cambodia (Food)

Mr Herbert was appointed Chief Executive Officer, Singapore (Food) in September 2015. He oversees the Dairy Farm Group's food related retail operations in Singapore and Cambodia, covering the Cold Storage, MarketPlace, Jasons's, Giant, 7-Eleven and Lucky supermarket and convenience banners.

Prior to joining Dairy Farm, Mr Herbert was Chief Executive of Jardine Motors Group's UK business where he successfully grew the business both via acquisition and organically through the implementation of a new operating strategy.

With an extensive experience in business transformation and integration, Mr Herbert joined the Jardine Matheson Group in 1997. Since then, he has held various senior management positions in different operations, including Cycle & Carriage in New Zealand, Jardine Pacific, Jardine Aviation and Gammon Construction in Hong Kong and PT United Tractors Tbk in Jakarta, Indonesia. Mr Herbert began his professional career in Corporate Recovery in New Zealand followed by the UK.

Martin Lindström

Group Director, IKEA

Mr Lindström was appointed Group Director, IKEA in January 2013 with responsibilities for the Group's IKEA operations in Taiwan, Hong Kong and Indonesia. Prior to that, he was General Manager of IKEA Taiwan in 2007 and subsequently CEO of the Dairy Farm IKEA business in 2010.

Mr Lindström has more than 20 years' experience in a variety of senior positions with the IKEA business in Europe, Eastern Europe and more than nine years in the Asia Pacific region.

Consolidated Profit and Loss Account

for the year ended 31st December 2017

		2017			2016		
		Underlying business performance	**Non-trading items**	**Total**	Underlying business performance	Non-trading items	Total
	Note	**US$m**	**US$m**	**US$m**	US$m	US$m	US$m
Sales	*4*	**11,288.7**	**–**	**11,288.7**	11,200.7	–	11,200.7
Cost of sales		**(7,856.1)**	**–**	**(7,856.1)**	(7,815.2)	–	(7,815.2)
Gross margin		**3,432.6**	**–**	**3,432.6**	3,385.5	–	3,385.5
Other operating income		**182.4**	**0.5**	**182.9**	171.8	6.2	178.0
Selling and distribution costs		**(2,714.1)**	**–**	**(2,714.1)**	(2,634.9)	–	(2,634.9)
Administration and other operating expenses		**(533.5)**	**–**	**(533.5)**	(469.8)	–	(469.8)
Operating profit	*5*	**367.4**	**0.5**	**367.9**	452.6	6.2	458.8
Financing charges		**(28.0)**	**–**	**(28.0)**	(23.3)	–	(23.3)
Financing income		**1.7**	**–**	**1.7**	1.5	–	1.5
Net financing charges	*6*	**(26.3)**	**–**	**(26.3)**	(21.8)	–	(21.8)
Share of results of associates and joint ventures	*7*	**143.4**	**0.8**	**144.2**	114.5	3.7	118.2
Profit before tax		**484.5**	**1.3**	**485.8**	545.3	9.9	555.2
Tax	*8*	**(92.5)**	**(0.4)**	**(92.9)**	(85.1)	–	(85.1)
Profit after tax		**392.0**	**0.9**	**392.9**	460.2	9.9	470.1
Attributable to:							
Shareholders of the Company		**402.6**	**0.9**	**403.5**	460.2	8.8	469.0
Non-controlling interests		**(10.6)**	**–**	**(10.6)**	–	1.1	1.1
		392.0	**0.9**	**392.9**	460.2	9.9	470.1
		US¢		**US¢**	US¢		US¢
Earnings per share	*9*						
– basic		**29.77**		**29.83**	34.03		34.69
– diluted		**29.76**		**29.82**	34.02		34.68

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2017

	Note	2017 US$m	2016 US$m
Profit for the year		**392.9**	470.1
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	*21*	**19.2**	20.9
Tax relating to items that will not be reclassified		**(2.6)**	(4.4)
		16.6	16.5
Share of other comprehensive income/(expense) of associates and joint ventures		**5.4**	(1.1)
		22.0	15.4
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net gain/(loss) arising during the year		**38.0**	(7.3)
Revaluation of other investments			
– gain/(loss) arising during the year	*14*	**1.0**	(0.9)
Cash flow hedges			
– net (loss)/gain arising during the year		**(1.8)**	2.0
– transfer to profit and loss		**0.2**	(0.4)
		(1.6)	1.6
Tax relating to items that may be reclassified		**0.1**	(0.1)
Share of other comprehensive income/(expense) of associates and joint ventures		**68.6**	(76.4)
		106.1	(83.1)
Other comprehensive income/(expense) for the year, net of tax		**128.1**	(67.7)
Total comprehensive income for the year		**521.0**	402.4
Attributable to:			
Shareholders of the Company		**532.8**	398.0
Non-controlling interests		**(11.8)**	4.4
		521.0	402.4

Consolidated Balance Sheet

at 31st December 2017

	Note	2017 US$m	2016 US$m
Net operating assets			
Intangible assets	*11*	**814.7**	765.1
Tangible assets	*12*	**1,184.2**	1,099.5
Associates and joint ventures	*13*	**1,601.0**	1,461.8
Other investments	*14*	**6.9**	5.9
Non-current debtors	*15*	**162.6**	150.8
Deferred tax assets	*16*	**26.4**	29.0
Non-current assets		**3,795.8**	3,512.1
Stocks		**950.0**	983.1
Current debtors	*15*	**350.7**	290.5
Current tax assets		**27.1**	16.8
Bank balances and other liquid funds	*17*	**332.4**	323.8
		1,660.2	1,614.2
Assets classified as held for sale		**11.2**	2.6
Current assets		**1,671.4**	1,616.8
Current creditors	*18*	**(2,469.5)**	(2,327.9)
Current borrowings	*19*	**(412.7)**	(369.6)
Current tax liabilities		**(71.6)**	(58.6)
Current provisions	*20*	**(52.5)**	(14.8)
		(3,006.3)	(2,770.9)
Liabilities directly associated with assets classified as held for sale		**(6.2)**	–
Current liabilities		**(3,012.5)**	(2,770.9)
Net current liabilities		**(1,341.1)**	(1,154.1)
Long-term borrowings	*19*	**(522.0)**	(595.0)
Deferred tax liabilities	*16*	**(62.7)**	(56.6)
Pension liabilities	*21*	**(34.2)**	(52.4)
Non-current creditors	*18*	**(42.7)**	(42.9)
Non-current provisions	*20*	**(37.4)**	(31.7)
Non-current liabilities		**(699.0)**	(778.6)
		1,755.7	1,579.4
Total equity			
Share capital	*22*	**75.1**	75.1
Share premium and capital reserves	*24*	**57.9**	59.4
Revenue and other reserves		**1,557.0**	1,370.8
Shareholders' funds		**1,690.0**	1,505.3
Non-controlling interests		**65.7**	74.1
		1,755.7	1,579.4

Approved by the Board of Directors

Ben Keswick
Ian McLeod
Directors

8th March 2018

Consolidated Statement of Changes in Equity

for the year ended 31st December 2017

	Attributable to shareholders of the Company						
	Share capital US$m	Share premium US$m	Capital reserves US$m	Revenue and other reserves US$m	Total US$m	Attributable to non-controlling interests US$m	Total equity US$m
2017							
At 1st January	75.1	31.1	28.3	1,370.8	1,505.3	74.1	**1,579.4**
Total comprehensive income	–	–	–	532.8	532.8	(11.8)	**521.0**
Dividends paid by the Company	–	–	–	(284.0)	(284.0)	–	**(284.0)**
Dividends paid to non-controlling interests	–	–	–	–	–	(0.5)	**(0.5)**
Unclaimed dividends forfeited	–	–	–	0.6	0.6	–	**0.6**
Employee share option schemes	–	–	1.6	–	1.6	–	**1.6**
Change in interests in subsidiaries	–	–	–	(66.4)	(66.4)	6.3	**(60.1)**
Change in interests in associates and joint ventures	–	–	–	0.1	0.1	–	**0.1**
Capital repayment to non-controlling interests	–	–	–	–	–	(2.4)	**(2.4)**
Transfer	–	2.0	(5.1)	3.1	–	–	**–**
At 31st December	**75.1**	**33.1**	**24.8**	**1,557.0**	**1,690.0**	**65.7**	**1,755.7**
2016							
At 1st January	75.1	31.1	30.2	1,239.4	1,375.8	79.4	1,455.2
Total comprehensive income	–	–	–	398.0	398.0	4.4	402.4
Dividends paid by the Company	–	–	–	(270.4)	(270.4)	–	(270.4)
Dividends paid to non-controlling interests	–	–	–	–	–	(3.1)	(3.1)
Unclaimed dividends forfeited	–	–	–	0.6	0.6	–	0.6
Employee share option schemes	–	–	1.3	–	1.3	–	1.3
Change in interest in a subsidiary	–	–	–	–	–	(2.2)	(2.2)
Capital repayment to non-controlling interests	–	–	–	–	–	(4.4)	(4.4)
Transfer	–	–	(3.2)	3.2	–	–	–
At 31st December	75.1	31.1	28.3	1,370.8	1,505.3	74.1	1,579.4

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$403.5 million *(2016: US$469.0 million)* and net fair value loss on other investments of US$0.9 million *(2016: US$0.6 million)*. Cumulative net fair value gain on other investments amounted to US$3.9 million *(2016: US$4.8 million)*.

Consolidated Cash Flow Statement

for the year ended 31st December 2017

	Note	2017 US$m	2016 US$m
Operating activities			
Operating profit	*5*	**367.9**	458.8
Depreciation and amortization	*28(a)*	**221.0**	212.8
Other non-cash items	*28(b)*	**16.1**	8.4
Decrease/(increase) in working capital	*28(c)*	**92.1**	(97.1)
Interest received		**1.6**	1.3
Interest and other financing charges paid		**(28.0)**	(22.0)
Tax paid		**(84.3)**	(85.3)
		586.4	476.9
Dividends from associates and joint ventures		**84.9**	66.0
Cash flows from operating activities		**671.3**	542.9
Investing activities			
Purchase of associates and joint ventures	*28(d)*	**(5.8)**	(197.0)
Purchase of intangible assets		**(60.9)**	(32.1)
Purchase of tangible assets		**(218.4)**	(212.5)
Sale of convenience stores in Indonesia and restaurants in Cambodia		**–**	5.1
Sale of properties	*28(e)*	**3.2**	7.2
Sale of tangible assets		**1.3**	1.3
Cash flows from investing activities		**(280.6)**	(428.0)
Financing activities			
Change in interests in subsidiaries	*28(f)*	**(60.1)**	(2.2)
Capital repayment to non-controlling interests		**(2.4)**	(4.4)
Drawdown of borrowings	*19*	**851.0**	1,769.7
Repayment of borrowings	*19*	**(1,014.2)**	(1,660.6)
Net increase in other short-term borrowings	*19*	**122.3**	128.5
Dividends paid by the Company	*25*	**(284.0)**	(270.4)
Dividends paid to non-controlling interests		**(0.5)**	(3.1)
Cash flows from financing activities		**(387.9)**	(42.5)
Net increase in cash and cash equivalents		**2.8**	72.4
Cash and cash equivalents at 1st January		**322.6**	256.7
Effect of exchange rate changes		**9.1**	(6.5)
Cash and cash equivalents at 31st December	*28(g)*	**334.5**	322.6

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared on a going concern basis and under the historical cost convention except as disclosed in the accounting policies below.

There are no new standards or amendments, which are effective in 2017 and relevant to the Group's operations, that have a material impact on the Group's accounting policies and disclosures.

New standards and amendments effective after 2017 which are relevant to the Group's operations and yet to be adopted:

A number of new standards and amendments, which are effective for accounting periods beginning after 2017, have been published and will be adopted by the Group from their effective dates. The Group's assessment of the impact of these standards and amendments is set out below.

IFRS 9 Financial Instruments (effective from 1st January 2018)
The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement', addresses the classification, measurement and derecognition of financial assets and liabilities, and includes a new expected credit losses model for financial assets that replaces the incurred loss impairment model used today. A substantially-reformed approach to hedging accounting is introduced.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities. At 31st December 2017, the Group had investment in club debentures classified as non-current available-for-sale financial assets with a fair value of US$6.9 million. Under IFRS 9, the gains and losses arising from changes in fair value of these investments will be recognized in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments will be classified as non-trading items. The above change will not have any impact on the Group's underlying profit attributable to shareholders and shareholders' funds. Based on the assessment undertaken to date, the impact to the Group's earnings is expected to be insignificant. The new loan impairment model will also have no impact to the Group as the sales to customers are made in cash or by major credit cards.

The accounting for hedging instruments under the new hedge accounting rules will be closely aligned with the Group's risk management practices.

IFRS 15 Revenue from Contracts with Customers (effective from 1st January 2018)
The standard establishes a comprehensive framework for the recognition of revenue. It replaces IAS 11 'Construction Contracts' and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in the framework is that revenue is recognized when control of a good or service transfers to a customer. The Group recognizes the revenue when the goods are transferred to customers and when the services are performed at a point in time. Based on the Group's assessment, the impact of IFRS 15 on the Group's financial statements will be insignificant.

1. Principal Accounting Policies continued

Basis of preparation continued

IFRS 16 Leases (effective from 1st January 2019)
The standard replaces IAS 17 'Leases' and related interpretations. It will result in lessees bringing almost all of their leases onto the balance sheet as the distinction between operating leases and finance leases is removed. The model requires a lessee to recognize a right-of-use asset and a lease liability, except for leases with a term of less than 12 months or with low-value. IFRS 16 will affect primarily the accounting for the Group's operating leases. As at 31st December 2017, the Group had total commitments under operating leases of US$2,903.7 million *(note 30)*. The accounting for lessors will not change significantly.

The Group is currently finalizing the detailed assessment on its lease portfolio and at the date of this report, it is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Apart from the above, there are no other standards or amendments that are not yet effective and that would be expected to have a material impact to the Group.

The principal operating subsidiaries, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The functional currency of the Company is United States dollars. The consolidated financial statements are presented in United States dollars.

The Group's reportable segments are set out in notes 4, 5 and 7 and are described on page 63.

Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's interests in associates and joint ventures.

(ii) A subsidiary is an entity 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition includes the fair value at the acquisition date of any contingent consideration. The Group recognizes the non-controlling interest's proportionate share of the recognized identifiable net assets of the acquired subsidiary. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognized in profit and loss.

All material intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated.

1. Principal Accounting Policies continued

Basis of consolidation continued

(iii) An associate is an entity, not being a subsidiary or joint venture, over which the Group exercises significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates and joint ventures are included on the equity basis of accounting.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognized in the consolidated financial statements only to the extent of unrelated investor's interests in the associates and joint ventures.

(iv) Non-controlling interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

(v) The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal, respectively. The results of entities other than subsidiaries, associates and joint ventures are included to the extent of dividends received when the right to receive such dividend is established.

Foreign currencies

Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiaries, associates and joint ventures, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into United States dollars at the rates of exchange ruling at the year end. Results expressed in foreign currencies are translated into United States dollars at the average rates of exchange ruling during the year, which approximate the exchange rates at the dates of the transactions.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognized in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, such exchange differences are recognized in profit and loss. Exchange differences on available-for-sale investments are recognized in other comprehensive income as part of the gains and losses arising from changes in their fair value. Exchange differences relating to changes in the amortized cost of monetary securities classified as available-for-sale and all other exchange differences are recognized in profit and loss.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1st January 2003 are treated as assets and liabilities of the foreign entity and translated into United States dollars at the rate of exchange ruling at the year end.

