Dairy Farm International Holdings Ltd
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To: Business Editor

5th March 2015
For immediate release

*The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.*

**DAIRY FARM INTERNATIONAL HOLDINGS LIMITED**
**2014 PRELIMINARY ANNOUNCEMENT OF RESULTS (UNAUDITED)**

**Highlights**

- Sales up 5% with growth in all divisions
- Underlying profit 4% above last year
- Good results from Health and Beauty, Home Furnishings and Restaurants, offset by lower performance in Food
- Strategic investment in Yonghui Superstores in China announced

"Challenging trading conditions continue in some key businesses and markets, particularly in the supermarket and hypermarket sector in Southeast Asia. Progress is being made in repositioning the Company for future growth with strategic corporate, supply chain and IT investments. Dairy Farm's market-leading positions in most of its major businesses, broad retail footprint across Asia, strong balance sheet and growing focus on mainland China make it well placed to deliver long-term growth."

Ben Keswick
*Chairman*

**Results**

| | Year ended 31st December | | |
|---|---|---|---|
| | **2014 US$m (unaudited)** | 2013 US$m | Change % |
| Sales | | | |
| - subsidiaries | **11,008** | 10,357 | +6 |
| - including associates and joint ventures+ | **13,103** | 12,432 | +5 |
| Underlying profit attributable to shareholders* | **500** | 480 | +4 |
| Profit attributable to shareholders | **509** | 501 | +2 |
| | **US¢** | US¢ | % |
| Underlying earnings per share* | **36.98** | 35.52 | +4 |
| Basic earnings per share | **37.65** | 37.05 | +2 |
| Dividends per share | **23.00** | 23.00 | - |

+ on a 100% basis.
* 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.

The final dividend of US¢16.50 per share will be payable on 13th May 2015, subject to approval at the Annual General Meeting to be held on 6th May 2015, to shareholders on the register of members at the close of business on 20th March 2015.

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**DAIRY FARM INTERNATIONAL HOLDINGS LIMITED**

**PRELIMINARY ANNOUNCEMENT OF RESULTS**
**FOR THE YEAR ENDED 31ST DECEMBER 2014**
**(UNAUDITED)**

**OVERVIEW**

In 2014, Dairy Farm took a number of strategic initiatives, notably in mainland China and the Philippines, to improve the Group's positioning for sustained growth. In parallel, there was continued investment in the existing store network, supply chain infrastructure and IT systems and people to deliver a superior consumer offer and to provide a compelling shopping experience for customers.

**PERFORMANCE**

Sales, including 100% of associates and joint ventures, increased by 5% to US$13.1 billion in 2014 with growth achieved in all divisions. Underlying profit was US$500 million, 4% better than 2013. Underlying earnings per share were US¢36.98 as compared to US¢35.52 in 2013.

The Group's overall performance was mixed in 2014. The Food division reported lower profits despite increasing sales. Improved profitability in Greater China and Malaysia was more than offset by reductions in Indonesia, Singapore and the Philippines. By contrast, the Health and Beauty, Home Furnishings and Restaurants divisions reported further growth in sales and profits even in the face of margin pressures.

The profit of US$509 million attributable to shareholders in 2014, included a net non-trading gain of US$9 million arising mainly from the disposal of properties, was 2% above 2013.

The Group's financial position remains strong with net cash of US$475 million at the end of 2014. The reduction in net cash from the previous year was mainly due to higher investing activities, which included increased capital expenditure on stores and infrastructure, additional investment in Rustan Supercenters and the acquisition of a 49% interest in Rose Pharmacy in the Philippines.

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The Board is recommending a final dividend of US¢16.50 per share, unchanged from the previous year, maintaining the total ordinary dividend for 2014 at US¢23.00 per share.

**BUSINESS DEVELOPMENTS**

A cohesive culture is being implemented across the Group which, together with the sharing of best practice, will enable the overall strength and scale of the Group to be brought to bear. This will be evidenced in terms of enhanced branding, improved supply chain discipline, a stronger private label programme, and an improved range and availability of products for customers.

The Group continues to expand its store network across all formats, and to renovate existing stores to enhance the shopping experience for customers. During the year, Dairy Farm opened 124 net new stores and acquired 238 retail outlets. As at 31st December 2014, Dairy Farm operated over 6,100 stores in 11 countries and territories. Significant investment is also being made in IT infrastructure and systems as well as the supply chain to improve efficiency and increase productivity.

The Food business had another challenging year in 2014. There was good growth in Greater China, particularly in Hong Kong. Malaysia benefited from measures being taken to enhance the fundamentals of the business, but in Singapore there was reduced profitability in a challenging environment. The performance in the Philippines was weaker due to rising costs, increased competition and store refurbishment. While there was modest like-for-like sales growth in Indonesia, significant cost inflation and higher stock provisions led to a material decline in profitability. Programmes are underway across the food businesses to increase the focus on fresh produce and corporate brands so as to provide a more distinctive offer.

In the Health and Beauty division, Hong Kong and Macau had another record year in both sales and profits, but profits declined in Malaysia in the face of greater competition. Expansion continues with the net addition of 81 outlets in the continuing operations. Good progress is being made in aligning the Mannings and Guardian brands to improve strategic positioning and execution. Store enhancements are taking place across the portfolio and investment is being made in the corporate brand programme.

In Home Furnishings, IKEA’s store in Indonesia was opened in Jakarta in mid-October, and initial trading has been encouraging. The IKEA businesses in Hong Kong had a good year. In Taiwan, IKEA produced a strong performance as it benefited from the first full-year’s contribution from the new Tai Chung store opened in September 2013.

In the Restaurant division, Maxim’s produced a steady performance, although it saw weaker trading in the fourth quarter due to softer mooncake sales in mainland China and the negative impact of the Occupy Central activity on several Hong Kong restaurants. The Group is continuing to expand Starbucks in Hong Kong and Vietnam, and is also growing its casual dining and Japanese restaurant chains in Hong Kong and mainland China. In May, it announced that it had entered into a new franchise relationship with The Cheesecake Factory, and expects to open the first store in 2016.

**CORPORATE DEVELOPMENTS**

Several strategic initiatives were taken during the year to re-position the Dairy Farm portfolio.

Agreement was reached in August to establish a strategic partnership with Yonghui Superstores Co., Ltd and to acquire a 19.99% shareholding in the company for an investment of RMB5.69 billion (approximately US$925 million). Yonghui is one of China’s fastest growing food retailers, and both companies have agreed to work closely together to drive operating synergies. The investment will provide Yonghui with expansion capital and give Dairy Farm exposure to the large and growing PRC food retail sector. Regulatory approvals in China are being sought, and the transaction is expected to close during the first half of 2015.

In the Philippines, in August the Group acquired an additional 16% interest in Rustan Supercenters, Inc., increasing its shareholding to 66%. In November, the Group entered the Philippines Health and Beauty market with the acquisition of a 49% interest in Rose Pharmacy Inc., providing it with a material presence in another key market in Asia.

In July, Dairy Farm exited the Indian market with the sale of its Foodworld and Health and Glow joint venture interests to its local partner.

**REGULATORY DEVELOPMENTS**

Following shareholder approval at a Special General Meeting held in April, the transfer of the Company's listing on the Main Market of the London Stock Exchange to the standard listing category was completed on 27th May 2014.

**PEOPLE**

Dairy Farm's performance in 2014, in the face of significant market challenges, reflects the hard work and dedication of our employees. On behalf of the Board, I would like to thank them for their efforts and wish them well in the year ahead.

Giles White will be retiring as a Director on 31st July 2015 and we would like to thank him for his contribution.

**PROSPECTS**

Challenging trading conditions continue in some key businesses and markets, particularly in the supermarket and hypermarket sector in Southeast Asia. Progress is being made in repositioning the Company for future growth with strategic corporate, supply chain and IT investments. Dairy Farm's market-leading positions in most of its major businesses, broad retail footprint across Asia, strong balance sheet and growing focus on mainland China make it well placed to deliver long-term growth.

Ben Keswick
*Chairman*

## GROUP CHIEF EXECUTIVE'S REVIEW

Dairy Farm is a leading Asian retailer and operates across four broad formats: Food (including Supermarkets, Hypermarkets, and Convenience stores), Health and Beauty stores, Home Furnishings stores and Restaurants. The Group operates multiple formats in most markets to satisfy different market segments and customer needs, and trades under well recognized brands, such as Wellcome, Cold Storage, Giant, Hero, 7-Eleven, Mannings, Guardian, IKEA and Maxim's. Dairy Farm strives to bring to Asian consumers the benefits of modern retailing and to be pioneers across each of our formats.

The Group has strong market positions and cash generative operations in 11 Asian countries and territories, and continues to make significant investment in support of these businesses. In addition to driving organic growth, the Group seeks further investment opportunities in current and new markets in Asia. This approach builds upon the Group's knowledge and expertise, as well as providing a good balance of risk and return. By combining our investment approach with a strong balance sheet, Dairy Farm seeks sustained long-term earnings growth.

## 2014 PERFORMANCE

Sales, including 100% of associates and joint ventures, increased by 5% to US$13.1 billion (2013: US$12.4 billion). Pleasing like-for-like sales growth was achieved in the Health and Beauty, Home Furnishings and Restaurants divisions, and also in the food businesses in Greater China. All businesses experienced further margin pressures, however, which restricted profit growth. Challenging trading conditions for the food businesses in Southeast Asia also held back profit growth. Underlying profit for 2014 of US$500 million was 4% ahead of the prior year's US$480 million. At constant rates of exchange, sales would have increased 7% to US$13.4 billion, while underlying profits would have increased 5% to US$504 million.

The Group's Food business saw a decline in underlying profits mainly due to weaker performances in Indonesia, Singapore and the Philippines. Wellcome and 7-Eleven in Hong Kong traded well. In mainland China, 7-Eleven showed further improvement, while Wellcome in Taiwan delivered positive results after some store consolidation and a greater focus on the upscale segment. In Singapore, fragile consumer confidence, challenges in the labour market and escalating costs adversely affected the overall performance. Cold Storage was broadly stable in the upscale segment, but Giant struggled against its mid-market competitors.  7-Eleven had positive like-for-like sales following its store rationalization and range improvements.  In Malaysia, profits improved due to better retail execution, increased focus on the customer, sharper promotion activities and tactical investments in margin to improve price perception and drive sales. The supermarket operations in Cambodia performed behind the prior year due to increased competition.  In the Philippines, sales were maintained but profits declined as several key stores were under renovation during the year. Profitability was also impacted by the investment needed to bring operations in line with international practices.  In Indonesia, while overall sales growth was seen in PT Hero's food operations, like-for-like sales were soft and profits were significantly lower following a material increase in operating costs and overheads.

Solid sales and profit growth were seen in the Group's Health and Beauty businesses. Mannings in Hong Kong and Macau had a strong year, while improved results were achieved in mainland China.  The Guardian business in Malaysia achieved higher sales, but profits were lower in a more competitive market.  Guardian in Singapore and Indonesia also delivered a positive sales performance.  Two new stores were added in Cambodia after the first opening at the end of 2013, while Vietnam added seven stores to its network and now operates in both Ho Chi Minh City and Hanoi.

IKEA in Hong Kong and Taiwan reported strong like-for-like sales growth.  The new Tai Chung store which was opened in September 2013 continued to perform well in 2014.  The first store in Indonesia also opened in the fourth quarter, and initial trading has been encouraging.  Profits for the division were well up on the prior year.

Our restaurant associate, Maxim's, delivered another solid set of results.  Expansion of the Chinese casual dining restaurants and Japanese restaurants continues in mainland China, and additional Starbucks stores were opened in Vietnam.

**KEY DEVELOPMENTS**

Significant effort is being made to build a cohesive culture across the Dairy Farm Group by sharing six guiding principles throughout the Company.  Those principles highlight the key priorities in terms of Consumers, Innovation, People, Teamwork, Sustainable Results and Integrity.  With these, and continuous communication initiatives to share best practice, we are beginning to leverage the overall strength and scale of the Group.  Benefits will include enhanced and more consistent branding, improved supply chain discipline, a stronger corporate brand programme, and improved range and on shelf availability for our customers.

Following the reorganization of Dairy Farm's businesses by format in 2013, the past year has seen further action taken to position the Group better for growth. Key corporate initiatives include the sale of our operations in India, the planned expansion of our Food business into China through a proposed investment in Yonghui Superstores, the acquisition of an additional 16% of the shares in Rustan Supercenters in the Philippines, and entry into the health and beauty sector in the Philippines through a 49% stake in Rose Pharmacy.

These initiatives are complemented by investments in human resources, IT infrastructure and systems, supply chain infrastructure, e-commerce and store renovations, which are necessary to support the continued growth of the Group. The action being taken is aimed at putting Asian consumers at the centre of our business by providing meaningful innovation across all formats so as to deliver a superior shopping experience.

The key developments during the year were:

- In July we completed the sale of our operations in India through the divestment of our 49% shareholding in Foodworld and 50% shareholding in Health and Glow to our joint venture partner.

- In August the Group acquired an additional 16% interest in Rustan in the Philippines from its joint venture partner, bringing its ownership to 66% and providing increased management control of the business.

- In August agreement was reached to establish a strategic partnership with Yonghui Superstores Co., Ltd and to acquire a 19.99% shareholding in the company for an investment of approximately RMB5.69 billion (US$925 million). Yonghui is one of the leading food retailers in China with sales of RMB36.7 billion in 2014 and 335 stores in 17 provinces as at 31st December 2014. Many opportunities have been identified to collaborate and drive benefits for both companies. The investment is subject to regulatory approval in China, which is currently being sought. The transaction is expected to close in the first half of 2015.