1. Principal Accounting Policies continued

Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever there is an indication that the assets may be impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is a separately identifiable cash flow. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the units may be impaired. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment annually.

Intangible assets

(i) Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree over the acquisition-date fair value of the Group's share of the net identifiable assets acquired. Non-controlling interests are measured at their proportionate share of the net identifiable assets at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

The profit or loss on disposal of subsidiaries, associates and joint ventures is stated after deducting the carrying amount of goodwill relating to the entity sold.

(ii) Leasehold land represents payments to third parties to acquire short-term interests in property. These payments are stated at cost and are amortized over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

(iii) Other intangible assets, consist of trademarks and computer software, are stated at cost less accumulated amortization. Amortization is calculated on the straight line basis to allocate the cost of intangible assets over their estimated useful lives. Trademarks with indefinite useful lives are not subject to amortization.

Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at cost less any accumulated depreciation and impairment. Long-term interests in leasehold land are classified as finance leases and grouped under tangible assets if substantially all risks and rewards relating to the land have been transferred to the Group, and are amortized over the useful life of the lease. Grants related to tangible assets are deducted in arriving at the carrying amount of the assets. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

1. Principal Accounting Policies continued

Tangible fixed assets and depreciation continued

Depreciation of tangible fixed assets is calculated on the straight line basis to allocate the cost of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The estimated useful lives are as follows:

Freehold properties	25 – 40 years
Leasehold properties	Shorter of the lease term or useful life
Leasehold improvements	Shorter of unexpired lease term or useful life
Leasehold land	Over period of the lease
Plant and machinery	3 – 15 years
Furniture, equipment and motor vehicles	3 – 7 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The profit or loss on disposal of tangible fixed assets is recognized by reference to their carrying amount.

Investments

(i) Available-for-sale investments are shown at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously deferred in equity is recognized in profit and loss. Investments are classified under non-current assets unless they are expected to be realized within 12 months after the balance sheet date.

(ii) At each balance sheet date, the Group assesses whether there is objective evidence that an investment is impaired.

(iii) All purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the investment.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight line basis over the period of the lease. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the year in which termination takes place.

Stocks

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis or by the first-in, first-out method and comprises purchase price less rebates. A stock provision is booked for cases where the realizable value from sale of the stock is estimated to be lower than the carrying value.

Notes to the Financial Statements

1. Principal Accounting Policies continued

Debtors

Trade and other debtors, excluding derivative financial instruments, are measured at amortized cost except where the effect of discounting would be immaterial. Provision for impairment is established when there is objective evidence that the outstanding amounts will not be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the debtor is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks, and bank and cash balances, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method. All borrowing costs are expensed as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized 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 Group operates and generates 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 tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

1. Principal Accounting Policies continued

Current and deferred tax continued

Provision for deferred tax is made on the revaluation of certain non-current assets and, in relation to acquisitions, on the difference between the fair value of the net assets acquired and their tax base. Deferred tax is provided on temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Employee benefits

(i) Pension obligations

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to profit and loss spreading the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the year in which they occur.

Past service costs are recognized immediately in profit and loss.

The Group's total contributions relating to the defined contribution plans are charged to profit and loss in the year to which they relate.

(ii) Share-based compensation

The Company operates a number of equity-settled employee share option schemes. The fair value of the employee services received in exchange for the grant of the options in respect of options granted after 7th November 2002 is recognized 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 as determined on the grant date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognized in profit and loss.

Non-current assets and disposal group held for sale

Non-current assets and disposal group are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are expected to be recovered principally through a sale transaction rather than through continuing use. Once classified as held for sale, the assets are no longer amortized or depreciated.

1. Principal Accounting Policies continued

Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of the fair value of a recognized asset or liability ('fair value hedge'), or a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment ('cash flow hedge'), or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualified as fair value hedges and that are highly effective, are recognized in profit and loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit and loss over the residual period to maturity.

Changes in the fair value of derivatives that are designated and qualified as cash flow hedges and that are highly effective, are recognized in other comprehensive income and accumulated in equity under hedging reserves. Changes in the fair value relating to the ineffective portion are recognized immediately in profit and loss. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in hedging reserves are transferred from hedging reserves and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in hedging reserves are transferred to profit and loss in the same periods during which the hedged firm commitment or forecasted transaction affects profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserves at that time remains in the hedging reserves and is recognized when the committed or forecasted transaction ultimately is recognized in profit and loss. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to profit and loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in profit and loss.

The fair value of derivatives which are designated and qualified as effective hedges is classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than 12 months after the balance sheet date.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

1. Principal Accounting Policies continued

Earnings per share

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the shares held by the Trustee under the Share-based Long-term Incentive Plans. For the purpose of calculating diluted earnings per share, profit attributable to shareholders is adjusted for the effects of the conversion of dilutive potential ordinary shares, and the weighted average number of shares is adjusted for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

Dividends

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

Sales

Sales consist of the fair value of goods sold to customers, net of returns, discounts and sales related taxes. This does not include sales generated by associates and joint ventures. Sale of goods is recognized at the point of sale, when the significant risks and rewards of ownership of the goods have been transferred to customers, is recorded at the net amount received from customers.

Buying income

Supplier incentives, rebates and discounts are collectively referred to as buying income. Buying income is recognized when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract.

The income is recognized as a credit within cost of sales. Where the income earned relates to stocks which are held by the Group at period ends, the income is included within the cost of those stocks, and recognized in cost of sales upon sale of those stocks. The accrued value at the reporting date is included in trade receivables or trade payables, depending on the right of offset.

The key types of buying income which the Group receives include:
- Discounts and incentives relate to individual unit sales.
- Sales volume-based incentives based on achieving certain purchases on promotion for an event or a period.
- Conditional incentives subject to satisfaction of certain conditions by the Group.
- Fixed amounts agreed with suppliers for supporting in-store activity.

Other operating income

Other operating income primarily comprises income from concessions, service income and rental income. Concessions and service income are based on the Group's contractual commission. Rental income is accounted for as earned.

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

2. Financial Risk Management

Financial risk factors

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

The Group's treasury function co-ordinates financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2017 are disclosed in note 29.

(i) Market risk

Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk arising from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group uses forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments and manage foreign exchange risk arising from future commercial transactions. The purpose of these hedges is to mitigate the impact of movements in foreign exchange rates on assets and liabilities and the profit and loss account of the Group.

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. There are no significant monetary balances held by Group companies at 31st December 2017 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments including interest rate swaps. The Group monitors interest rate exposure on a regular basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its long-term non-working capital gross borrowings in fixed rate instruments. At 31st December 2017, the Group's fixed rate borrowings were 38% *(2016: 32%)* on long-term borrowings, with an average tenor of 1.2 years *(2016: 2.2 years)*. The interest rate profile of the Group's borrowings after taking into account hedging transactions is set out in note 19.

2. Financial Risk Management continued

Financial risk factors continued

(i) Market risk continued

Interest rate risk continued

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by entering into interest rate swaps for a maturity of up to five years. Interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate.

At 31st December 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$5.0 million *(2016: US$5.7 million)* higher/lower, and hedging reserves would have been US$2.0 million *(2016: US$4.4 million)* higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Malaysian and Hong Kong rates, over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

(ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and credit exposures to derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2017, 88% *(2016: 90%)* of deposits and balances with banks were made to institutions with credit ratings of no less than A- (Fitch). Similarly, transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

Sales to customers are made in cash or by major credit cards. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

2. Financial Risk Management continued

Financial risk factors continued

(iii) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders, and by monitoring rolling short-term forecasts of the Group's cash and gross debt on the basis of expected cash flows. Long-term cash flows are projected to assist with the Group's long-term debt financing plans. In addition, the Group has implemented a global liquidity cash pooling scheme since the end of 2015, which enables the Group to manage and optimize its working capital funding requirement on a daily basis.

At 31st December 2017, total available borrowing facilities amounted to US$2,064.7 million *(2016: US$1,914.5 million)*, of which US$1,232.2 million *(2016: US$1,249.4 million)* are committed facilities. A total of US$934.7 million *(2016: US$964.6 million)* from both committed and uncommitted facilities was drawn down. Undrawn committed facilities, in the form of revolving credit facilities, totalled US$482.8 million *(2016: US$388.4 million)*.

The following table analyzes the Group's non-derivative financial liabilities, net-settled derivative financial liabilities and gross-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
At 31st December 2017							
Creditors	2,465.4	12.9	26.1	0.4	0.3	2.9	**2,508.0**
Borrowings	429.6	307.9	21.3	208.3	–	–	**967.1**
Net-settled derivative financial instruments	–	–	–	–	–	–	**–**
Gross-settled derivative financial instruments							
– inflow	163.8	150.0	–	–	–	–	**313.8**
– outflow	165.3	148.8	–	–	–	–	**314.1**
At 31st December 2016							
Creditors	2,324.8	14.1	1.1	25.2	0.1	2.4	2,367.7
Borrowings	387.9	11.8	307.3	6.3	296.2	–	1,009.5
Net-settled derivative financial instruments	–	–	–	–	–	–	–
Gross-settled derivative financial instruments							
– inflow	548.8	–	–	–	–	–	548.8
– outflow	548.5	–	–	–	–	–	548.5

2. Financial Risk Management continued

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximize benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated balance sheet plus net debt.

The Group regularly reviews its capital structure by taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, repurchase Company shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying operating profit and share of results of associates and joint ventures divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2017 and 2016 are as follows:

	2017	2016
Gearing ratio (%)	**34**	41
Interest cover (times)	**19**	26

Fair value estimation

(i) Financial instruments that are measured at fair value

For financial instruments that are measured at fair value in the balance sheet, the corresponding fair value measurements are disclosed by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')
The fair values of listed securities, which are classified as available-for-sale, are based on quoted prices in active markets at the balance sheet date.

(b) Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')
The fair values of all interest rate swaps and forward foreign exchange contracts are determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to market interest rates and foreign exchange rates.

The fair values of unlisted investments, which are classified as available-for-sale and mainly include club debentures, are determined by market prices quoted by brokers at the balance sheet date.

2. Financial Risk Management continued

Fair value estimation continued

(i) Financial instruments that are measured at fair value continued

(c) Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')
The fair values of other unlisted securities, which are classified as available-for-sale, are determined using valuation techniques by reference to observable current market transactions or the market prices of the underlying investments with certain degree of entity specific estimates.

There were no changes in valuation techniques during the year.

The table below analyzes financial instruments carried at fair value measured by observable current market transactions.

	2017 US$m	2016 US$m
Assets		
Available-for-sale financial assets		
– unlisted investments *(note 14)*	**6.9**	5.9
Derivatives designated at fair value *(note 29)*		
– through other comprehensive income/(expense)	**2.7**	2.6
– through profit and loss	**0.7**	0.4
	10.3	8.9
Liabilities		
Derivatives designated at fair value *(note 29)*		
– through other comprehensive income/(expense)	**(2.3)**	(0.6)
	(2.3)	(0.6)

(ii) Financial instruments that are not measured at fair value

The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are based on market prices or are estimated using the expected future payments discounted at market interest rates.

2. Financial Risk Management continued

Fair value estimation continued

Financial instruments by category

The carrying amounts of financial assets and financial liabilities at 31st December 2017 and 2016 are as follows:

	Loans and receivables	Derivatives used for hedging	Available-for-sale	Other financial instruments at amortized cost	Other financial instruments at fair value through profit and loss	Total carrying amounts
	US$m	US$m	US$m	US$m	US$m	US$m
2017						
Assets						
Other investments	–	–	6.9	–	–	**6.9**
Debtors	161.3	2.7	–	–	0.7	**164.7**
Bank balances and other liquid funds	332.4	–	–	–	–	**332.4**
	493.7	**2.7**	**6.9**	**–**	**0.7**	**504.0**
Liabilities						
Borrowings	–	–	–	(934.7)	–	**(934.7)**
Trade and other payables excluding non-financial liabilities	–	(2.3)	–	(2,508.0)	–	**(2,510.3)**
	–	**(2.3)**	**–**	**(3,442.7)**	**–**	**(3,445.0)**
2016						
Assets						
Other investments	–	–	5.9	–	–	5.9
Debtors	125.3	2.6	–	–	0.4	128.3
Bank balances and other liquid funds	323.8	–	–	–	–	323.8
	449.1	2.6	5.9	–	0.4	458.0
Liabilities						
Borrowings	–	–	–	(964.6)	–	(964.6)
Trade and other payables excluding non-financial liabilities	–	(0.6)	–	(2,367.7)	–	(2,368.3)
	–	(0.6)	–	(3,332.3)	–	(3,332.9)

The fair values of financial assets and financial liabilities approximate their carrying amounts.

3. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

Acquisition of subsidiaries, associates and joint ventures

The initial accounting on the acquisition of subsidiaries, associates and joint ventures involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of leasehold land and tangible assets are determined by independent valuers by reference to market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

On initial acquisition or acquisition of further interests in an entity, an assessment of the level of control or influence exercised by the Group is required. For entities where the Group has a shareholding of less than 50%, an assessment of the Group's level of voting rights, board representation and other indicators of influence is performed to consider whether the Group has de facto control, requiring consolidation of that entity, or significant influence, requiring classification as an associate.

Impairment of assets

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less costs to sell and its value in use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilized. The outcome of their actual utilization may be different.

3. Critical Accounting Estimates and Judgements continued

Buying income

The Group receives supplier incentives, rebates and discounts (buying income) which are deducted from cost of sales on an accrual basis. Management is required to make estimates in determining the expected entitlement which has been earned up to the balance sheet date for each relevant supplier contract and the timing of recognition.

There is limited estimation involved in recognizing income for fixed amounts agreed with suppliers.

4. Sales

	Including associates and joint ventures		Subsidiaries	
	2017	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m
Analysis by operating segment:				
Food	**16,148.7**	15,174.7	**8,038.3**	8,167.9
– Supermarkets/hypermarkets	**14,128.7**	13,224.1	**6,018.3**	6,217.3
– Convenience stores	**2,020.0**	1,950.6	**2,020.0**	1,950.6
Health and Beauty	**2,787.2**	2,632.8	**2,597.4**	2,435.9
Home Furnishings	**653.0**	596.9	**653.0**	596.9
Restaurants	**2,238.1**	2,019.2	**–**	–
	21,827.0	20,423.6	**11,288.7**	11,200.7

Sales including associates and joint ventures comprise 100% of sales from associates and joint ventures.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board for the purpose of resource allocation and performance assessment. Dairy Farm operates in four segments: Food, Health and Beauty, Home Furnishings and Restaurants. Food comprises supermarket, hypermarket and convenience store businesses (including the Group's associate, Yonghui, a leading supermarket/hypermarket retailer in mainland China). Health and Beauty comprises the health and beauty businesses. Home Furnishings is the Group's IKEA businesses. Restaurants is the Group's catering associate, Maxim's, a leading Hong Kong restaurant chain.

Set out below is an analysis of the Group's sales by geographical locations:

	Including associates and joint ventures		Subsidiaries	
	2017	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m
Analysis by geographical area:				
North Asia	**17,153.6**	15,601.1	**6,870.9**	6,594.2
Southeast Asia	**4,673.4**	4,822.5	**4,417.8**	4,606.5
	21,827.0	20,423.6	**11,288.7**	11,200.7

The geographical areas covering North Asia and Southeast Asia, are determined by the geographical location of customers. North Asia comprises Hong Kong, mainland China, Macau and Taiwan. Southeast Asia comprises Singapore, Cambodia, the Philippines, Malaysia, Indonesia, Vietnam and Brunei.

5. Operating Profit

	2017 US$m	2016 US$m
Analysis by operating segment:		
Food	**220.0**	267.2
– Supermarkets/hypermarkets	**135.1**	193.7
– Convenience stores	**84.9**	73.5
Health and Beauty	**209.9**	175.5
Home Furnishings	**68.0**	70.6
	497.9	513.3
Store support centre	**(57.7)**	(60.7)
	440.2	452.6
Business change costs	**(72.8)**	–
	367.4	452.6
Non-trading items:		
– profit on sale of properties	**0.5**	3.0
– net closure costs reversal for convenience stores in Indonesia	**–**	2.2
– profit on sale of restaurants in Cambodia	**–**	1.0
	367.9	458.8

Business change costs

In order to provide shareholders with further information on the performance of the business, underlying operating profit and underlying profit attributable to shareholders are further analyzed below:

	Underlying operating profit		Underlying profit attributable to shareholders	
	2017 US$m	2016 US$m	2017 US$m	2016 US$m
As reported	**367.4**	452.6	**402.6**	460.2
Business change costs	**72.8**	–	**64.5**	–
Adjusted profit	**440.2**	452.6	**467.1**	460.2

Following a review of the Food businesses in Southeast Asia, management took the decision to exit various stores and stock categories, a charge of US$61.1 million was recognized in the profit and loss. In addition, a restructuring cost of US$11.7 million for the Group was also recognized in the profit and loss.

5. Operating Profit continued

Set out below is an analysis of the Group's operating profit by geographical locations:

	2017 US$m	2016 US$m
Analysis by geographical area:		
North Asia	**457.7**	416.4
Southeast Asia	**40.2**	96.9
	497.9	513.3
Store support centre	**(57.7)**	(60.7)
Adjusted underlying operating profit	**440.2**	452.6

The following items have been (charged)/credited in arriving at operating profit:

	2017 US$m	2016 US$m
Cost of stocks recognized as expense	**(7,818.1)**	(7,787.6)
Amortization of intangible assets *(note 11)*	**(21.7)**	(16.8)
Depreciation of tangible assets *(note 12)*	**(199.3)**	(196.0)
Write down of stocks	**(9.4)**	(1.2)
Reversal of write down of stocks	**6.7**	2.5
Employee benefit expense		
– salaries and benefits in kind	**(1,065.4)**	(1,022.1)
– share options granted *(note 24)*	**(1.6)**	(1.3)
– defined benefit pension plans *(note 21)*	**(19.5)**	(25.2)
– defined contribution pension plans	**(51.4)**	(49.3)
	(1,137.9)	(1,097.9)
Operating lease expenses		
– minimum lease payments	**(932.1)**	(901.8)
– contingent rents	**(35.0)**	(29.9)
– subleases	**39.8**	47.8
	(927.3)	(883.9)
Auditors' remuneration		
– audit	**(3.4)**	(4.0)
– non-audit services	**(1.3)**	(1.1)
	(4.7)	(5.1)
Concession and service income	**145.4**	139.8
Rental income from properties	**27.9**	27.8
Net foreign exchange gains	**4.7**	0.7
Loss on sale of tangible and intangible assets	**(10.1)**	(9.9)

6. Net Financing Charges

	2017 **US$m**	2016 US$m
Interest expense – bank loans and advances	**(23.7)**	(19.0)
Commitment and other fees	**(4.3)**	(4.3)
Financing charges	**(28.0)**	(23.3)
Financing income	**1.7**	1.5
	(26.3)	(21.8)

7. Share of Results of Associates and Joint Ventures

	2017 **US$m**	2016 US$m
Analysis by operating segment:		
Food – Supermarkets/hypermarkets	**54.0**	35.6
Health and Beauty	**(5.0)**	(5.3)
Restaurants	**95.2**	87.9
	144.2	118.2

Share of results of associates and joint ventures in 2017 included the share of a net gain of US$0.8 million on the disposal of an investment by Yonghui Superstores Co., Ltd ('Yonghui'), while in 2016, it included the share of a net gain of US$3.7 million on the disposal of interest in an associate by Yonghui *(note 10)*.

Results are shown after tax and non-controlling interests in the associates and joint ventures.

8. Tax

	2017	2016
	US$m	US$m
Tax charged to profit and loss is analyzed as follows:		
Current tax	**(86.9)**	(82.0)
Deferred tax	**(6.0)**	(3.1)
	(92.9)	(85.1)
Reconciliation between tax expense and tax at the applicable tax rate:*		
Tax at applicable tax rate	**(49.7)**	(67.9)
Income not subject to tax	**4.9**	6.2
Expenses not deductible for tax purposes	**(15.7)**	(12.9)
Tax losses and temporary differences not recognized	**(17.8)**	(4.1)
Utilization of previously unrecognized tax losses	**0.1**	1.2
Utilization of previously unrecognized temporary differences	**0.2**	–
Deferred tax assets written off	**–**	(1.7)
Over provision in prior years	**3.0**	1.9
Withholding tax	**(16.5)**	(8.1)
Other	**(1.4)**	0.3
	(92.9)	(85.1)
Tax relating to components of other comprehensive income/(expense) is analyzed as follows:		
Remeasurements of defined benefit plans	**(2.6)**	(4.4)
Revaluation of other investments	**(0.2)**	0.2
Cash flow hedges	**0.3**	(0.3)
	(2.5)	(4.5)

Share of tax charge of associates and joint ventures of US$32.0 million *(2016: US$29.4 million)* is included in share of results of associates and joint ventures.

* The applicable tax rate for the year was 14.5% *(2016: 15.5%)* and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in applicable tax rate was mainly attributable to a change in the geographic mix of the Group's profit.

9. Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$403.5 million *(2016: US$469.0 million)*, and on the weighted average number of 1,352.4 million *(2016: 1,352.2 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$403.5 million *(2016: US$469.0 million)*, and on the weighted average number of shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

The weighted average number of shares is arrived at as follows:

	Ordinary shares in millions	
	2017	2016
Weighted average number of shares for basic earnings per share calculation	**1,352.4**	1,352.2
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**0.6**	0.3
Weighted average number of shares for diluted earnings per share calculation	**1,353.0**	1,352.5

Additional basic and diluted earnings per share are also calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	2017			2016		
		Basic earnings per share	**Diluted earnings per share**		Basic earnings per share	Diluted earnings per share
	US$m	**US¢**	**US¢**	US$m	US¢	US¢
Profit attributable to shareholders	**403.5**	**29.83**	**29.82**	469.0	34.69	34.68
Non-trading items *(note 10)*	**(0.9)**			(8.8)		
Underlying profit attributable to shareholders	**402.6**	**29.77**	**29.76**	460.2	34.03	34.02

10. Non-trading Items

An analysis of non-trading items after interest, tax and non-controlling interests is set out below:

	2017	2016
	US$m	US$m
Profit on sale of properties	**0.1**	2.5
Net closure costs reversal for convenience stores in Indonesia	**–**	1.9
Profit on sale of restaurants in Cambodia	**–**	0.7
Share of net gain from disposal of an investment/an associate by Yonghui	**0.8**	3.7
	0.9	8.8

11. Intangible Assets

	Goodwill US$m	Leasehold land US$m	Computer software US$m	Other US$m	Total US$m
2017					
Cost	562.6	95.6	134.2	44.0	**836.4**
Amortization and impairment	(0.3)	(9.2)	(48.8)	(13.0)	**(71.3)**
Net book value at 1st January	562.3	86.4	85.4	31.0	**765.1**
Exchange differences	8.2	(0.9)	2.1	(0.4)	**9.0**
Additions	–	23.7	40.9	–	**64.6**
Disposals	–	–	(0.2)	–	**(0.2)**
Amortization	–	(2.4)	(16.0)	(3.3)	**(21.7)**
Impairment charge	–	–	(0.4)	–	**(0.4)**
Reclassified to assets held for sale	(1.7)	–	–	–	**(1.7)**
Net book value at 31st December	**568.8**	**106.8**	**111.8**	**27.3**	**814.7**
Cost	569.1	118.3	178.4	43.7	**909.5**
Amortization and impairment	(0.3)	(11.5)	(66.6)	(16.4)	**(94.8)**
	568.8	**106.8**	**111.8**	**27.3**	**814.7**
2016					
Cost	571.2	96.7	107.4	21.8	797.1
Amortization and impairment	(0.3)	(7.2)	(39.1)	(6.1)	(52.7)
Net book value at 1st January	570.9	89.5	68.3	15.7	744.4
Exchange differences	(8.6)	2.5	(0.9)	(0.4)	(7.4)
Additions	–	0.7	31.6	17.3	49.6
Disposals	–	(4.3)	(0.4)	–	(4.7)
Amortization	–	(2.0)	(13.2)	(1.6)	(16.8)
Net book value at 31st December	562.3	86.4	85.4	31.0	765.1
Cost	562.6	95.6	134.2	44.0	836.4
Amortization and impairment	(0.3)	(9.2)	(48.8)	(13.0)	(71.3)
	562.3	86.4	85.4	31.0	765.1

11. Intangible Assets continued

Goodwill is allocated to groups of cash-generating units identified by banners or group of stores acquired in each territory. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations for significant balances of goodwill in 2017 include budgeted gross margins between 21% and 30% and average growth rates between 2% and 4% to project cash flows, which vary across the Group's business segments and geographical locations, over a five-year period and thereafter, and are based on management expectations for the market development; and pre-tax discount rates of between 5% and 13% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment exists.

Other intangible assets comprise mainly trademarks, right-to-use trademark and assets under a lease agreement.

There were no intangible assets pledged as security for borrowings at 31st December 2017 and 2016.

The amortization charges are all recognized in arriving at operating profit and are included in selling and distribution costs and administration expenses.

The remaining amortization periods for intangible assets are as follows:

Leasehold land	up to 57 years
Computer software	up to 7 years
Trademarks and others	up to 17 years

12. Tangible Assets

	Freehold properties	Leasehold properties	Leasehold improvements	Plant & machinery	Furniture, equipment & motor vehicles	Total
	US$m	US$m	US$m	US$m	US$m	US$m
2017						
Cost	115.8	511.6	756.5	620.2	518.1	**2,522.2**
Depreciation and impairment	(4.6)	(100.0)	(516.8)	(422.1)	(379.2)	**(1,422.7)**
Net book value at 1st January	111.2	411.6	239.7	198.1	138.9	**1,099.5**
Exchange differences	11.5	17.7	8.9	8.6	1.6	**48.3**
Additions	13.4	16.7	104.8	94.5	25.4	**254.8**
Disposals	–	(0.9)	(6.1)	(3.2)	(2.4)	**(12.6)**
Depreciation charge	(1.2)	(16.8)	(76.9)	(62.5)	(41.9)	**(199.3)**
Impairment charge	–	–	(1.0)	(0.9)	(0.1)	**(2.0)**
Reclassified to assets held for sale	–	(4.4)	–	(0.1)	–	**(4.5)**
Net book value at 31st December	**134.9**	**423.9**	**269.4**	**234.5**	**121.5**	**1,184.2**
Cost	141.2	543.0	860.2	718.3	525.8	**2,788.5**
Depreciation and impairment	(6.3)	(119.1)	(590.8)	(483.8)	(404.3)	**(1,604.3)**
	134.9	**423.9**	**269.4**	**234.5**	**121.5**	**1,184.2**
2016						
Cost	119.8	487.7	607.4	563.8	712.6	2,491.3
Depreciation and impairment	(3.6)	(85.5)	(407.0)	(381.0)	(473.4)	(1,350.5)
Net book value at 1st January	116.2	402.2	200.4	182.8	239.2	1,140.8
Exchange differences	(3.4)	(5.7)	(5.1)	(3.7)	2.1	(15.8)
Additions	1.7	28.6	63.9	63.2	31.0	188.4
Disposals	–	(0.1)	(5.1)	(3.0)	(7.7)	(15.9)
Transfers	–	2.5	46.0	16.4	(64.9)	–
Depreciation charge	(1.2)	(15.9)	(60.5)	(57.6)	(60.8)	(196.0)
Reversal of impairment charge	–	–	0.1	–	–	0.1
Reclassified to assets held for sale	(2.1)	–	–	–	–	(2.1)
Net book value at 31st December	111.2	411.6	239.7	198.1	138.9	1,099.5
Cost	115.8	511.6	756.5	620.2	518.1	2,522.2
Depreciation and impairment	(4.6)	(100.0)	(516.8)	(422.1)	(379.2)	(1,422.7)
	111.2	411.6	239.7	198.1	138.9	1,099.5

12. Tangible Assets continued

Net book value of leasehold properties acquired under finance leases amounted to US$87.9 million *(2016: US$82.9 million)*.

Rental income from properties amounted to US$27.9 million *(2016: US$27.8 million)* including contingent rents of US$2.9 million *(2016: US$2.7 million)*.

Future minimum rental payments receivable under non-cancellable leases are as follows:

	2017 US$m	2016 US$m
Within one year	**13.9**	13.4
Between one and two years	**8.6**	10.1
Between two and five years	**7.6**	10.9
Beyond five years	**1.9**	1.8
	32.0	36.2

There were no tangible assets pledged as security for borrowings at 31st December 2017 and 2016.

13. Associates and Joint Ventures

	2017 US$m	2016 US$m
Listed associate	**696.0**	634.9
Unlisted associate	**396.9**	343.5
Share of attributable net assets	**1,092.9**	978.4
Goodwill on acquisition	**413.6**	388.4
	1,506.5	1,366.8
Unlisted joint ventures	**19.3**	19.1
Goodwill on acquisition	**75.2**	75.9
	94.5	95.0
	1,601.0	1,461.8

13. Associates and Joint Ventures continued

	Associates		Joint ventures	
	2017	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m
Movements of associates and joint ventures during the year:				
At 1st January	**1,366.8**	1,192.4	**95.0**	99.7
Share of results after tax and non-controlling interests	**150.3**	124.7	**(6.1)**	(6.5)
Share of other comprehensive income/(expense) after tax and non-controlling interests	**74.2**	(72.5)	**(0.2)**	(5.0)
Dividends received	**(84.9)**	(66.0)	**–**	–
Capital injections	**–**	190.2	**5.8**	6.8
Fair value adjustment	**–**	(2.0)	**–**	–
Other	**0.1**	–	**–**	–
At 31st December	**1,506.5**	1,366.8	**94.5**	95.0
Fair value of a listed associate	**2,962.5**	1,352.5		

(a) Investment in associates

The material associates of the Group are listed below. These associates have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Nature of investments in material associates in 2017 and 2016:

			% of ownership interest	
Name of entity	Nature of business	Country of incorporation/ place of listing	**2017**	2016
Maxim's Caterers Limited ('Maxim's')	Restaurants	Hong Kong/Unlisted	**50**	50
Yonghui Superstores Co., Ltd ('Yonghui')	Supermarkets and hypermarkets	Mainland China/Shanghai	**19.99**	19.99

At 31st December 2017, the fair value of the Group's interest in Yonghui based on the closing share price was US$2,962.5 million *(2016: US$1,352.5 million)* and the carrying amount of the Group's interest was US$1,109.6 million *(2016: US$1,023.3 million)*.

In August 2016, the Group subscribed a further 286.9 million new shares in Yonghui, amounting to US$190.2 million, as part of capital injection involving two other investors. The Group's interest in Yonghui remained at 19.99% upon the completion.