- In November the Group acquired a 49% interest in Rose Pharmacy, a leading Philippine pharmacy chain, which establishes an entry point for the growing health and beauty segment in a key Asian market.

- During the year agreement was reached to divest 30% of the ordinary shares in GCH Malaysia Sdn. Bhd., operator of the Group's Malaysian Food business, to the Antah Group in order to meet local regulatory requirements. This transaction, which completed in February 2015, did not extend to the Group's Health and Beauty activities in Malaysia.

- A net 124 stores were added during the year which, together with 238 Rose Pharmacy stores acquired in the Philippines, gave a total store portfolio of 6,101 as at 31st December 2014. Despite adding 39 7-Eleven stores in Southern China, the number of Food business outlets declined by a net eight stores, mainly due to the consolidation of the Group's convenience stores in Singapore and Indonesia.

- The Health and Beauty business opened a net 81 stores across different markets, including 30 in mainland China and 33 in Indonesia, in addition to those added by Rose Pharmacy.

- The first IKEA store in Indonesia was opened in October with an encouraging initial performance.

- Maxim's opened 53 net new outlets during the year, including 23 in mainland China and nine Starbucks outlets in Vietnam. Maxim's also signed an agreement with The Cheesecake Factory to bring this leading U.S. casual dining concept to Asia. The first outlet is expected to open in 2016.

## BUSINESS REVIEW

### *FOOD*

Food reported US$8.4 billion in total sales, an increase of 2%, while operating profit declined by 6% to US$299 million, principally driven by poor results in Singapore, Indonesia and the Philippines within the supermarkets/hypermarkets formats.

There has been increased focus during the year on strengthening the Group's fresh produce offering across all food formats, and this has had positive results. In parallel, the Group's corporate brand programme has been expanded significantly in key categories to heighten differentiation and customer choice.

**FOOD – SUPERMARKETS/HYPERMARKETS**

Supermarkets/Hypermarkets reported US$6.5 billion in total sales, representing an increase of 1%, while operating profit declined by 9% to US$226 million.

In **Hong Kong**, Wellcome increased its market share in grocery and fresh food with a strong increase in sales and good profit growth. The number of Wellcome stores grew by ten to 318. Wellcome maintained its low price strategy, while strengthening its fresh food offer. Jasons rebalanced its product assortment strategy to include more direct imported Western/European ranges which deliver better margins. Although the outlook for 2015 is challenging, Wellcome is investing in automation and people development to drive further growth.

In **Taiwan**, full-year sales and operating profits grew, despite having 17 fewer stores than last year, as like-for-like sales improved. The Fresh Production Centre and the Dry Distribution Centre were successfully integrated to enhance productivity, product quality and overall service levels. The growth and expansion of the high-end supermarket format Jasons, which at the year end had 12 stores, was a key highlight in 2014.

In **Indonesia**, while full-year sales grew 11%, both new store and like-for-like sales performance were weak particularly in the Giant supermarket format. As a result of disappointing top line growth and significant cost increases in labour and utilities, as well as higher provisions to accelerate stock liquidation, operating profits fell significantly. During the year, the Group opened new distribution centre hubs in Medan, Lampung and Kalimantan and also introduced decentralized buying teams to improve logistics efficiency, strengthen the assortment and improve the quality of fresh products. Migration to a new warehouse management system has also improved efficiency, reduced handling costs and strengthened key processes in the supply chain.

Giant gained market share as it expanded in cities outside Java. Its focus on competitive pricing has enhanced its low price image and improved sales. A shortage of electricity capacity in certain cities, however, has either slowed expansion plans or increased costs. Hero Supermarkets continued to improve its offer across fresh, imported and exclusive ranges.

In **Malaysia**, 2014 was a year of transformation for the food business, becoming more customer-centric through store refurbishments, sharper pricing and enhanced assortments. Market share and penetration has improved, although the discounting and stock clearance activities have negatively affected margins. The trading environment in Malaysia faces some uncertainties in 2015 with the introduction of the new Goods and Services Tax ('GST') on 1st April 2015. Nevertheless the Group remained positive about the medium-term outlook and is making investments in existing stores, in opening new stores and in its supply chain to strengthen further its competitive position.

In **the Philippines**, the Group increased its shareholding in Rustan Supercenters by 16% to 66%. Several benefits, including group volume purchasing, IT infrastructure, supply chain know-how and corporate brand have been brought to Rustan. Seven new stores were opened during 2014. Particularly encouraging growth was achieved in the Wellcome neighbourhood stores. Expansion was principally in the greater Manila area, although three new stores were also added in Cebu City. The Group ended the year with 51 stores in the Philippines. The Group continues to emphasize its fresh credentials to drive differential in the market. In recognition of its efforts, Rustan was awarded the 'Outstanding Retailer Award' by the Philippines Retailer Association. Key priorities in 2015 include further improvements to the fresh offer, strengthening corporate label sales in targeted categories and additional new units.

In **Singapore**, the retail environment remained challenging in 2014. Cold Storage achieved higher sales despite the forced closure of a major store and extensive refurbishment work in other key stores. Profitability at Cold Storage remained stable during the year in the face of margin pressures from rising costs. Sales from new stores opened in 2014 are expected to increase gradually over 2015 as they build on their core strengths in fresh and imported products, and deployment of productivity-led initiatives including electronic shelf labels, closed-loop cash handling machines and self-scan checkouts. In the mid market Giant operations suffered from rising wages and a shortage of manpower which impacted both sales and profitability. The business is undergoing a transformation with greater emphasis on fresh food and a streamlined grocery range. Resources are also being invested to standardize store equipment and programmes, and to simplify operations. These changes, supported by sharper customer focus, will put the business on a much stronger footing.

**FOOD – CONVENIENCE STORES**

Convenience Stores reported US$1.9 billion in total sales, representing an increase of 4% over the previous year (2013: US$1.8 billion). Operating profit increased by 3% to US$73 million.

In **Hong Kong**, in the face of higher rent and labour costs, 7-Eleven did well to increase both sales and operating profits for the year. With an extensive network of 921 stores as at the end of December 2014, 7-Eleven remains the clear market leader. It continued to innovate with themed promotions, the launch of Daily Café coffee and innovation in Ready-To-Eat products. Full-year sales and operating profits were also up in **Macau**.

In **Southern China**, 7-Eleven achieved record high one-day sales on '7-11 day' (11th July), nearly double average daily sales. Full-year sales and operating profits rose compared to 2013. Store count increased by a net 39 to a total of 686 at the end of 2014. In the coming year, 7-Eleven will focus on new ready-to-eat products, building its network across Guangdong and expanding the number of franchise stores.

In **Singapore**, 7-Eleven continued its store consolidation programme, closing 50 loss-making stores during the year. The business opened six new stores at strategic locations and modernized or refurbished 61 additional stores. Like-for-like sales were slightly positive. Plans for 2015 include an expanded ready-to-eat offer and an increased range of services.