13. Associates and Joint Ventures continued

(a) Investment in associates continued

Summarized financial information for material associates

Summarized balance sheets at 31st December (unless otherwise indicated):

	Maxim's		Yonghui	
	2017	2016	**2017***	2016*
	US$m	US$m	**US$m**	US$m
Non-current assets	**1,082.5**	856.9	**2,195.3**	1,969.1
Current assets				
Cash and cash equivalents	**192.6**	170.9	**850.1**	1,704.5
Other current assets	**182.7**	143.9	**2,032.2**	1,153.3
Total current assets	**375.3**	314.8	**2,882.3**	2,857.8
Non-current liabilities				
Financial liabilities†	**(154.8)**	(57.4)	**–**	–
Other non-current liabilities	**(43.5)**	(44.9)	**(20.3)**	(21.2)
Total non-current liabilities	**(198.3)**	(102.3)	**(20.3)**	(21.2)
Current liabilities				
Financial liabilities†	**(323.7)**	(259.8)	**(60.8)**	(68.1)
Other current liabilities	**(128.2)**	(108.7)	**(1,646.5)**	(1,486.8)
Total current liabilities	**(451.9)**	(368.5)	**(1,707.3)**	(1,554.9)
Non-controlling interests	**(13.7)**	(13.9)	**(67.4)**	(9.3)
Net assets	**793.9**	687.0	**3,282.6**	3,241.5

* Based on unaudited summarized balance sheet at 30th September 2017 and 2016.

† Excluding trade and other payables, which are presented under other current and non-current liabilities.

13. Associates and Joint Ventures continued

(a) Investment in associates continued

Summarized statements of comprehensive income for the year ended 31st December (unless otherwise indicated):

	Maxim's		Yonghui	
	2017	2016	**2017***	2016*
	US$m	US$m	**US$m**	US$m
Sales	**2,238.1**	2,019.2	**8,148.2**	7,291.6
Depreciation and amortization	**(101.6)**	(85.5)	**(151.6)**	(197.0)
Interest income	**1.6**	1.4	**50.6**	20.0
Interest expense	**(0.4)**	(0.1)	**(26.8)**	(11.8)
Profit from underlying business performance	**235.2**	215.2	**289.8**	168.4
Income tax expense	**(42.0)**	(37.5)	**(57.6)**	(45.3)
Profit after tax from underlying business performance	**193.2**	177.7	**232.2**	123.1
Profit after tax from non-trading items	**–**	–	**22.4**	–
Profit after tax	**193.2**	177.7	**254.6**	123.1
Non-controlling interests	**(2.7)**	(1.8)	**14.3**	2.0
Profit after tax and non-controlling interests	**190.5**	175.9	**268.9**	125.1
Other comprehensive income/(expense)	**19.1**	(15.3)	**(2.0)**	0.7
Total comprehensive income	**209.6**	160.6	**266.9**	125.8
Dividends received from associates	**51.3**	47.7	**33.6**	18.3

* Based on unaudited summarized statement of comprehensive income for the 12 months ended 30th September 2017 and 2016.

The information contained in the summarized balance sheets and statements of comprehensive income reflect the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, and fair value of the associates at the time of acquisition.

Reconciliation of the summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interests in its material associates for the year ended 31st December:

	Maxim's		Yonghui		Total	
	2017	2016	**2017**	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
Net assets	**793.9**	687.0	**3,282.6†**	3,241.5†		
Interest in associates (%)	***50***	*50*	***19.99***	*19.99*		
Group's share of net assets in associates	**396.9**	343.5	**656.2**	648.0	**1,053.1**	991.5
Goodwill	**–**	–	**413.6**	388.4	**413.6**	388.4
Other reconciling items	**–**	–	**39.8**	(13.1)	**39.8**	(13.1)
Carrying value	**396.9**	343.5	**1,109.6**	1,023.3	**1,506.5**	1,366.8

† Based on unaudited summarized balance sheet at 30th September 2017 and 2016.

There were no contingent liabilities relating to the Group's interests in associates at 31st December 2017 and 2016.

13. Associates and Joint Ventures continued

(b) Investment in joint ventures

The Group has interests in a number of unlisted joint ventures. In the opinion of the Directors, no joint ventures are considered material.

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures at 31st December:

	2017 US$m	2016 US$m
Commitment to provide funding	**–**	12.2

There were no contingent liabilities relating to the Group's interest in joint ventures at 31st December 2017 and 2016.

14. Other Investments

	2017 US$m	2016 US$m
Movements during the year:		
At 1st January	**5.9**	6.8
Change in fair value	**1.0**	(0.9)
At 31st December	**6.9**	5.9

Other investments are unlisted non-current available-for-sale financial assets. The fair value is based on observable current market transactions.

15. Debtors

	2017 US$m	2016 US$m
Trade debtors		
Third parties	**139.7**	110.8
Joint ventures	**1.1**	0.5
	140.8	111.3
Less: provision for impairment	**(3.9)**	(2.7)
	136.9	108.6
Other debtors		
Third parties	**379.0**	335.1
Less: provision for impairment	**(2.6)**	(2.4)
	376.4	332.7
	513.3	441.3
Non-current	**162.6**	150.8
Current	**350.7**	290.5
	513.3	441.3

15. Debtors continued

Trade and other debtors excluding derivative financial instruments are stated at amortized cost. The fair values of these debtors approximate their carrying amounts. Derivative financial instruments are stated at fair value.

Trade and other debtors

Sales to customers are mainly made in cash or by major credit cards. The average credit period on sale of goods and services varies among Group businesses and is normally not more than 30 days. The maximum exposure to credit risk is represented by the carrying amount of trade debtors after deducting the impairment allowance.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired. An allowance for impairment of trade and other debtors is made based on the estimated irrecoverable amount.

At 31st December 2017, trade debtors of US$3.9 million *(2016: US$2.7 million)* and other debtors of US$2.6 million *(2016: US$2.4 million)* were impaired, which have been fully provided for in both years. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2017	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m
Between 61 and 90 days	**–**	–	**0.1**	0.1
Over 90 days	**3.9**	2.7	**2.5**	2.3
	3.9	2.7	**2.6**	2.4

At 31st December 2017, trade debtors of US$5.2 million *(2016: US$0.6 million)* and other debtors of US$4.4 million *(2016: US$3.2 million)*, respectively, were past due but not impaired. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2017	2016	**2017**	2016
	US$m	US$m	**US$m**	US$m
Below 30 days	**1.2**	0.4	**2.0**	2.1
Between 31 and 60 days	**1.1**	–	**1.3**	0.8
Between 61 and 90 days	**2.7**	–	**0.5**	0.1
Over 90 days	**0.2**	0.2	**0.6**	0.2
	5.2	0.6	**4.4**	3.2

Most of the balances have been settled subsequent to year end.

15. Debtors continued

Other debtors

Other debtors are further analyzed as follows:

	2017 US$m	2016 US$m
Derivative financial instruments	**3.4**	3.0
Other receivables	**24.4**	16.7
Financial assets	**27.8**	19.7
Rental and other deposits	**175.1**	155.6
Prepayments	**82.5**	79.3
Other	**91.0**	78.1
	376.4	332.7

Movements in the provision for impairment are as follows:

	Trade debtors		Other debtors	
	2017 US$m	2016 US$m	**2017 US$m**	2016 US$m
At 1st January	**(2.7)**	(2.2)	**(2.4)**	(2.3)
Exchange differences	**(0.1)**	–	**(0.1)**	0.1
Additional provisions	**(1.3)**	(0.7)	**(0.9)**	(0.8)
Unused amounts reversed	**0.1**	–	**–**	0.3
Amounts written off	**0.1**	0.2	**0.8**	0.3
At 31st December	**(3.9)**	(2.7)	**(2.6)**	(2.4)

There were no debtors pledged as security for borrowings at 31st December 2017 and 2016.

16. Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US$m	Fair value gains/ losses US$m	Employee benefits US$m	Provisions and other temporary differences US$m	Total US$m
2017					
At 1st January	(45.1)	(3.3)	9.0	11.8	**(27.6)**
Exchange differences	(1.2)	–	–	1.0	**(0.2)**
Charged to profit and loss	(4.4)	–	–	(1.6)	**(6.0)**
Credited/(charged) to other comprehensive income	–	0.1	(2.6)	–	**(2.5)**
At 31st December	**(50.7)**	**(3.2)**	**6.4**	**11.2**	**(36.3)**
Deferred tax assets	1.1	0.4	6.4	18.5	**26.4**
Deferred tax liabilities	(51.8)	(3.6)	–	(7.3)	**(62.7)**
	(50.7)	**(3.2)**	**6.4**	**11.2**	**(36.3)**
2016					
At 1st January	(41.9)	(3.4)	13.2	11.8	(20.3)
Exchange differences	0.3	–	0.1	(0.1)	0.3
(Charged)/credited to profit and loss	(3.5)	0.2	0.1	0.1	(3.1)
Charged to other comprehensive expense	–	(0.1)	(4.4)	–	(4.5)
At 31st December	(45.1)	(3.3)	9.0	11.8	(27.6)
Deferred tax assets	1.1	0.1	9.0	18.8	29.0
Deferred tax liabilities	(46.2)	(3.4)	–	(7.0)	(56.6)
	(45.1)	(3.3)	9.0	11.8	(27.6)

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US$28.0 million *(2016: US$23.4 million)* arising from unused tax losses of US$115.8 million *(2016: US$93.3 million)* have not been recognized in the financial statements. Included in the unused tax losses, US$42.4 million have no expiry date and the balance will expire at various dates up to and including 2027.

Deferred tax liabilities of US$14.9 million *(2016: US$17.0 million)* arising on temporary differences associated with investment in subsidiaries of US$149.2 million *(2016: US$170.0 million)* have not been recognized as there is no current intention of remitting the retained earnings of these subsidiaries to the holding companies in the foreseeable future.

17. Bank Balances and Other Liquid Funds

	2017 US$m	2016 US$m
Deposits with banks	**95.8**	70.7
Bank balances	**88.4**	149.6
Cash balances	**148.2**	103.5
	332.4	323.8

The weighted average interest rate on deposits with banks is 0.4% *(2016: 0.4%)* per annum.

18. Creditors

	2017 US$m	2016 US$m
Trade creditors		
– third parties	**1,548.6**	1,515.5
– associates	**3.6**	2.5
	1,552.2	1,518.0
Accruals	**890.5**	787.7
Rental and other refundable deposits	**27.3**	25.4
Deferred consideration for acquisition of a subsidiary	**24.8**	25.0
Derivative financial instruments	**2.3**	0.6
Other creditors	**13.2**	11.6
Financial liabilities	**2,510.3**	2,368.3
Rental and other income received in advance	**1.9**	2.5
	2,512.2	2,370.8
Non-current	**42.7**	42.9
Current	**2,469.5**	2,327.9
	2,512.2	2,370.8

Derivative financial instruments are stated at fair value. Other creditors are stated at amortized cost. The fair values of these creditors approximate their carrying amounts.

19. Borrowings

	2017	2016
	US$m	US$m
Current		
– bank overdrafts	**1.1**	1.2
– other bank advances	**411.6**	346.1
	412.7	347.3
Current portion of long-term bank borrowings	**–**	22.3
Long-term bank borrowings	**522.0**	595.0
	934.7	964.6

All borrowings are unsecured. The fair values of borrowings are not materially different from their carrying amounts.

The Group's borrowings are further summarized as follows:

		Fixed rate borrowings			
	Weighted average interest rates	**Weighted average period outstanding**		**Floating rate borrowings**	**Total**
By currency	**%**	**Years**	**US$m**	**US$m**	**US$m**
2017					
Hong Kong dollar	1.9	–	–	278.5	**278.5**
Malaysian ringgit	4.3	–	–	149.0	**149.0**
United States dollar	2.1	1.2	200.0	307.2	**507.2**
			200.0	**734.7**	**934.7**
2016					
Hong Kong dollar	1.2	–	–	157.8	157.8
Malaysian ringgit	4.3	–	–	136.1	136.1
New Taiwan dollar	1.4	–	–	3.3	3.3
Philippine peso	3.1	–	–	72.4	72.4
United States dollar	1.8	2.2	200.0	395.0	595.0
			200.0	764.6	964.6

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account hedging transactions.

19. Borrowings continued

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 31st December after taking into account hedging transactions are as follows:

	2017 US$m	2016 US$m
Within one year	**734.7**	764.6

The movements in borrowings are as follows:

	Bank overdrafts US$m	**Short-term borrowings** US$m	**Long-term borrowings** US$m	**Total** US$m
2017				
At 1st January	1.2	368.4	595.0	**964.6**
Exchange differences	0.1	10.3	0.8	**11.2**
Change in bank overdrafts	(0.2)	–	–	**(0.2)**
Drawdown of borrowings	–	674.8	176.2	**851.0**
Repayment of borrowings	–	(764.2)	(250.0)	**(1,014.2)**
Net increase in other short-term borrowings	–	122.3	–	**122.3**
	1.1	**411.6**	**522.0**	**934.7**
2016				
At 1st January	1.8	727.8	10.6	740.2
Exchange differences	(0.1)	(13.0)	0.4	(12.7)
Transfer	–	16.9	(16.9)	–
Change in bank overdrafts	(0.5)	–	–	(0.5)
Drawdown of borrowings	–	992.7	777.0	1,769.7
Repayment of borrowings	–	(1,484.5)	(176.1)	(1,660.6)
Net increase in other short-term borrowings	–	128.5	–	128.5
	1.2	368.4	595.0	964.6

Net increase in other short-term borrowings represents the aggregated net drawdown and repayment movement under the Group's global liquidity cash pooling scheme, which is implemented for enhancing the daily cash flow management.

20. Provisions

	Closure cost provisions US$m	Obligations under onerous leases US$m	Reinstatement and restoration costs US$m	Total US$m
2017				
At 1st January	5.9	14.4	26.2	**46.5**
Exchange differences	1.1	1.3	1.8	**4.2**
Additional provisions	47.4	6.1	3.7	**57.2**
Unused amounts reversed	(2.8)	(9.3)	(0.6)	**(12.7)**
Utilized	(4.1)	–	(1.1)	**(5.2)**
Reclassified to liabilities directly associated with assets held for sale	–	–	(0.1)	**(0.1)**
At 31st December	**47.5**	**12.5**	**29.9**	**89.9**
Non-current	–	12.3	25.1	**37.4**
Current	47.5	0.2	4.8	**52.5**
	47.5	**12.5**	**29.9**	**89.9**
2016				
At 1st January	5.6	15.1	24.0	44.7
Exchange differences	–	(0.7)	(0.8)	(1.5)
Additional provisions	6.8	–	4.2	11.0
Unused amounts reversed	(2.7)	–	(0.1)	(2.8)
Utilized	(3.8)	–	(1.1)	(4.9)
At 31st December	5.9	14.4	26.2	46.5
Non-current	–	8.9	22.8	31.7
Current	5.9	5.5	3.4	14.8
	5.9	14.4	26.2	46.5

Closure cost provisions are established when legal or constructive obligations arise on store closure or disposal of businesses.

Provisions are made for obligations under onerous operating leases when the Group believes that the net costs of exiting from the leases exceed the economic benefits expected to be received.

Reinstatement cost provisions comprise the estimated costs of dismantling and removing property, plant and equipment and restoring the site on which the asset is located.