In **Indonesia**, Starmart's ready-to-eat offer produced positive sales, while several loss making stores were closed. PT Hero is reviewing its strategic options for Starmart.

***HEALTH AND BEAUTY***

Health and Beauty achieved another year of record sales and profit, led by a particularly strong performance from Mannings in Hong Kong and Macau. Sales increased 11% to US$2.5 billion while operating profit rose by 11% to US$219 million (2013: US$198 million). The Group now operates 1,800 health and beauty stores under the Mannings, Guardian and Rose Pharmacy brands across ten countries and territories.

Significant effort has continued to be made during the year to align the brand identities of Mannings and Guardian with adoption of a common livery and a cohesive look, tone and feel to the stores. Improved disciplines around stock management, space planning, range and display, and supply chain processes have delivered better on shelf availability for customers. Increased investment is being made in corporate brand products, and in sourcing exclusive lines as a point of difference in the market.

In **Hong Kong**, Mannings achieved record sales in 2014. Mannings enjoys a strong brand equity, and is highly trusted by consumers at a time when preventative health is becoming an increasingly important issue.

In **mainland China**, the performance of Mannings improved further with the net addition of 30 stores, enhancement to its assortment, and double digit like-for-like sales growth.

In **Singapore**, 50 stores were renovated in the new Guardian façade and a new pilot e-commerce site was launched in the fourth quarter.

In **Malaysia**, increased competition, negative like-for-like sales and significant cost increases impacted profits. Guardian maintained its market leading position and protected top-line performance with increased promotional activity.

In **Indonesia**, Guardian reported strong sales growth with solid like-for-like sales. A new dedicated distribution centre was opened and 33 net new stores were added. A strategic partnership is being piloted with Melawai Pharmacy in Jakarta to combine their local pharmacy strength with the broader health and beauty offering of Guardian.

In **Vietnam**, seven net additional Guardian stores were added, bringing the network to 25 stores at the year end. Two new Guardian stores were opened in **Cambodia** during the year with three stores trading at the end of the year.

In **the Philippines**, a 49% interest was acquired in Rose Pharmacy, which provides an attractive entry to the health and beauty category in the country.

The potential for further growth in the health and beauty sector is very significant for the Group. Rising incomes, increased focus on health and well-being, as well as broader awareness of beauty and personal care products are all creating increased demand.

***HOME FURNISHINGS***

Home Furnishings achieved record sales and profit during the year under review. Operating profit rose by 16% to a record US$51 million (2013: US$44 million), riding on increased sales of US$497 million, up 18% from US$422 million in 2013. The Group now operates nine IKEA stores in Hong Kong, Taiwan and Indonesia.

The brand celebrated IKEA's 20th anniversary in Taiwan, where it has established itself as the market leader. In October, the first IKEA store was opened in Indonesia, the world's fourth most populous country. Located in Alam Sutera in greater Jakarta, the 35,000 sq. m. store features over 7,000 home furnishing products, 55 inspirational room-settings and three complete home settings. Initial trading has been encouraging.

Both Taiwan and Hong Kong recorded solid year-on-year growth, despite sluggish local property markets. IKEA Hong Kong weathered the effects of the Occupy Central protests on its Causeway Bay store to deliver solid returns, while IKEA Taiwan benefited from a full year of operations in 2014 from its IKEA store that opened in Tai Chung in September 2013.

During the year, the Group focused on increasing quality and continued pricing revisions to secure its positioning as the price leader in each market, targeting greater volumes and increased market shares. IKEA also ran aggressive campaigns to build consumer awareness. These were independently recognized winning several awards including: Service & Courtesy Award from the Hong Kong Retail Management Association; PR Awards HK2014 and Marketing Excellence Awards 2014; the Golden Award of Service Industry by Taiwan's Common Wealth Magazine as well as marketing and PR awards for IKEA's TV commercials and the 'IKEA House' concept in Taiwan.

Looking ahead, the Group will focus on sustaining strong like-for-like sales growth in existing stores, fine-tuning the assortment and execution in Indonesia, and exploring opportunities to improve customer accessibility in all territories in which we operate.

***RESTAURANTS***

Restaurants reported US$1.7 billion in total sales, representing an increase of 13% over the previous year (2013: US$1.6 billion), while profit contribution increased by 3%.

The restaurant businesses overcame a number of challenging external factors to deliver steady growth in 2014. Expansion into China was the key growth driver during the year, as well as the introduction of several innovative concepts including Urban Bakery that created new dining experiences for customers. There was also continued expansion of Starbucks in Vietnam.

Maxim's acquired the Wildfire brand and two restaurants in Hong Kong, and subsequently opened an additional Wildfire outlet at Victoria Peak. The Chinese cuisine concept Jade Garden expanded from Guangzhou and Shenzhen into Shanghai and Chengdu, where it has been enthusiastically received by local customers. Maxim's is also preparing for the opening of its first Cheesecake Factory restaurant in 2016, having reached agreement during the year to franchise this well-known brand in Greater China.

The group recently completed construction of its third factory in Hong Kong. Maxim's now operates three premises specializing in various aspects of food manufacturing, including branded products, cakes & bakery and food processing.

In recognition of its industry leading programmes, Maxim's received a number of awards in 2014, including a Gold Award at the HKMA Quality Awards, and the Outstanding Performance Award at the Service & Courtesy Awards organized by the Hong Kong Retail Management Association.

With increasing external challenges, including macroeconomic uncertainty, labour costs and rental pressures, Maxim's anticipates another challenging year, and will focus on building customer relationship programmes and controlling costs to enhance returns.

**THE YEAR AHEAD**

Trading conditions in some of the Group's major markets are expected to remain challenging, especially for the Food businesses in Southeast Asia. The Group's approach, however, is to drive sales and profit growth in ways that build long-term value. To that end, the Group continues to invest in new and existing stores, strengthen its brands, improve operations and enhance the shopper experience across all formats.

Dairy Farm expects to achieve organic growth across its formats in existing markets as its primary source of growth. The Group will, however, selectively consider acquisition opportunities where they can enhance our current portfolio of brands and businesses.

The Group’s success depends critically on the passion, commitment and hard work of its people.  I want to thank them for their tremendous contribution which ensured another year of strong progress for Dairy Farm.

Graham Allan
*Group Chief Executive*

**Dairy Farm International Holdings Limited**
**Consolidated Profit and Loss Account**
**for the year ended 31st December 2014**

| | (unaudited) **2014** Underlying business performance **US$m** | Non-trading items **US$m** | Total **US$m** | 2013 Underlying business performance US$m | Non-trading items US$m | Total US$m |
|---|---|---|---|---|---|---|
| Sales *(note 2)* | **11,008.3** | **-** | **11,008.3** | 10,357.4 | - | 10,357.4 |
| Cost of sales | **(7,717.3)** | **-** | **(7,717.3)** | (7,270.4) | - | (7,270.4) |
| Gross margin | **3,291.0** | **-** | **3,291.0** | 3,087.0 | - | 3,087.0 |
| Other operating income *(note 3)* | **155.3** | **13.4** | **168.7** | 149.6 | 29.0 | 178.6 |
| Selling and distribution costs | **(2,508.4)** | **-** | **(2,508.4)** | (2,318.6) | - | (2,318.6) |
| Administration and other operating expenses | **(413.6)** | **(3.7)** | **(417.3)** | (395.7) | - | (395.7) |
| Operating profit *(note 4)* | **524.3** | **9.7** | **534.0** | 522.3 | 29.0 | 551.3 |
| Financing charges | **(8.6)** | **-** | **(8.6)** | (10.7) | - | (10.7) |
| Financing income | **6.7** | **-** | **6.7** | 7.6 | - | 7.6 |
| Net financing charges | **(1.9)** | **-** | **(1.9)** | (3.1) | - | (3.1) |
| Share of results of associates and joint ventures *(note 5)* | **68.9** | **-** | **68.9** | 68.9 | (2.2) | 66.7 |
| Profit before tax | **591.3** | **9.7** | **601.0** | 588.1 | 26.8 | 614.9 |
| Tax *(note 6)* | **(93.0)** | **(0.3)** | **(93.3)** | (101.3) | (0.7) | (102.0) |
| Profit after tax | **498.3** | **9.4** | **507.7** | 486.8 | 26.1 | 512.9 |
| Attributable to: | | | | | | |
| Shareholders of the Company | **500.1** | **9.0** | **509.1** | 480.1 | 20.8 | 500.9 |
| Non-controlling interests | **(1.8)** | **0.4** | **(1.4)** | 6.7 | 5.3 | 12.0 |
| | **498.3** | **9.4** | **507.7** | 486.8 | 26.1 | 512.9 |
| | **US¢** | | **US¢** | US¢ | | US¢ |
| Earnings per share *(note 7)* | | | | | | |
| - basic | **36.98** | | **37.65** | 35.52 | | 37.05 |
| - diluted | **36.97** | | **37.63** | 35.48 | | 37.02 |

**Dairy Farm International Holdings Limited**
**Consolidated Statement of Comprehensive Income**
**for the year ended 31st December 2014**

| | (unaudited) **2014** **US$m** | 2013 US$m |
|---|---|---|
| Profit for the year | **507.7** | 512.9 |
| Other comprehensive expense | | |
| Items that will not be reclassified to profit or loss: | | |
| Remeasurements of defined benefit plans | **(16.0)** | 19.5 |
| Tax relating to items that will not be reclassified | **2.0** | (3.8) |
| | **(14.0)** | 15.7 |
| Share of other comprehensive expense of associates and joint ventures | **(0.9)** | (0.1) |
| | **(14.9)** | 15.6 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Net exchange translation differences | | |
| - net loss arising during the year | **(41.1)** | (132.8) |
| - transfer to profit and loss | **4.4** | - |
| | **(36.7)** | (132.8) |
| Revaluation of other investments | | |
| - (loss)/gain arising during the year | **(0.6)** | 0.6 |
| Cash flow hedges | | |
| - net gain arising during the year | **1.9** | 0.4 |
| - transfer to profit and loss | **(0.3)** | 0.8 |
| | **1.6** | 1.2 |
| Tax relating to items that may be reclassified | **(0.2)** | (0.1) |
| Share of other comprehensive expense of associates and joint ventures | **(1.8)** | (7.9) |
| | **(37.7)** | (139.0) |
| Other comprehensive expense for the year, net of tax | **(52.6)** | (123.4) |
| Total comprehensive income for the year | **455.1** | 389.5 |
| Attributable to: | | |
| Shareholders of the Company | **457.2** | 396.7 |
| Non-controlling interests | **(2.1)** | (7.2) |
| | **455.1** | 389.5 |

**Dairy Farm International Holdings Limited**
**Consolidated Balance Sheet**
**at 31st December 2014**

| | (unaudited) **2014** **US$m** | 2013 US$m |
|---|---|---|
| **Net operating assets** | | |
| Intangible assets | **566.1** | 407.5 |
| Tangible assets | **1,219.2** | 1,081.7 |
| Associates and joint ventures | **388.0** | 369.8 |
| Other investments | **5.2** | 5.8 |
| Non-current debtors | **179.7** | 138.2 |
| Deferred tax assets | **27.7** | 22.2 |
| Pension assets | **-** | 7.2 |
| Non-current assets | **2,385.9** | 2,032.4 |
| Stocks | **1,011.0** | 976.0 |
| Current debtors | **252.1** | 213.2 |
| Current tax assets | **4.0** | 6.6 |
| Bank balances and other liquid funds | **662.0** | 728.4 |
| | **1,929.1** | 1,924.2 |
| Non-current assets held for sale *(note 9)* | **1.3** | 6.9 |
| Current assets | **1,930.4** | 1,931.1 |
| Current creditors | **(2,412.9)** | (2,309.3) |
| Current borrowings | **(93.4)** | (47.9) |
| Current tax liabilities | **(52.9)** | (58.2) |
| Current provisions | **(6.3)** | (11.0) |
| Current liabilities | **(2,565.5)** | (2,426.4) |
| Net current liabilities | **(635.1)** | (495.3) |
| Long-term borrowings | **(93.8)** | (42.9) |
| Deferred tax liabilities | **(46.7)** | (44.9) |
| Pension liabilities | **(37.7)** | (24.0) |
| Non-current creditors | **(16.5)** | (17.3) |
| Non-current provisions | **(33.6)** | (30.6) |
| Non-current liabilities | **(228.3)** | (159.7) |
| | **1,522.5** | 1,377.4 |
| **Total equity** | | |
| Share capital | **75.1** | 75.1 |
| Share premium and capital reserves | **59.1** | 56.5 |
| Revenue and other reserves | **1,294.5** | 1,149.4 |
| Shareholders' funds | **1,428.7** | 1,281.0 |
| Non-controlling interests | **93.8** | 96.4 |
| | **1,522.5** | 1,377.4 |