21. Pension Plans

The Group operates defined benefit pension plans in Hong Kong, Indonesia, Taiwan and the Philippines, with the major plan in Hong Kong. These plans are final salary defined benefits, calculated based on members' lengths of service and their salaries in the final years leading up to retirement. All pension benefits are paid in one lump sum. With the exception of certain plans, all the defined benefit plans are closed to new members. In addition, all plans are impacted by discount rate while liabilities are driven by salary growth.

The Group's defined benefit plans are either funded or unfunded, with the assets of the funded plans held independently of the Group's assets in separate trustee administered funds. Plan assets held in trusts are governed by local regulations and practices in each country. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the company and the boards of trustees. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

The amounts recognized in the consolidated balance sheet are as follows:

	2017 **US$m**	2016 US$m
Fair value of plan assets	**189.4**	195.2
Present value of funded obligations	**(216.5)**	(247.6)
	(27.1)	(52.4)
Present value of unfunded obligations	**(7.1)**	–
Net pension liabilities	**(34.2)**	(52.4)
Analysis of net pension liabilities:		
Pension assets	**–**	–
Pension liabilities	**(34.2)**	(52.4)
	(34.2)	(52.4)

21. Pension Plans continued

The movements in the net pension liabilities are as follows:

	Fair value of plan assets US$m	Present value of obligations US$m	Total US$m
2017			
At 1st January	195.2	(247.6)	**(52.4)**
Current service cost	–	(15.7)	**(15.7)**
Interest income/(expense)	5.3	(6.7)	**(1.4)**
Losses on settlements	–	(2.2)	**(2.2)**
Administration expenses	(0.2)	–	**(0.2)**
	5.1	(24.6)	**(19.5)**
	200.3	(272.2)	**(71.9)**
Exchange differences	(0.7)	0.2	**(0.5)**
Remeasurements			
– return on plan assets, excluding amounts included in interest income	28.3	–	**28.3**
– change in financial assumptions	–	(7.6)	**(7.6)**
– experience losses	–	(1.5)	**(1.5)**
	28.3	(9.1)	**19.2**
Contributions from employers	16.9	–	**16.9**
Benefit payments	(21.1)	23.2	**2.1**
Settlements	(34.4)	34.4	**–**
Transfer from/(to) other plans	0.1	(0.1)	**–**
At 31st December	**189.4**	**(223.6)**	**(34.2)**
2016			
At 1st January	191.9	(263.3)	(71.4)
Current service cost	–	(22.2)	(22.2)
Interest income/(expense)	8.1	(10.0)	(1.9)
Administration expenses	(1.1)	–	(1.1)
	7.0	(32.2)	(25.2)
	198.9	(295.5)	(96.6)
Exchange differences	0.7	(1.0)	(0.3)
Remeasurements			
– return on plan assets, excluding amounts included in interest income	2.9	–	2.9
– change in demographic assumptions	–	(0.8)	(0.8)
– change in financial assumptions	–	18.0	18.0
– experience losses	–	0.8	0.8
	2.9	18.0	20.9
Contributions from employers	22.0	–	22.0
Benefit payments	(29.7)	31.3	1.6
Transfer from/(to) other plans	0.4	(0.4)	–
At 31st December	195.2	(247.6)	(52.4)

21. Pension Plans continued

The weighted average duration of the defined benefit obligations at 31st December 2017 is 7.9 years *(2016: 8.4 years)*.

Expected maturity analysis of undiscounted pension benefits at 31st December is as follows:

	2017	2016
	US$m	US$m
Less than one year	**18.5**	17.8
Between one and two years	**17.1**	21.1
Between two and five years	**65.9**	66.0
Beyond five years	**428.2**	580.1
	529.7	685.0

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	Hong Kong		**Indonesia**		**Taiwan**		**The Philippines**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	%	%	**%**	%	**%**	%	**%**	%
Discount rate	**2.9**	3.3	**7.0**	8.1	**1.5**	1.2	**4.9**	5.3
Salary growth rate	**4.8**	4.8	**4.0**	0 to 4.0	**2.1**	1.9	**3.5**	4.0

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is as follows:

		(Increase)/decrease on defined benefit obligations	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
	%	**US$m**	**US$m**
Discount rate	**1**	**(16.4)**	**18.7**
Salary growth rate	**1**	**19.5**	**(17.2)**

The above sensitivity analyzes are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the balance sheet.

21. Pension Plans continued

The analysis of the fair value of plan assets at 31st December is as follows:

	Asia Pacific US$m	Europe US$m	North America US$m	Global US$m	Total US$m
2017					
Quoted investments					
Equity instruments	19.3	–	–	–	**19.3**
Debt instruments					
– government	0.7	–	–	–	**0.7**
Investment funds	33.6	15.4	39.6	18.3	**106.9**
	53.6	15.4	39.6	18.3	**126.9**
Unquoted investments					
Investment funds	3.0	2.2	2.2	44.4	**51.8**
Total investments	56.6	17.6	41.8	62.7	**178.7**
Cash and cash equivalents					**15.2**
Benefits payable and other					**(4.5)**
					189.4
2016					
Quoted investments					
Equity instruments	20.5	–	–	–	20.5
Debt instruments					
– government	18.3	–	–	–	18.3
– corporate bonds					
• investment grade	0.5	–	–	–	0.5
	18.8	–	–	–	18.8
Investment funds	21.8	14.5	34.7	14.4	85.4
	61.1	14.5	34.7	14.4	124.7
Unquoted investments					
Investment funds	3.1	1.5	0.9	45.7	51.2
Total investments	64.2	16.0	35.6	60.1	175.9
Cash and cash equivalents					21.2
Benefits payable and other					(1.9)
					195.2

At 31st December 2017, the Hong Kong plans had assets of US$182.1 million *(2016: US$154.5 million)*. These assets were invested 69% and 31% in quoted and unquoted instruments respectively. In 2016, the split was 68% and 32%. The high percentage of quoted instruments provides liquidity to the portfolio to fund drawdowns and benefit payments. Within the quoted equity allocation, the plan is well diversified in terms of sectors, with the top three being financials, technology and consumer goods with a combined fair value of US$14.1 million. In 2016, the top three sectors were financials, technology and industrials, with a combined fair value of US$13.8 million.

21. Pension Plans continued

The strategic asset allocation is derived from the asset-liability modeling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2015, with the modified strategic asset allocation adopted in 2015. The next ALM review is scheduled for 2018.

Through its defined benefit pension plans, the Group is expected to be exposed to a number of risks such as asset volatility, changes in bond yields, inflation risk and life expectancy, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Group's defined benefit plans hold a percentage of equities, which are expected to outperform corporate bonds in the long-term, whilst generating volatility and risk in the short-term.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

All plan assets are unaffected by inflation.

Life expectancy

All plans provide for a lump-sum benefit payment at retirement, which are unaffected by the change in the longevity assumptions.

The Group ensures that the investment positions are managed within an ALM framework that is developed to achieve long-term returns that are in line with the obligations under the pension schemes. Within the ALM framework, the Group's objective is to match assets to the pension obligations by investing in a well-diversified portfolio that generates sufficient risk-adjusted returns that match the benefit payments. The Group also actively monitors the duration and the expected yield of the investments to ensure it matches the expected cash outflows arising from the pension obligations.

Investments across the plans are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Group maintains an active and regular contribution schedule across all the plans. The contributions to all its plans in 2017 were US$16.9 million and the estimated amounts of contributions expected to be paid to all its plans in 2018 are US$15.2 million.

22. Share Capital

	2017 US$m	2016 US$m
Authorized:		
2,250,000,000 shares of US¢5 5/9 each	**125.0**	125.0
500,000 shares of US$800 each	**400.0**	400.0
	525.0	525.0

	Ordinary shares in millions 2017	Ordinary shares in millions 2016	2017 US$m	2016 US$m
Issued and fully paid:				
Ordinary shares of US¢5 5/9 each				
At 1st January	**1,352.2**	1,352.2	**75.1**	75.1
Issued under employee share option schemes	**0.3**	–	**–**	–
At 31st December	**1,352.5**	1,352.2	**75.1**	75.1

23. Share-based Long-term Incentive Plans

Share-based long-term incentive plans ('LTIP') have been put in place to provide incentives for selected executives. Awards take the form of share options to purchase ordinary shares in the Company with exercise prices based on the then prevailing market prices, however, share awards which will vest free of payment may also be made. Awards normally vest on or after the third anniversary of the date of grant and may be subject to the achievement of performance conditions.

The LTIP was adopted by the Company on 5th March 2015. During 2017, awards were granted in the form of options with exercise prices based on the then prevailing market prices, and no free shares were granted. Prior to the adoption of the LTIP, The Dairy Farm International Share Option Plan 2005 provided selected executives with options to purchase ordinary shares in the Company.

The exercise prices of the options granted during 2017, and in prior years, were based on the average market prices for the five trading days immediately preceding the dates of grant of the options. Options normally vest on the third anniversary of the date of grant, and are exercisable for up to ten years following the date of grant.

Movements during the year:

	2017		2016	
	Weighted average exercise price US$	**Options in millions**	Weighted average exercise price US$	Options in millions
At 1st January	**8.2712**	**7.2**	9.5447	6.8
Granted	**8.9060**	**2.8**	5.9320	2.4
Exercised	**6.1680**	**(1.2)**	–	–
Lapsed	**9.8772**	**(3.4)**	9.8528	(2.0)
At 31st December	**8.0741**	**5.4**	8.2712	7.2

The average share price during the year was US$8.18 *(2016: US$6.69)* per share.

23. Share-based Long-term Incentive Plans continued

Outstanding at 31st December:

Expiry date	Exercise price US$	Options in millions 2017	2016
2018	4.6280	–	0.2
2019	4.4640	–	0.2
2020	6.2500	–	0.5
2021	8.1940	–	0.3
2022	10.2420	–	0.2
2022	10.4925	–	0.3
2023	12.1580	**0.2**	0.5
2023	12.1300	–	0.4
2024	9.7160	**0.3**	1.1
2025	9.6000	**0.7**	1.3
2026	5.9320	**2.0**	2.2
2027	8.9060	**2.2**	–
Total outstanding		**5.4**	7.2
of which exercisable		**0.6**	2.6

The fair value of options granted during the year, determined using the trinomial valuation model, was US$4.2 million *(2016: US$2.3 million)*. The significant inputs into the model, based on the number of options issued, were share price of US$8.95 *(2016: US$6.12)* at the grant date, exercise price shown above, expected volatility based on the last five years of 20.69% *(2016: 21.91%)*, dividend yield of 2.31% *(2016: 3.33%)*, option life disclosed above, and annual risk-free interest rate of 2.00% *(2016: 1.49%)*. Options are assumed to be exercised at the end of the fifth year following the date of grant.

24. Share Premium and Capital Reserves

	Share premium US$m	Capital reserves US$m	Total US$m
2017			
At 1st January	31.1	28.3	**59.4**
Employee share option schemes			
– value of employee services	–	1.6	**1.6**
– share options lapsed	–	(3.1)	**(3.1)**
Transfer	2.0	(2.0)	**–**
At 31st December	**33.1**	**24.8**	**57.9**
2016			
At 1st January	31.1	30.2	61.3
Employee share option schemes			
– value of employee services	–	1.3	1.3
– share options lapsed	–	(3.2)	(3.2)
At 31st December	31.1	28.3	59.4

24. Share Premium and Capital Reserves continued

Capital reserves comprise contributed surplus of US$20.1 million *(2016: US$20.1 million)* and other reserves of US$4.7 million *(2016: US$8.2 million)*, which represent the value of employee services under the Company's share-based long-term incentive plans. The contributed surplus principally arose from the conversion of convertible preference shares in 1989 and, under the Bye-laws of the Company, is distributable.

25. Dividends

	2017 US$m	2016 US$m
Final dividend in respect of 2016 of US¢14.50 *(2015: US¢13.50)* per share	**196.1**	182.5
Interim dividend in respect of 2017 of US¢6.50 *(2016: US¢6.50)* per share	**87.9**	87.9
	284.0	270.4

A final dividend in respect of 2017 of US¢14.50 *(2016: US¢14.50)* per share amounting to a total of US$196.1 million *(2016: US$196.1 million)* is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2018 Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2018.

26. Non-controlling Interests

Summarized financial information on a subsidiary with material non-controlling interests

The following is the summarized financial information for PT Hero Supermarket Tbk ('PT Hero'), a subsidiary with non-controlling interests that is material to the Group.

Summarized balance sheet at 31st December:

	2017 US$m	2016 US$m
Current		
Assets	**187.8**	226.2
Liabilities	**(147.7)**	(161.4)
Total current net assets	**40.1**	64.8
Non-current		
Assets	**333.6**	329.8
Liabilities	**(11.1)**	(3.2)
Total non-current net assets	**322.5**	326.6
Net assets	**362.6**	391.4
Non-controlling interests	**(56.2)**	(60.8)

26. Non-controlling Interests continued

Summarized statement of comprehensive income for the year ended 31st December:

	2017 US$m	2016 US$m
Sales	**972.7**	1,028.9
Underlying (loss)/profit after tax	**(20.8)**	3.3
Non-trading items, net of tax	**–**	5.3
(Loss)/profit after tax	**(20.8)**	8.6
Other comprehensive (expense)/income	**(6.9)**	20.2
Total comprehensive (expense)/income	**(27.7)**	28.8
Total comprehensive (expense)/income allocated to non-controlling interests	**(4.4)**	4.4
Dividends paid to non-controlling interests	**–**	–

Summarized cash flows for the year ended 31st December:

	2017 US$m	2016 US$m
Cash generated from operations	**47.2**	36.5
Interest received	**0.2**	0.2
Interest and other financing charges paid	**(0.4)**	(2.0)
Tax paid	**(5.3)**	(4.7)
Cash flows from operating activities	**41.7**	30.0
Cash flows from investing activities	**(38.0)**	(20.3)
Cash flows from financing activities	**–**	(7.5)
Net increase in cash and cash equivalents	**3.7**	2.2
Cash and cash equivalents at 1st January	**13.2**	10.7
Effect of exchange rate changes	**(0.2)**	0.3
Cash and cash equivalents at 31st December	**16.7**	13.2

The information above is the amount before inter-company eliminations.

27. Geographical Analysis of Non-current Assets

Set out below is an analysis of the Group's non-current assets, excluding financial instruments, non-current debtors and deferred tax assets, by geographical area:

	2017 US$m	2016 US$m
North Asia	**2,184.4**	1,998.5
Southeast Asia	**1,415.5**	1,327.9
At 31st December	**3,599.9**	3,326.4

28. Notes to Consolidated Cash Flow Statement

	2017 US$m	2016 US$m
(a) Depreciation and amortization		
Food	**170.9**	166.3
– Supermarkets/hypermarkets	**144.8**	141.1
– Convenience stores	**26.1**	25.2
Health and Beauty	**28.9**	28.0
Home Furnishings	**14.2**	12.7
Store support centre	**7.0**	5.8
	221.0	212.8
(b) Other non-cash items		
By nature:		
Profit on sale of restaurants in Cambodia	**–**	(1.0)
Loss on sale of tangible and intangible assets	**10.1**	9.9
Fair value gains on forward foreign exchange contracts not qualifying as hedges	**(0.7)**	(0.4)
Impairment/(reversal of impairment) of tangible and intangible assets	**2.4**	(0.1)
Write down of stocks	**9.4**	1.2
Reversal of write down of stocks	**(6.7)**	(2.5)
Options granted under employee share option schemes	**1.6**	1.3
	16.1	8.4
(c) Decrease/(increase) in working capital		
Decrease/(increase) in stocks	**63.9**	(58.6)
Increase in debtors	**(58.6)**	(62.3)
Increase in creditors	**86.8**	23.8
	92.1	(97.1)

28. Notes to Consolidated Cash Flow Statement continued

(d) Purchase of associates and joint ventures in 2017 mainly related to the Group's capital injection of US$3.4 million in the business in Vietnam and US$2.4 million in Rose Pharmacy, Inc. ('Rose') which operates a health and beauty business in the Philippines.