**Dairy Farm International Holdings Limited**
**Consolidated Statement of Changes in Equity**
**for the year ended 31st December 2014**

| | Attributable to shareholders of the Company | | | | | | | Attributable to non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital **US$m** | Share premium **US$m** | Capital reserves **US$m** | Revenue reserves **US$m** | Hedging reserves **US$m** | Exchange reserves **US$m** | Total **US$m** | **US$m** | **US$m** |
| **2014** (unaudited) | | | | | | | | | |
| At 1st January | 75.1 | 30.5 | 26.0 | 1,281.1 | 0.3 | (132.0) | 1,281.0 | 96.4 | **1,377.4** |
| Total comprehensive income | - | - | - | 492.6 | 1.4 | (36.8) | 457.2 | (2.1) | **455.1** |
| Dividends paid by the Company *(note 10)* | - | - | - | (311.0) | - | - | (311.0) | - | **(311.0)** |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | (0.2) | **(0.2)** |
| Employee share option schemes | - | - | 2.6 | - | - | - | 2.6 | - | **2.6** |
| New subsidiaries | - | - | - | - | - | - | - | 0.9 | **0.9** |
| Change in interest in a subsidiary | - | - | - | (1.1) | - | - | (1.1) | (1.2) | **(2.3)** |
| At 31st December | **75.1** | **30.5** | **28.6** | **1,461.6** | **1.7** | **(168.8)** | **1,428.7** | **93.8** | **1,522.5** |
| 2013 | | | | | | | | | |
| At 1st January | 75.0 | 25.8 | 27.3 | 1,077.6 | (0.9) | (11.6) | 1,193.2 | 46.0 | 1,239.2 |
| Total comprehensive income | - | - | - | 515.9 | 1.2 | (120.4) | 396.7 | (7.2) | 389.5 |
| Dividends paid by the Company *(note 10)* | - | - | - | (311.0) | - | - | (311.0) | - | (311.0) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | (0.2) | (0.2) |
| Exercise of options | 0.1 | - | - | - | - | - | 0.1 | - | 0.1 |
| Employee share option schemes | - | - | 3.4 | - | - | - | 3.4 | - | 3.4 |
| Capital contribution from non-controlling interests | - | - | - | - | - | - | - | 58.2 | 58.2 |
| Transaction costs in relation to capital contribution from non-controlling interests | - | - | - | (1.5) | - | - | (1.5) | (0.3) | (1.8) |
| Change in interest in a subsidiary | - | - | - | 0.1 | - | - | 0.1 | (0.1) | - |
| Transfer | - | 4.7 | (4.7) | - | - | - | - | - | - |
| At 31st December | 75.1 | 30.5 | 26.0 | 1,281.1 | 0.3 | (132.0) | 1,281.0 | 96.4 | 1,377.4 |

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$509.1 million *(2013: US$500.9 million)* and net fair value loss on other investments of US$0.5 million *(2013: net fair value gain of US$0.5 million).* Cumulative net fair value gain on other investments amounted to US$4.1 million (*2013: US$4.6 million*).

**Dairy Farm International Holdings Limited**
**Consolidated Cash Flow Statement**
**for the year ended 31st December 2014**

| | (unaudited) **2014** **US$m** | 2013 US$m |
|---|---|---|
| **Operating activities** | | |
| Operating profit *(note 4)* | **534.0** | 551.3 |
| Depreciation and amortization | **202.8** | 196.1 |
| Other non-cash items | **4.0** | 0.2 |
| Increase in working capital | **(17.4)** | (10.5) |
| Interest received | **7.2** | 7.4 |
| Interest and other financing charges paid | **(8.6)** | (11.0) |
| Tax paid | **(93.8)** | (95.1) |
| | **628.2** | 638.4 |
| Dividends from associates and joint ventures | **47.7** | 44.5 |
| Cash flows from operating activities | **675.9** | 682.9 |
| **Investing activities** | | |
| Purchase of subsidiaries *(note 11(a))* | **(23.8)** | - |
| Purchase of associates and joint ventures *(note 11(b))* | **(94.1)** | (17.7) |
| Purchase of intangible assets | **(47.5)** | (21.9) |
| Purchase of tangible assets | **(297.0)** | (296.2) |
| Sale of associates and joint ventures *(note 11(c))* | **2.7** | - |
| Sale of properties *(note 11(d))* | **26.3** | 49.8 |
| Sale of tangible assets | **0.9** | 1.0 |
| Cash flows from investing activities | **(432.5)** | (285.0) |
| **Financing activities** | | |
| Capital contribution from non-controlling interests *(note 11(e))* | **-** | 56.4 |
| Change in interest in a subsidiary *(note 11(f))* | **(2.3)** | - |
| Drawdown of borrowings | **1,311.3** | 1,528.1 |
| Repayment of borrowings | **(1,290.8)** | (1,589.1) |
| Dividends paid by the Company *(note 10)* | **(311.0)** | (311.0) |
| Dividends paid to non-controlling interests | **(0.2)** | (0.2) |
| Cash flows from financing activities | **(293.0)** | (315.8) |
| Net (decrease)/increase in cash and cash equivalents | **(49.6)** | 82.1 |
| Cash and cash equivalents at 1st January | **711.2** | 664.9 |
| Effect of exchange rate changes | **(5.0)** | (35.8) |
| Cash and cash equivalents at 31st December *(note 11(g))* | **656.6** | 711.2 |

**Dairy Farm International Holdings Limited**
**Notes**

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the preliminary results for the year ended 31st December 2014 which have been prepared in conformity with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board.

The preliminary results for the year ended 31st December 2014 are unaudited.

The following amendments and interpretation which are effective in the current accounting year and relevant to the Group's operations are adopted in 2014:

| | |
|---|---|
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to IAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| IFRIC 21 | Levies |

The adoption of these amendments and interpretation does not have a material impact on the Group's accounting policies and disclosures.

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' are made to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of offset' and 'simultaneous realization and settlement'.

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' set out the changes to the disclosures when recoverable amount is determined based on fair value less costs of disposal. The key amendments are (a) to remove the requirement to disclose recoverable amount when a cash generating unit ('CGU') contains goodwill or indefinite lived intangible assets but there has been no impairment, (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed, and (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed.

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

IFRIC 21 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

## 2. SALES

| | Including associates and joint ventures | | Subsidiaries | |
|---|---|---|---|---|
| | **2014 US$m** | 2013 US$m | **2014 US$m** | 2013 US$m |
| *Analysis by operating segment:* | | | | |
| Food | **8,404.1** | 8,240.2 | **8,108.8** | 7,755.8 |
| - Supermarkets/hypermarkets | **6,544.5** | 6,459.3 | **6,249.2** | 5,974.9 |
| - Convenience stores | **1,859.6** | 1,780.9 | **1,859.6** | 1,780.9 |
| Health and Beauty | **2,454.5** | 2,218.5 | **2,402.1** | 2,179.9 |
| Home Furnishings | **497.4** | 421.7 | **497.4** | 421.7 |
| Restaurants | **1,746.8** | 1,551.3 | **-** | - |
| | **13,102.8** | 12,431.7 | **11,008.3** | 10,357.4 |

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. Health and Beauty comprises the health and beauty businesses. Home Furnishings is the Group's IKEA businesses. Restaurants is the Group's only associate, Maxim's, a leading Hong Kong restaurant chain.

## 3. OTHER OPERATING INCOME

| | **2014 US$m** | 2013 US$m |
|---|---|---|
| Concession and service income | **123.3** | 119.1 |
| Rental income from properties | **28.9** | 28.0 |
| Profit on sale of properties | **11.6** | 29.0 |
| Profit on sale of Indian businesses | **1.8** | - |
| Foreign exchange gains and others | **3.1** | 2.5 |
| | **168.7** | 178.6 |

## 4. OPERATING PROFIT

| | **2014** **US$m** | 2013 US$m |
|---|---|---|
| *Analysis by operating segment:* | | |
| Food | **298.6** | 318.7 |
| - Supermarkets/hypermarkets | **225.9** | 247.9 |
| - Convenience stores | **72.7** | 70.8 |
| Health and Beauty | **218.8** | 197.7 |
| Home Furnishings | **50.7** | 43.6 |
| | **568.1** | 560.0 |
| Support office | **(43.8)** | (37.7) |
| | **524.3** | 522.3 |
| Non-trading items: | | |
| - profit on sale of properties | **11.6** | 29.0 |
| - profit on sale of Indian businesses | **1.8** | - |
| - loss on deemed disposal of joint ventures | **(3.1)** | - |
| - expenses relating to transfer of listing segment of the Company's shares | **(0.6)** | - |
| | **534.0** | 551.3 |

## 5. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

| | **2014** **US$m** | 2013 US$m |
|---|---|---|
| *Analysis by operating segment:* | | |
| Food - Supermarkets/hypermarkets | **(7.5)** | (8.3) |
| Health and Beauty | **(1.1)** | (0.5) |
| Restaurants | **77.5** | 75.5 |
| | **68.9** | 66.7 |

In 2013, share of results of associates and joint ventures included our share of restructuring cost of a business of US$2.2 million classified as non-trading item *(note 8)*.

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

6. TAX

| | **2014 US$m** | 2013 US$m |
|---|---|---|
| Tax charged to profit and loss is analyzed as follows: | | |
| Current tax | **(90.6)** | (105.9) |
| Deferred tax | **(2.7)** | 3.9 |
| | **(93.3)** | (102.0) |
| Tax relating to components of other comprehensive income/(expense) is analyzed as follows: | | |
| Remeasurements of defined benefit plans | **2.0** | (3.8) |
| Revaluation of other investments | **0.1** | (0.1) |
| Cash flow hedges | **(0.3)** | - |
| | **1.8** | (3.9) |

Tax on profit has been calculated at rates of taxation prevailing in the territories in which the Group operates. Share of tax charge of associates of US$17.1 million *(2013: US$15.9 million)* and share of tax credit of joint ventures of US$0.1 million *(2013: US$0.9 million)* are included in share of results of associates and joint ventures.

7. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US$509.1 million *(2013: US$500.9 million)*, and on the weighted average number of 1,352.1 million *(2013: 1,351.8 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$509.1 million *(2013: US$500.9 million)*, and on the weighted average number of 1,352.7 million *(2013: 1,353.0 million)* shares in issue after adjusting for 0.6 million *(2013: 1.2 million)* shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

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:

| | **2014** | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **US$m** | Basic earnings per share **US¢** | Diluted earnings per share **US¢** | US$m | Basic earnings per share US¢ | Diluted earnings per share US¢ |
| Profit attributable to shareholders | **509.1** | **37.65** | **37.63** | 500.9 | 37.05 | 37.02 |
| Non-trading items *(note 8)* | **(9.0)** | | | (20.8) | | |
| Underlying profit attributable to shareholders | **500.1** | **36.98** | **36.97** | 480.1 | 35.52 | 35.48 |

8. 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.

8. NON-TRADING ITEMS *(continued)*

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

| | **2014 US$m** | 2013 US$m |
|---|---|---|
| Profit on sale of properties | **10.9** | 23.0 |
| Profit on sale of Indian businesses | **1.8** | - |
| Loss on deemed disposal of joint ventures | **(3.1)** | - |
| Expenses relating to transfer of listing segment of the Company's shares | **(0.6)** | - |
| Share of restructuring cost of a business | **-** | (2.2) |
| | **9.0** | 20.8 |

9. NON-CURRENT ASSETS HELD FOR SALE

At 31st December 2014, the non-current assets held for sale represented a retail property in Taiwan. The sale of this property is expected to be completed in 2015 at an amount not materially different from its carrying value.

At 31st December 2013, the non-current assets held for sale mainly represented three retail properties in Singapore. These properties were sold during the year at a profit of US$10.1 million.

10. DIVIDENDS

| | **2014 US$m** | 2013 US$m |
|---|---|---|
| Final dividend in respect of 2013 of US¢16.50 *(2012: US¢16.50)* per share | **223.1** | 223.1 |
| Interim dividend in respect of 2014 of US¢6.50 *(2013: US¢6.50)* per share | **87.9** | 87.9 |
| | **311.0** | 311.0 |

A final dividend in respect of 2014 of US¢16.50 *(2013: US¢16.50)* per share amounting to a total of US$223.1 million *(2013: US$223.1 million)* is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2015.

11. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Purchase of subsidiaries

| | **2014 US$m** |
|---|---|
| Intangible assets | **9.6** |
| Tangible assets | **80.4** |
| Non-current debtors | **37.5** |
| Deferred tax assets | **4.4** |
| Current assets | **74.5** |
| Current liabilities | **(120.0)** |
| Pension liabilities | **(2.9)** |
| Non-current provisions | **(0.1)** |
| Non-current liabilities | **(79.6)** |
| Fair value of identifiable net assets acquired | **3.8** |
| Adjustment for fair value of previously held investments | **(94.6)** |
| Adjustment for non-controlling interests | **(0.9)** |
| Goodwill | **126.4** |
| Consideration paid | **34.7** |
| Cash and cash equivalents at the date of acquisition | **(10.9)** |
| Net cash outflow | **23.8** |

For the subsidiaries acquired during the year, the fair values of the identifiable assets and liabilities at the acquisition date are provisional and will be finalized within one year after the acquisition dates.

Net cash outflow for purchase of subsidiaries in 2014 included US$23.4 million for acquisition of an additional 16% interest in Rustan Supercenters, Inc. (‘Rustan’), operating a supermarket and hypermarket chain in the Philippines in late August 2014, and US$0.4 million for acquisition of the remaining 51% shareholding of Asia Investment and Supermarket Trading Company Limited (‘AISTC’), operating a Giant hypermarket in Vietnam, from the joint venture partner in January 2014.

The goodwill arising from the acquisitions of Rustan and AISTC amounted to US$124.5 million and US$1.9 million respectively. This was mainly attributable to the leading market position and the retail network in the Philippines.

None of the goodwill is expected to be deductible for tax purposes.

Sales and loss after tax since acquisitions in respect of the subsidiaries acquired during the year amounted to US$176.9 million and US$7.7 million, respectively. Had the acquisitions occurred on 1st January 2014, consolidated sales and consolidated profit after tax for the year ended 31st December 2014 would have been US$11,289.5 million and US$502.8 million, respectively.

11. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Purchase of associates and joint ventures in 2014 mainly related to the Group's investment in a 49% shareholding in Rose Pharmacy, Inc. which operates health and beauty business in the Philippines.

Purchase of associates and joint ventures in 2013 mainly related to the Group's investment for a 30% shareholding in Jutaria Gemilang Sdn Bhd which operates mini-marts in Malaysia.