Purchase in 2016 mainly related to the Group's further investment in Yonghui, a supermarket and hypermarket operator in mainland China, amounting to US$190.2 million and a capital injection of US$4.3 million in Rose and US$2.5 million in the Group's business in Vietnam.

(e) Sale of properties
Sale of properties in 2017 included sale of land in Malaysia and a property in Taiwan for a total cash consideration of US$3.2 million.

Sale in 2016 included sale of properties in Indonesia for a total cash consideration of US$7.2 million.

(f) Change in interests in subsidiaries
In August 2017, the Group acquired a further 34% interest in Rustan Supercenters, Inc. in the Philippines for a total consideration of US$59.9 million, such that it is now a wholly-owned subsidiary of the Group.

In October 2017, the Group acquired an additional 0.06% interest in PT Hero for a total consideration of US$0.2 million, whereas in 2016, an additional 0.52% interest was acquired for US$2.2 million.

(g) Analysis of balances of cash and cash equivalents

	2017 **US$m**	2016 US$m
Bank balances and other liquid funds *(note 17)*	**332.4**	323.8
Bank overdrafts *(note 19)*	**(1.1)**	(1.2)
Cash and bank balances included in assets held for sale	**3.2**	–
	334.5	322.6

29. Derivative Financial Instruments

The fair values of derivative financial instruments at 31st December are as follows:

	2017		2016	
	Positive fair value US$m	**Negative fair value US$m**	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– forward foreign exchange contracts	**0.5**	**2.3**	0.4	0.6
– interest rate swaps	**2.2**	**–**	2.2	–
	2.7	**2.3**	2.6	0.6
Non-qualifying as hedges				
– forward foreign exchange contracts	**0.7**	**–**	0.4	–
	0.7	**–**	0.4	–

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2017 were US$513.6 million *(2016: US$548.8 million)*.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2017 were US$200.0 million *(2016: US$200.0 million)* and the fixed interest rates relating to interest rate swaps vary from 0.9% to 1.0% *(2016: 0.9% to 1.0%)* per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rate of 1.6% *(2016: 1.0%)* per annum.

30. Commitments

	2017 US$m	2016 US$m
Capital commitments		
Authorized not contracted	**298.7**	223.1
Contracted not provided		
– joint ventures	**–**	12.2
– other	**40.0**	62.8
	338.7	298.1
Operating lease commitments		
Total commitments under operating leases		
– due within one year	**822.6**	764.3
– due between one and two years	**561.5**	545.0
– due between two and three years	**350.8**	265.2
– due between three and four years	**217.1**	136.6
– due between four and five years	**161.1**	101.8
– due beyond five years	**790.6**	225.5
	2,903.7	2,038.4

Total future sublease payments receivable relating to the above operating leases amounted to US$35.4 million *(2016: US$41.4 million)*.

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rentals payable under such leases.

31. Contingent Liabilities

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

32. Related Party Transactions

The parent company of the Group is Jardine Strategic Holdings Limited and the ultimate parent company is Jardine Matheson Holdings Limited ('JMH'). Both companies are incorporated in Bermuda.

In the normal course of business the Group undertakes a variety of transactions with JMH and its subsidiaries, associates and joint ventures. The more significant of such transactions are described below.

Under the terms of a Management Services Agreement, the Group paid a management fee of US$2.0 million *(2016: US$2.3 million)* to Jardine Matheson Limited ('JML'), a wholly-owned subsidiary of JMH, based on 0.5% of the Group's profit attributable to shareholders in consideration for certain management consultancy services provided by JML. The Group also paid directors' fees of US$0.5 million in 2017 *(2016: US$0.5 million)* to JML.

The Group rents properties from Hongkong Land Holdings Limited ('HKL'), a subsidiary of JMH. The gross annual rentals paid by the Group to HKL in 2017 were US$3.0 million *(2016: US$2.8 million)*. The Group's 50%-owned associate, Maxim's, also paid gross annual rentals of US$11.8 million *(2016: US$11.2 million)* to HKL in 2017.

The Group uses Jardine Lloyd Thompson Limited ('JLT'), an associate of JMH, to place certain of its insurance policies. Brokerage fees and commissions, net of rebates, paid by the Group to JLT in 2017 were US$2.0 million *(2016: US$2.1 million)*.

The Group sources information technology infrastructure and related services from Jardine Technology Holdings Limited ('JTH'), a subsidiary of JMH. The total fees paid by the Group to JTH in 2017 amounted to US$9.9 million *(2016: US$9.5 million)*. Maxim's also paid total fees of US$3.5 million *(2016: US$3.5 million)* to JTH in 2017.

The Group also obtains repairs and maintenance services from Jardine Engineering Corporation ('JEC'), a subsidiary of JMH. The total fees paid by the Group to JEC in 2017 amounted to US$9.3 million *(2016: US$5.6 million)*.

Maxim's supplies ready-to-eat products at arm's length to certain subsidiaries of the Group. In 2017, these amounted to US$30.5 million *(2016: US$27.6 million)*.

In addition, Gammon Construction, a joint venture of JMH, was engaged by Maxim's to provide construction and renovation works amounting to US$8.6 million *(2016: US$24.4 million)* in 2017.

Amounts of outstanding balances with associates and joint ventures are included in debtors and creditors, as appropriate.

Balances with group companies of JMH at 31st December 2017 and 2016 are immaterial, unsecured, and have no fixed terms of repayment.

Details of Director's remuneration (being key management personnel compensation) are shown on page 112 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

33. Summarized Balance Sheet of the Company

Included below is certain summarized balance sheet information of the Company disclosed in accordance with Bermuda law.

	2017 US$m	2016 US$m
Subsidiaries, at cost less provision*	**645.0**	930.1
Current assets	**–**	0.1
Current liabilities	**(1.3)**	(1.8)
Net operating assets	**643.7**	928.4
Share capital *(note 22)*	**75.1**	75.1
Share premium and capital reserves *(note 24)*	**57.9**	59.4
Revenue and other reserves	**510.7**	793.9
Shareholders' funds	**643.7**	928.4

* Included intercompany balances due from/(to) subsidiaries.

34. Principal Subsidiaries

The Group's principal subsidiaries at 31st December 2017 are set out below:

Company name	Country of incorporation	Nature of business	Attributable interests 2017 %	Attributable interests 2016 %	Proportion of ordinary shares and voting powers at 31st December 2017 held by the Group %	Proportion of ordinary shares and voting powers at 31st December 2017 held by non-controlling interests %
Dairy Farm Management Limited†	Bermuda	Holding	**100**	100	**100**	**–**
Dairy Farm Management Services Limited†	Bermuda	Group management	**100**	100	**100**	**–**
DFI Treasury Limited†	British Virgin Islands	Treasury	**100**	100	**100**	**–**
DFI (China) Commercial Investment Holding Company Ltd	Mainland China	Investment holding	**100**	100	**100**	**–**
Guangdong Sai Yi Convenience Stores Limited	Mainland China	Convenience stores	**65**	65	**65**	**35**
Mannings Guangdong Retail Company Limited	Mainland China	Health and beauty stores	**100**	100	**100**	**–**
The Dairy Farm Company, Limited	Hong Kong	Investment holding, supermarkets, convenience, health and beauty and home furnishings stores	**100**	100	**100**	**–**
Wellcome Company Limited	Hong Kong	Property and food processing	**100**	100	**100**	**–**
San Miu Supermarket Limited	Macau	Supermarkets	**100**	100	**100**	**–**

34. Principal Subsidiaries continued

Company name	Country of incorporation	Nature of business	Attributable interests 2017 %	Attributable interests 2016 %	Proportion of ordinary shares and voting powers at 31st December 2017 held by the Group %	Proportion of ordinary shares and voting powers at 31st December 2017 held by non-controlling interests %
Wellcome Taiwan Company Limited	Taiwan	Supermarkets	**100**	100	**100**	**–**
DFI Home Furnishings Taiwan Limited	Taiwan	Home furnishings stores	**100**	100	**100**	**–**
GCH Retail (Malaysia) Sdn. Bhd.	Malaysia	Supermarkets and hypermarkets	**85**	85	**70**	**30**
Guardian Health & Beauty Sdn. Bhd.	Malaysia	Health and beauty stores	**100**	100	**100**	**–**
PT Hero Supermarket Tbk	Indonesia	Supermarkets, hypermarkets, health and beauty and home furnishings stores	**84**	84	**84**	**16**
Giant TMC (B) Sdn. Bhd.	Brunei	Hypermarket and health and beauty stores	**100**	100	**100**	**–**
Cold Storage Singapore (1983) Pte Limited	Singapore	Supermarkets, hypermarkets, convenience and health and beauty stores	**100**	100	**100**	**–**
DFI Lucky Private Limited	Cambodia	Supermarkets and health and beauty stores	**70**	70	**70**	**30**
Rustan Supercenters, Inc.	The Philippines	Supermarkets and hypermarkets	**100**	66	**100**	**–**

All subsidiaries are included in the consolidation.

Attributable interests represent the proportional holdings of the Company, held directly or through its subsidiaries, in the issued share capitals of the respective companies, after the deduction of any shares held by the trustees of the employee share option schemes of any such company and any shares in any such company owned by its wholly-owned subsidiaries.

† Directly held by the Company.

Independent Auditors' Report

To the members of Dairy Farm International Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Dairy Farm International Holdings Limited's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31st December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'); and
- have been prepared in accordance with the requirements of The Companies Act 1981 (Bermuda).

What we have audited

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet as at 31st December 2017; the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented in the Corporate Governance section on page 112 rather than in the notes to the consolidated financial statements. These disclosures are cross-referenced from the consolidated financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's ('FRC's') Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall Group materiality: US$27.7 million.
- Based on 5% of profit before tax adding back certain items.

Audit scope

- A full scope audit was performed on 18 entities including 15 subsidiaries, one associate, Maxim's, and two joint ventures. These entities accounted for 99% of the Group's revenue and 83% of the Group's profit before tax.

Key audit matters

- Buying income.
- Impairment of goodwill in subsidiaries and investments in associates and joint ventures.
- Stocks valuation and provisioning.
- IT environment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Buying income	

Buying income

Refer to note 1 (Principal Accounting Policies) and note 3 (Critical Accounting Estimates and Judgements) to the financial statements.

The Group has arrangements with suppliers whereby volume-based discounts and incentives, promotional and marketing incentives and various other rebates and discounts are earned in connection with the purchase of goods for resale from those suppliers. As such, the Group recognizes a net deduction from cost of sales as a result of amounts receivable from suppliers.

The individual supplier arrangements in place across the Group vary in nature. The majority of buying income is driven by volume-based measures or event-driven schemes, with the remainder being ad-hoc and promotional buying income.

The level of judgement in each category of buying income is noted below:

Volume-based income
Volume-based rebates are generally driven by achieving purchase volume targets set with individual suppliers for specific products over a pre-set period of time. In instances where the rebate agreement does not fully coincide with the period-end, the key judgement that we focused on was the estimate of expected purchase volumes in the period covered by the rebate agreement.

Ad-hoc and promotional income
The remainder of the Group's buying income is associated with ad-hoc and promotional income. The nature of this income and the manner in which it is recognized varies depending on the nature of the agreement reached with the individual supplier. The income is earned as the relevant performance criteria are met. Due to the significant number of transactions, individual agreements and potential for manual calculations associated with this type of buying income, we focused a significant amount of effort on assessing the appropriateness of amounts recognized. Our focus is on the underlying agreements associated with the income earned, and assessing whether the income recorded is in accordance with those agreements.

Given the varied types of buying income arrangements as well as various performance criteria which differ by suppliers, and given the fact that buying income is material to the financial statements, we identified buying income as a key audit matter.

How our audit addressed the key audit matter

We gained an understanding of the key controls in place within the buying income process and tested those controls in certain components of the business. We performed detailed analytical review of buying income by type and location to identify whether any unusual trends were present.

On a sample basis, we traced the reconciliation of supplier deductions or payments recognized in the income statement to cash receipts or supplier contracts.

We selected, on a sample basis, amounts recognized in debtors and creditors and agreed the amounts to supporting documentation. Where amounts were offset we assessed whether there is a right to offset, based on the contractual terms with suppliers.

On a sample basis, we assessed whether the performance criteria of the associated sample items had been met and where buying income amounts were estimated, that there was appropriate supporting evidence in determining those estimates.

We assessed, on a sample basis, the appropriateness of manual journal entries and adjustments associated with buying income by tracing them to supporting documentation.

Supplier dispute logs and management's supplier statement reconciliations were assessed, on a sample basis, to determine whether material disputes or disagreements with suppliers exist. Where material disputes or disagreements existed we understood the nature of these disputes through discussions with management and obtained documentation to assess whether the amounts recognized by management were reasonable.

Based on our procedures performed, we found no material exceptions.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill in subsidiaries and investments in associates and joint ventures Refer to note 3 (Critical Accounting Estimates and Judgements), note 11 (Intangible Assets) and note 13 (Associates and Joint Ventures) to the financial statements. As at 31st December 2017, goodwill held in subsidiaries totalled US$568.8 million and investment in associates and joint ventures totalled US$1,601.0 million. Management undertook impairment assessments, as required by accounting standards, noting certain cash generating units ('CGUs') that were underperforming or loss-making. The determination of the recoverable amount of CGUs requires significant judgements by management, particularly management's view on key internal inputs and external market conditions which impact future cash flows, the discount rates and long-term growth rates.	We have reviewed and understood management's impairment assessment process, including what indicators of impairment had been noted and the appropriateness of the valuation models used. We assessed management's determination of CGUs. Where we identified a risk of impairment we performed the following procedures. We benchmarked and challenged key assumptions in management's valuation models used to determine recoverable amounts, including assumptions of projected profit of businesses, long-term growth rates and discount rates appropriate for the CGUs under review, using our knowledge and experience. We tested the discounted cash flow models used by management in their assessments, re-performed the calculations to check their accuracy, compared historical budgeted performance to actual results and agreed the figures used to the detailed management approved budgets to assess the reasonableness of the cash flows used in the model. Our challenge focused particularly on the discount rates and long-term growth rates used. With the support of our valuations specialists, we compared the discount rates used to the range of typical discount rates used in similar businesses, considered whether management had incorporated all relevant macro-economic and country-specific factors, as well as those specific to those CGUs, in determining their discount rates. For the growth rate we assessed whether management had considered macro-economic and country-specific factors specific to the relevant businesses. We also compared the rate used to the range of growth rates used by similar businesses. We tested management's historical estimation accuracy by comparing previous projected growth rates to the actual growth achieved. Where differences were noted we understood management's rationale and the evidence, such as actual recent performance, to support management's estimates. We evaluated the sensitivity analysis performed by management and performed our independent sensitivity analysis on the key assumptions above and considered a range of alternative outcomes to determine the sensitivity of the valuation models to changes in assumptions. Based on the work performed, we found that the judgements made by management to determine the discount rate, long-term growth rates and valuation models are reasonable.