(c) Sale of associates and joint ventures

In July 2014, the Group disposed of its 49% interest in Foodworld Supermarkets Private Limited and 50% interest in Health and Glow Retailing Private Limited in India to its joint venture partner for net proceeds of US$2.7 million.

(d) Sale of properties

Sale of properties in 2014 included disposal of three properties in Singapore, a property in Taiwan, partial proceeds received from disposal of a property in Malaysia last year and retention money received from disposal of a property in Indonesia last year for a total cash consideration of US$26.3 million.

Sale of properties in 2013 included disposal of a property in Indonesia, and a piece of land and a property in Malaysia for a total consideration of US$49.8 million.

(e) Capital contribution from non-controlling interests

In 2013, PT Hero Supermarket Tbk ('PT Hero') completed a US$304.0 million rights issue to support its store expansion, repay its borrowings and fund its working capital requirements in Indonesia. Capital contribution from non-controlling interests amounted to US$56.4 million after issuance costs.

(f) Change in interest in a subsidiary

During the year, the Group acquired an additional 0.26% interest in PT Hero for a consideration of US$2.3 million.

(g) Analysis of balances of cash and cash equivalents

| | **2014**<br>**US$m** | 2013<br>US$m |
|---|---|---|
| Bank balances and other liquid funds | **662.0** | 728.4 |
| Bank overdrafts | **(5.4)** | (2.0) |
| Less: Bank deposits with maturity of three months or more | **-** | (15.2) |
| | **656.6** | 711.2 |

12. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Total capital commitments at 31st December 2014 amounted to US$217.9 million *(2013: US$181.7 million).*

In addition, the Group entered into an agreement in August to acquire, by way of subscription of new shares, 19.99% of the enlarged share capital of Yonghui Superstores Co., Ltd ('Yonghui') for a consideration of RMB5.69 billion (approximately US$925 million). Listed on the Shanghai Stock Exchange, Yonghui is a hypermarket and supermarket operator in mainland China. The investment requires certain regulatory approvals in mainland China. The regulatory approval process is expected to complete in the first half of 2015.

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.

13. 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$2.5 million *(2013: US$2.5 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$0.4 million in 2014 *(2013: US$0.4 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 2014 were US$2.2 million *(2013: US$3.2 million).* The Group's 50%-owned associate, Maxim's Caterers Limited ('Maxim's'), also paid gross annual rentals of US$9.7 million *(2013: US$8.8 million)* to HKL in 2014.

The Group uses Jardine Lloyd Thompson Limited ('JLT'), an associate of JMH, to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group to JLT in 2014 were US$2.3 million *(2013: US$2.2 million).*

The Group sources information technology infrastructure and related services from Jardine OneSolution ('JOS'), a subsidiary of JMH. The total fees paid by the Group to JOS in 2014 amounted to US$12.1 million *(2013: US$8.9 million).*

13. RELATED PARTY TRANSACTIONS *(continued)*

The Group also consumes repairs and maintenance services from Jardine Engineering Corporation ('JEC'), a subsidiary of JMH. The total fees paid by the Group to JEC in 2014 amounted to US$4.7 million *(2013: US$5.5 million)*.

Maxim's supplies ready-to-eat products at arm's length to certain subsidiaries of the Group. In 2014, these amounted to US$24.6 million *(2013: US$21.5 million)*.

In addition, Gammon Construction ('GC'), a joint venture of JMH, has engaged in a building contract with Maxim's for a commercial building development in Cheung Sha Wan during the year. The total construction fees paid by Maxim's to GC in 2014 amounted to US$39.6 million *(2013: US$1.8 million)*.

There were no other related party transactions that might be considered to have a material effect on the financial position or performance of the Group that were entered into or changed during the year.

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

14. POST BALANCE SHEET EVENT

In December 2014, the Group agreed to sell 30% of the ordinary share capital in GCH Retail (Malaysia) Sdn Bhd (the Group's hypermarkets, superstores and supermarkets operator in Malaysia) to Circular Assets Sdn Bhd (a wholly-owned subsidiary of Syarikat Pesaka Antah Sdn Bhd) in order to maintain compliance with the 'Guidelines on Foreign Participation in the Distributive Trade Services Malaysia' issued by the Malaysian Ministry of Domestic Trade, Co-operatives and Consumerism. This transaction was completed on 27th February 2015.

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**Dairy Farm International Holdings Limited**
**Principal Risks and Uncertainties**

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The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk will be set out in more detail in the Corporate Governance section of the Company's 2014 Annual Report (the 'Report'). The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure 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.

- more -

**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.

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 or levels of service can have an adverse effect on earnings. Significant pressure from such competition may 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.

The steps taken by the Group to manage its exposure to financial risk will be set out in the Financial Review and in a note to the Financial Statements in the Report.

**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.

**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, 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 and typhoons.

**Dairy Farm International Holdings Limited**
**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 the Company's 2014 Annual 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 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

Graham Allan
Neil Galloway

*Directors*

*The final dividend of US¢16.50 per share will be payable on 13th May 2015, subject to approval at the Annual General Meeting to be held on 6th May 2015, to shareholders on the register of members at the close of business on 20th March 2015. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 18th and 19th March 2015, respectively. The share registers will be closed from 23rd to 27th March 2015, inclusive.*

*Shareholders will receive their 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 2014 final dividend by notifying the United Kingdom transfer agent in writing by 24th April 2015. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 29th April 2015. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States dollars unless they elect, through CDP, to receive Singapore dollars.*

*Shareholders on the Singapore branch register who wish to deposit their shares into the CDP system by the dividend record date, being 20th March 2015, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, no later than 5.00 p.m. (local time) on 19th March 2015.*

**Dairy Farm**

Dairy Farm is a leading pan-Asian retailer. At 31st December 2014, the Group and its associates and joint ventures operated over 6,100 outlets and employed over 100,000 people. It had total annual sales in 2014 exceeding US$13 billion.

The Group operates under a number of well-known brands across four divisions. The principal brands are:

Food
- Supermarkets – Wellcome in Hong Kong, Taiwan and the Philippines, Cold Storage in Singapore and Malaysia, Giant in Malaysia, Indonesia, Singapore and Brunei, Hero in Indonesia;

- Hypermarkets – Giant in Malaysia, Indonesia, Singapore, Brunei and Vietnam;

- Convenience stores – 7-Eleven in Hong Kong, Singapore, Southern China and Macau;

Health and Beauty
- Mannings in Greater China, Guardian in the rest of Asia and Rose Pharmacy in the Philippines;

Home Furnishings
- IKEA in Hong Kong, Taiwan and Indonesia; and

Restaurants
- Maxim's in Hong Kong, mainland China and Vietnam.

Dairy Farm International Holdings Limited is incorporated in Bermuda and has a standard listing on the London Stock Exchange as its primary listing, 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.

- end -

For further information, please contact:

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Brunswick Group Limited
Siobhan Xiaohui Zheng (852) 3512 5044

Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2014 can be accessed through the Internet at 'www.dairyfarmgroup.com'.