Key audit matter	How our audit addressed the key audit matter
Stocks valuation and provisioning Refer to note 1 (Principal Accounting Policies) and note 5 (Operating Profit) to the financial statements. The Group carries stocks at the lower of cost and net realizable value. As at 31st December 2017, the Group held stocks of US$950.0 million. We identified stocks provisioning as a key audit matter because of the nature of the judgements made by management when assessing the appropriate level of provisioning to be recognized. Management assesses the provision required for stocks with respect to the nature and age of stock balances. This approach relies upon assumptions made with respect to the estimate of potential future sales within specific categories of stock. The Group's stocks are held over a large number of locations and stores, which vary in size and quantity. Due to these factors, the audit of stocks requires significant time and audit effort.	We obtained an understanding of management's stocks provisioning policy. Based on this understanding we evaluated and tested certain key controls within the inventory cycle that the Group established with respect to this policy. In addition we attended stock counts during the year on a sample basis across the Group's business locations, assessing the key controls as well as agreeing a sample of stock to supporting records, and assessing the condition of those stock samples selected. We assessed management's provisioning assumptions with respect to the type and age of stocks based on both historical and current sales records, representing the utilization of stocks. To assess whether stock is maintained at the lower of cost and net realizable value, we performed testing on a sample basis. On a sample basis, we recalculated the level of provisioning based on the stocks provisioning policy. Based on the procedures performed and evidence available, we considered the key assumptions used in management's stocks valuation and provisioning were within a reasonable range.

Key audit matter	How our audit addressed the key audit matter
IT environment Refer to page 118 (Principal Risks and Uncertainties) of the Annual Report. The IT systems across the Group are complex and there are varying levels of standardization with respect to IT systems, as well as integration between existing legacy IT systems. The systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process.	We updated our understanding of the IT environment through discussions with management and walked-through the key financial processes to understand the IT systems which were integral to the Group's controls over financial reporting. These procedures allowed us to determine which IT systems, processes and controls to rely upon. We assessed the implementation of new systems within the Group during the year over which we wanted to place reliance. Key controls over program changes made to key IT systems over which we wanted to place reliance on during our audit were assessed. In addition, we assessed key controls over IT operations, including the level of access provided to users regarding programs, data and IT systems within the Group. The key automated or processing controls operating within key IT systems were assessed. Where we noted deficiencies which affected applications in certain territories within the scope of our audit, we extended the scope of our substantive audit procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed sufficient audit work to be able to give an opinion on the financial statements as a whole, taking into account the geographic locations and structure of the Group, the accounting processes and controls in place and the industry in which it operates.

The Group's accounting processes are structured around finance functions, which are responsible for their own accounting records and controls, which in turn report financial information to the Group's finance function in Hong Kong to enable them to prepare consolidated financial statements.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by members of the Group engagement team or by component auditors from within the PwC Network operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. The Group engagement team was involved in the significant reporting entities in scope for Group reporting during the audit cycle through a combination of meetings, visits and conference calls. The lead Group audit partner and other senior Group team members undertook multiple visits to Hong Kong during the audit and were involved throughout the year in regular conference calls and other forms of communication to direct and oversee the audit. Other senior team members visited a number of countries, including Malaysia, Singapore, Indonesia, the Philippines and mainland China during the audit to review the work of component teams with regular communication throughout the year.

A full scope audit was performed on 18 entities including 15 subsidiaries, one associate, Maxim's and two joint ventures. These entities accounted for 99% of the Group's revenue and 83% of the Group's profit before tax. This, together with procedures performed on central functions and at Group level (on the consolidation and other areas of significant judgement), gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	US$27.7 million.
How we determined it	5% of profit before tax excluding business change costs of US$72.8 million.
Rationale for benchmark applied	Profit before tax is the primary measure used in assessing the performance of the Group which has been adjusted by adding back business change costs of US$72.8 million incurred in 2017 as disclosed in note 5 to the financial statements.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was US$0.1 million to US$27.6 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$1.4 million as well as misstatements below that amount that in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

In accordance with ISAs (UK) we are required to report if the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate or the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue. We have nothing to report.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Responsibility Statement set out on page 109, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 90 of The Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

John Baker
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
8th March 2018

a. The maintenance and integrity of the Dairy Farm International Holdings Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b. Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Five Year Summary

	2017	2016	2015	2014	2013
	US$m	US$m	US$m	US$m	US$m
Profit and loss					
Sales	**11,288.7**	11,200.7	11,137.3	11,008.3	10,357.4
Sales including associates and joint ventures	**21,827.0**	20,423.6	17,907.0	13,102.8	12,431.7
Profit attributable to shareholders	**403.5**	469.0	424.4	509.1	500.9
Underlying profit attributable to shareholders	**402.6***	460.2	428.1	500.1	480.1
Underlying earnings per share *(US¢)*	**29.77**†	34.03	31.66	36.98	35.52
Basic earnings per share *(US¢)*	**29.83**	34.69	31.39	37.65	37.05
Dividends per share *(US¢)*	**21.00**	21.00	20.00	23.00	23.00
Balance sheet					
Total assets	**5,467.2**	5,128.9	4,820.9	4,316.3	3,963.5
Total liabilities	**(3,711.5)**	(3,549.5)	(3,365.7)	(2,793.8)	(2,586.1)
Net operating assets	**1,755.7**	1,579.4	1,455.2	1,522.5	1,377.4
Shareholders' funds	**1,690.0**	1,505.3	1,375.8	1,428.7	1,281.0
Non-controlling interests	**65.7**	74.1	79.4	93.8	96.4
Total equity	**1,755.7**	1,579.4	1,455.2	1,522.5	1,377.4
Net (debt)/cash	**(599.1)**	(640.8)	(481.7)	474.8	637.6
Net asset value per share *(US¢)*	**124.96**	111.32	101.75	105.66	94.74
Cash flow					
Cash flows from operating activities	**671.3**	542.9	699.8	675.9	682.9
Cash flows from investing activities	**(280.6)**	(428.0)	(1,365.4)	(432.5)	(285.0)
Cash flows before financing activities	**390.7**	114.9	(665.6)	243.4	397.9
Cash flow per share from operating activities *(US¢)*	**49.64**	40.15	51.75	49.99	50.52

* The adjusted underlying profit attributable to shareholders for 2017 was US$467.1 million.

† The adjusted underlying earnings per share for 2017 was US¢34.54.

Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

a. the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and

b. the sections of this Report, including the Chairman's Statement, Group Chief Executive's Review, Business Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

Ian McLeod
Neil Galloway
Directors

8th March 2018

Corporate Governance

Dairy Farm International Holdings Limited is incorporated in Bermuda. The Group's retailing interests are entirely in Asia. The Company's equity shares have a standard listing on the Main Market of the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the Financial Conduct Authority in the United Kingdom (the 'FCA') require that this Report address all relevant information about the corporate governance practices applied beyond the requirements under Bermuda law.

The Company attaches importance to the corporate stability and opportunities that result from it being part of the Jardine Matheson Holdings Limited ('Jardine Matheson') group, which is considered to be fundamental to the Company's ability to pursue a long-term strategy in Asian markets. By coordinating objectives, establishing common values and standards, and sharing experience, contacts and business relationships, the Jardine Matheson group companies aim to optimize their opportunities across the Asian countries where they operate.

The Group is committed to high standards of governance. The system of governance it has adopted is based on a well-tried approach to oversight and management that has been developed over many years by the members of the Jardine Matheson group. It enables the Company to benefit from Jardine Matheson's strategic guidance and professional expertise, while at the same time the independence of the Board is respected and clear operational accountability rests with the Company's executive management teams.

The Management of the Group

The Company has its dedicated executive management under the Group Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson to be, or to appoint, the Managing Director of the Company. Reflecting this, and the Jardine Matheson group's 78% interest in the Company's share capital, the Group Chief Executive and the Managing Director meet regularly. Similarly, the board of the Hong Kong-based Group management company, Dairy Farm Management Services Limited ('DFMS'), and its finance committee are chaired by the Managing Director and include Group executives as well as Jardine Matheson's deputy managing director, group finance director, group strategy director and group general counsel.

The presence of Jardine Matheson representatives on the Board and on the board of DFMS, as well as on its audit and finance committees, provides an added element of stability to the Company's financial planning and supervision, enhancing its ability to raise finance and take a long-term view of business development. It also eases the ability of management to work effectively together in exploiting the full range of the Jardine Matheson group's commercial strengths.

The Directors of the Company retain full power to manage the business affairs of the Company, other than matters reserved to be exercised by the Company in general meeting under Bermuda legislation or the Company's Bye-laws. Among the matters on which the Board decides are the Group's business strategy, its annual budget, dividends and major corporate activities.

The Board

The Company currently has a Board of 16 Directors. Their names and brief biographies appear on pages 37 and 38 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The Board composition and operation helps to provide the Company with the necessary stability as it seeks to grow its business.

The Board continued

The role of the Chairman is to lead the Board as it oversees the Group's strategic and financial direction, while the principal role of the Managing Director is to act as chairman of DFMS and of its finance committee. Ben Keswick is currently appointed to both positions. The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive, Ian McLeod. The implementation of the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the DFMS finance committee.

The Board is scheduled to hold four meetings in 2018 and ad hoc procedures are adopted to deal with urgent matters. In 2017 one meeting was held in Bermuda and three were held in Asia. The Board receives high quality, up to date information for each of its meetings. In addition, certain Directors of the Company who do not serve on the board of DFMS and who are based outside Asia regularly visit Asia and Bermuda to discuss the Group's business, as well as to participate in the four strategic reviews that precede the regular Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration at Board meetings.

Directors' Appointment, Retirement, Remuneration and Service Contracts

Candidates for appointment as executive Directors of the Company, as executive directors of DFMS or as senior executives elsewhere in the Group may be sourced internally, or from the Jardine Matheson group or externally, including by using the services of specialist executive search firms. The aim is to appoint individuals who combine international best practice with familiarity of or adaptability to Asian markets. When appointing non-executive Directors, the Board pays particular attention to the Asian business experience and relationships that they can bring.

Each new Director is appointed by the Board and, in accordance with the Company's Bye-laws, each new Director so appointed is subject to retirement at the first annual general meeting after appointment. Thereafter, Directors are subject to retirement by rotation under the Bye-laws whereby one-third of the Directors retire at the annual general meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation does not extend to the Chairman or Managing Director.

On 31st August 2017 Graham Allan stepped down as Group Chief Executive, and Ian McLeod joined the Board in his place on 18th September 2017. At this year's Annual General Meeting to be held on 9th May 2018, Dr George C.G. Koo is to retire and will not seek re-election. It is proposed that Dr Delman Lee will join the Board following the Annual General Meeting. In accordance with Bye-law 85, Mark Greenberg, Anthony Nightingale and Percy Weatherall retire by rotation and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Ian McLeod will also retire and, being eligible, offers himself for re-election. Ian McLeod has a service contract with a subsidiary of the Company that has a notice period of six months. None of the other Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognized that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this. Executive Directors joining from outside the Group may be offered an initial fixed-term service contract to reflect any requirement for them to relocate.

Directors' Appointment, Retirement, Remuneration and Service Contracts continued

Recommendations and decisions on remuneration and other benefits payable or made available to executive Directors result from consultations between the Chairman and other Directors as he considers appropriate. Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Group Finance Director, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws.

For the year ended 31st December 2017, the Directors received from the Group US$11.4 million *(2016: US$6.6 million)* in Directors' fees and employee benefits, being US$0.9 million *(2016: US$0.8 million)* in Directors' fees, US$10.0 million *(2016: US$4.6 million)* in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US$0.2 million *(2016: US$0.3 million)* in post-employment benefits and US$0.3 million *(2016: US$0.9 million)* in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Share-based long-term incentive plans have also been established to provide incentives for executive Directors and senior managers. Share options are granted by the scheme trustee after consultation between the Chairman and the Group Chief Executive as well as other Directors as they consider appropriate. Share options are granted at the then prevailing market prices and they normally vest after the third anniversary of the date of grant. Grants may be made in a number of instalments and may be subject to performance conditions. Share options are not granted to non-executive Directors.

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Audit Committee

The Board has established within DFMS an audit committee (the 'Audit Committee'), the current members of which are Y.K. Pang, Mark Greenberg, Jeremy Parr and John Witt; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. The chairman, group chief executive and group finance director of DFMS, together with representatives of the internal and external auditors, also attend the Audit Committee meetings by invitation. The Audit Committee meets and reports to the Board semi-annually.

Prior to completion and announcement of the half-year and year-end results, a review of the financial information and of any issues raised in connection with the preparation of the results, including the adoption of new accounting policies, is undertaken by the Audit Committee with the executive management and a report is received from the external auditors. The external auditors also have access to the full Board, in addition to the Group Chief Executive, Group Finance Director and other senior executives.

The Audit Committee keeps under review the nature, scope and results of the audits conducted by the internal audit function and the findings of the various Group audit committees. The Audit Committee's responsibilities extend to reviewing the effectiveness of both the internal and external audit functions; considering the independence and objectivity of the external auditors; and reviewing and approving the level and nature of non-audit work performed by the external auditors.

The terms of reference of the Audit Committee can be found on the Company's website at www.dairyfarmgroup.com.

Risk Management and Internal Control

The Board has overall responsibility for the Group's systems of risk management and internal control. The Board has delegated to the Audit Committee responsibility for providing oversight in respect of risk management activities. The Audit Committee considers the Group's principal risks and uncertainties and potential changes to the risk profile, and reviews the operation and effectiveness of the Group's systems of internal control and the procedures by which these risks are monitored and mitigated. The Audit Committee considers the systems and procedures on a regular basis, and reports to the Board semi-annually. The systems of internal control are designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

Executive management is responsible for the implementation of the systems of internal control throughout the Group, and a series of audit committees at an operational level and the internal audit function monitor the effectiveness of the systems. The internal audit function also monitors the approach taken by the business units to risk. The internal audit function is independent of the operating businesses and reports its findings, and recommendations for any corrective action required, to the Audit Committee.

The Group has in place an organizational structure with defined lines of responsibility and delegation of authority. There are established policies and procedures for financial planning and budgeting; for information and reporting systems; for assessment of risk; and for monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy is set out in the Group's Code of Conduct, which is a set of guidelines to which every employee must adhere, and is reinforced and monitored by an annual compliance certification process.

The Audit Committee has also been given the responsibility to oversee the effectiveness of the formal procedures for employees to raise any matters of serious concern, and is required to review any reports made under those procedures that are referred to it by the internal audit function.

The Group's 50% associate, Maxim's Caterers Limited ('MCL'), has a separate board, audit committee, risk management and internal audit structure. The Group is represented on the board of MCL, at which reviews of strategy, operations, budgets and major investments are undertaken. The MCL board has delegated to the MCL group's audit and risk management committees and its audit department responsibility for reviewing areas of major risk and the effectiveness of the internal control procedures.

The principal risks and uncertainties facing the Company are set out on pages 117 and 118.

Directors' Responsibilities in respect of the Financial Statements

The Directors are required under the Bermuda Companies Act to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the annual general meeting. The financial statements are required to present fairly in accordance with International Financial Reporting Standards ('IFRS') the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgements and estimates, have been followed in preparing the financial statements. The financial statements have been prepared on a going concern basis.

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct, which is modelled on the Jardine Matheson group's code of conduct. The Code of Conduct requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The Code of Conduct prohibits the giving or receiving of illicit payments, and requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organizations.

The Code of Conduct also encourages inclusion and diversity, and requires all employees to be treated fairly, impartially and with dignity and respect. As a multinational Group with a broad range of businesses operating across Asia, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation, disability, age or background. The scale and breadth of the Group's businesses necessitate that they seek the best people from the communities in which they operate most suited to their needs.

The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

Directors' Share Interests

The Directors of the Company in office on 8th March 2018 had interests (within the meaning of the EU Market Abuse Regulation ('MAR'), which applies to the Company as it is listed on the London Stock Exchange) as set out below in the ordinary share capital of the Company. These interests include those notified to the Company in respect of the Directors' closely associated persons (as that term is used under MAR).

George J. Ho	1,818,804
Michael Kok	282,888
Dr George C.G. Koo	100,329
Anthony Nightingale	34,183
Percy Weatherall	200,000

In addition, Neil Galloway held options in respect of 650,000 ordinary shares issued pursuant to the Company's share-based long-term incentive plans.

Substantial Shareholders

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must in certain circumstances notify the Company of the percentage of voting rights attaching to the share capital of the Company that he holds. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which he holds reaching, exceeding, or falling below, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

The Company has been informed of the following holdings of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic Holdings Limited ('Jardine Strategic') and its subsidiary undertakings are directly and indirectly interested in 1,049,589,171 ordinary shares carrying 77.60% of the voting rights and, by virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares; and (ii) Commonwealth Bank of Australia and its controlled undertakings are directly and indirectly interested in 92,393,636 ordinary shares carrying 6.83% of the voting rights. Apart from these shareholdings, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 8th March 2018.

There were no contracts of significance with corporate substantial shareholders during the year under review.

Governance Principles

The Company's primary listing on the London Stock Exchange is a standard listing on the Main Market. Under a standard listing, the Company is subject to the UK Listing Rules (other than those which apply only to companies with a premium listing), the DTRs, the UK Prospectus Rules and MAR. The Company, therefore, is bound by the rules in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares and market abuse, including the rules governing insider dealing, market manipulation and the disclosure of inside information. The Company is also subject to regulatory oversight from the FCA, as the Company's principal securities regulator, and is required to comply with the Admission and Disclosure Standards of the Main Market of the London Stock Exchange.

When shareholders approved the Company's move to a standard listing from a premium listing in 2014, the Company stated that it intended to maintain certain governance principles on the same basis as was then applicable to the Company's premium listing, as follows:

1. When assessing a significant transaction, being a larger transaction which would be classified as a class 1 transaction under the provisions of the UK Listing Rules, the Company will engage an independent financial adviser to provide a fairness opinion on the terms of the transaction.

2. In the event of a related party transaction, being a transaction with a related party which would require a sponsor to provide a fair and reasonable opinion under the provisions of the UK Listing Rules, the Company will engage an independent financial adviser to confirm that the terms of the transaction are fair and reasonable as far as the shareholders of the Company are concerned.

3. Further, as soon as the terms of a significant transaction or a related party transaction are agreed, an announcement will be issued by the Company providing such details of the transaction as are necessary for investors to evaluate the effect of the transaction on the Company.

4. At each annual general meeting, the Company will seek shareholder approval to issue new shares on a non-pre-emptive basis for up to 33% of the Company's issued share capital, of which up to 5% can be issued for cash consideration.

5. The Company will continue to adhere to its Securities Dealing Rules. These rules, which were based on the UK Model Code, have since been revised to follow the provisions of MAR with respect to market abuse and disclosure of interests in shares.

6. The Company will continue its policies and practices in respect of risk management and internal controls.

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 32 to the financial statements on page 97.

Securities Purchase Arrangements

The Directors have the power under the Bermuda Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled and, therefore, reduce the issued share capital of the Company. When the Board reviews the possibility for share repurchases, it will take into consideration the potential for the enhancement of earnings or asset values per share. When purchasing such shares, the Company is subject to the provisions of MAR.

Takeover Code

The Company is subject to a Takeover Code, based on London's City Code on Takeovers and Mergers. The Takeover Code provides an orderly framework within which takeovers can be conducted and the interests of shareholders protected. The Takeover Code has statutory backing, being established under the Acts of incorporation of the Company in Bermuda.

Annual General Meeting

The 2018 Annual General Meeting will be held on 9th May 2018. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. A corporate website is maintained containing a wide range of information of interest to investors at www.dairyfarmgroup.com.

Power to Amend Bye-laws

The Bye-laws of the Company can be amended by the shareholders by way of a special resolution at a general meeting of the Company.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 113 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

Economic Risk

Most of the Group's businesses are exposed to the risk of negative developments in global and regional economies and financial markets, either directly or through the impact on the Group's joint venture partners, franchisors, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices and in the cost of raw materials and finished products. Such developments might increase operating costs, reduce revenues, lower asset values or result in the Group's businesses being unable to meet in full their strategic objectives.

Commercial Risk and Financial Risk

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks. These risks are further pronounced when operating in volatile markets. While the Group's regional diversification does help to mitigate some risks, a significant portion of the Group revenues and profits continue to be derived from our operations in Hong Kong.

A number of the Group's businesses make significant investment decisions in respect of developments or projects that take time to come to fruition and achieve the desired returns and are, therefore, subject to market risks.

The Group's businesses operate in areas that are highly competitive, and failure to compete effectively in terms of price, product specification, technology, property site or levels of service or to adapt to changing consumer behaviours, including new shopping channels and formats, can have an adverse effect on earnings. Significant pressure from such competition may also lead to reduced margins. The quality and safety of the products and services provided by the Group's businesses are also important and there is an associated risk if they are below standard, while any damage to brand equity or reputation might adversely impact the ability to achieve acceptable revenues and profit margins.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 36 and note 2 to the financial statements on pages 56 to 61.

Concessions, Franchises and Key Contracts

A number of the Group's businesses and projects are reliant on concessions, franchises, management or other key contracts. Cancellation, expiry or termination, or the renegotiation of any such concessions, franchises, management or other key contracts, could have an adverse effect on the financial condition and results of operations of certain subsidiaries, associates and joint ventures of the Group.

Principal Risks and Uncertainties

Regulatory and Political Risk

The Group's businesses are subject to a number of regulatory environments in the territories in which they operate. Changes in the regulatory approach to such matters as foreign ownership of assets and businesses, exchange controls, licensing, imports, planning controls, emission regulations, tax rules and employment legislation have the potential to impact the operations and profitability of the Group's businesses. Changes in the political environment in such territories can also affect the Group's businesses.

Terrorism, Pandemic and Natural Disasters

A number of the Group's operations are vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism.

All Group businesses would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of our businesses to operate smoothly. In addition, many of the territories in which the Group operates can experience from time to time natural disasters such as earthquakes, volcanoes and typhoons.

Technology Risk

The Group has invested significantly in and is heavily reliant on its IT infrastructure and systems for the daily operation of its business. Any major disruption to the Group's IT systems could have a significant impact on operations. The ability to anticipate and adapt to technology advancements or threats is an additional risk that may also have an impact on the business.

Shareholder Information

Financial Calendar

2017 full-year results announced	8th March 2018
Shares quoted ex-dividend on the Singapore Exchange	21st March 2018
Shares quoted ex-dividend on the London Stock Exchange	22nd March 2018
Share registers closed	26th to 30th March 2018
Annual General Meeting to be held	9th May 2018
2017 final dividend payable	16th May 2018
2018 half-year results to be announced	26th July 2018*
Shares quoted ex-dividend on the Singapore Exchange	15th August 2018*
Shares quoted ex-dividend on the London Stock Exchange	16th August 2018*
Share registers to be closed	20th to 24th August 2018*
2018 interim dividend payable	10th October 2018*

* Subject to change

Dividends

Shareholders will receive their cash dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2017 final dividend by notifying the United Kingdom transfer agent in writing by 27th April 2018. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 2nd May 2018. Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in sterling only. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive their cash dividends in United States dollars unless they elect, through CDP, to receive Singapore dollars.

Registrars and Transfer Agent

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

Principal Registrar
Jardine Matheson International Services Limited
P.O. Box HM 1068
Hamilton HM EX
Bermuda

Jersey Branch Registrar
Link Market Services (Jersey) Limited
12 Castle Street
St Helier, Jersey JE2 3RT
Channel Islands

Singapore Branch Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

United Kingdom Transfer Agent
Link Asset Services
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
United Kingdom

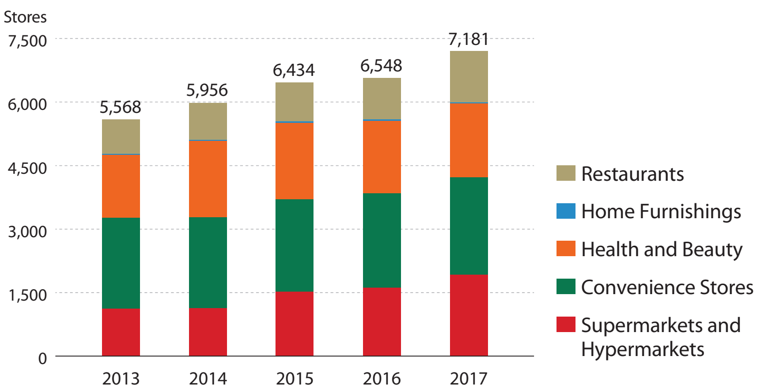
Press releases and other financial information can be accessed through the internet at www.dairyfarmgroup.com.

Retail Outlets Summary

	Food							
2017	**Supermarkets**	**Hypermarkets**	**Convenience Stores**	**Health and Beauty**	**Home Furnishings**	**Restaurants**	**Total**	**Net addition**
Hong Kong	329	–	938	355	4	774	**2,400**	39
Macau	17	–	49	18	–	14	**98**	2
Mainland China	472	307	920	238	–	232	**2,169**	431
Singapore	106	8	393	118	–	141	**766**	109
Indonesia	140	58	–	250	1	–	**449**	1
Malaysia	61	80	–	425	–	–	**566**	(9)
Brunei	–	1	–	21	–	–	**22**	–
Taiwan	253	–	–	–	5	–	**258**	4
The Philippines	61	12	–	251	–	–	**324**	22
Vietnam	–	1	–	60	–	33	**94**	21
Cambodia	11	–	–	8	–	8	**27**	8
Thailand	–	–	–	–	–	8	**8**	5
Total	**1,450**	**467**	**2,300**	**1,744**	**10**	**1,210**	**7,181**	633
Net change over 2016	313	(4)	69	29	1	225	633	

	Food							
2016	Supermarkets	Hypermarkets	Convenience Stores	Health and Beauty	Home Furnishings	Restaurants	Total	Net addition
Hong Kong	322	–	937	355	3	744	2,361	36
Macau	16	–	49	17	–	14	96	6
Mainland China	176	311	828	228	–	195	1,738	200
Singapore	106	8	417	126	–	–	657	(55)
Indonesia	147	55	–	245	1	–	448	(78)
Malaysia	68	82	–	425	–	–	575	(14)
Brunei	–	1	–	21	–	–	22	–
Taiwan	249	–	–	–	5	–	254	2
The Philippines	43	13	–	246	–	–	302	(4)
Vietnam	–	1	–	47	–	25	73	16
Cambodia	10	–	–	5	–	4	19	2
Thailand	–	–	–	–	–	3	3	3
Total	1,137	471	2,231	1,715	9	985	6,548	114
Net change over 2015	64	33	46	(100)	–	71	114	

Store Network



Note: Includes associates and joint ventures and excludes discontinued operations.

Management and Offices

Leadership Team

Ian McLeod	Group Chief Executive
Neil Galloway	Group Finance Director
Tongwen Zhao	Group Human Resources Director
Suzanne Wong	Group Commercial Director
Sam Oh	Group CIO
Charlie Wood	Group Counsel
Gordon Farquhar	Group Director, Health and Beauty
Pierre-Olivier Deplanck	Chief Executive Officer, Malaysia and Brunei (Food)
Choo Peng Chee	Regional Director, North Asia (Food)
Irwin Lee	Chief Executive Officer, RSCI
Stéphane Deutsch	President Director, PT Hero
Mark Herbert	Chief Executive Officer, Singapore and Cambodia (Food)
Martin Lindström	Group Director, IKEA

Corporate Office

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Hong Kong and Macau

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Fax : (852) 2299 2888

Maxim's Caterers Ltd*
18/F Maxim's Centre
17 Cheung Shun Street
Cheung Sha Wan
Kowloon
Tel : (852) 2523 4107
Fax : (852) 2845 0715
Website: www.maxims.com.hk

Indonesia

PT Hero Supermarket Tbk
Graha Hero
KO. Komersial CBD Bintaro
Sektor VII B.7/A.7, Pondok Jaya
Pondok Aren, Tangerang Selatan
Banten 15224
Tel : (62 21) 8378 8000
Website: www.hero.co.id

Mainland China

Guangdong Sai Yi Convenience Stores Ltd
3/F Guangdong Mechanical Sub-Building
185 Yue Hua Road
Yue Xiu District
Guangzhou 510030
Tel : (86 20) 8364 7118
Fax : (86 20) 8364 7436
Website: www.7-11.cn

Mannings Guangdong Retail Company Ltd
2/F Guangdong Mechanical Main-Building
185 Yue Hua Road
Yue Xiu District
Guangzhou 510030
Tel : (86 20) 8318 1388
Fax : (86 20) 8318 2388
Website: www.mannings.com.cn

Yonghui Superstores Co., Ltd*
436 W 2nd Ring Road
Fuzhou 350002
Tel : (86 591) 8376 2200
Fax : (86 591) 8376 2990
Website: www.yonghui.com.cn

Malaysia

GCH Retail (Malaysia) Sdn Bhd
Mezzanine Floor
Giant Hypermarket Shah Alam Stadium
Lot 2, Persiaran Sukan, Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan
Tel : (603) 5544 8888
Fax : (603) 5511 0164
Website: www.giant.com.my

Guardian Health and Beauty Sdn Bhd
Mezzanine Floor
Giant Hypermarket Shah Alam Stadium
Lot 2, Persiaran Sukan, Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan
Tel : (603) 5544 8400
Fax : (603) 5518 1131
Website: www.guardian.com.my

The Philippines

Rustan Supercenters, Inc.
4/F to 6/F Morning Star Center
347 Sen. Gil Puyat Avenue
Makati City 1200
Tel : (63 2) 909 9000
Website: www.shopwise.com.ph
www.rustansfresh.com

Rose Pharmacy, Inc.*
3/F FLC Centre
888 Hernan Cortes Street
Subangdaku
Mandaue City 6014
Tel : (63 32) 230 5000
Fax : (63 32) 416 5882
Website: www.rosepharmacy.com

Singapore

Cold Storage Singapore (1983) Pte Ltd
21 Tampines North Drive 2
#03-01
Singapore 528765
Tel : (65) 6891 8000
Fax : (65) 6784 3623

Taiwan

Wellcome Taiwan Company Ltd
2/F 175 Hua Ling Street
Shi Lin
Taipei
Tel : (886 2) 2883 9489
Fax : (886 2) 2881 7050
Website: www.wellcome.com.tw

DFI Home Furnishings Taiwan Ltd
4/F 1 Zhong Zheng Road
XinZhuang District
New Taipei City 24243
Tel : (886 2) 8069 9005
Fax : (886 2) 2992 0586
Website: www.ikea.com.tw

Vietnam

Pan Asia Trading And Investment One Member Company Limited*
2/F Phuong Long Building
506 Nguyen Dinh Chieu Street
Ward 4, District 3
Ho Chi Minh City
Tel : (84 28) 3832 8272
Fax : (84 28) 3832 8448
Website: www.guardian.com.vn

* Associates or joint ventures

www.dairyfarmgroup.com