Dairy Farm International Holdings Limited

2009 ANNUAL REPORT

CONTENTS

Internet website:
www.dairyfarmgroup.com

Jardines
A member of the Jardine Matheson Group

CORPORATE INFORMATION

DIRECTORS

Simon Keswick
Chairman

A J L Nightingale
Managing Director

Michael Kok
Group Chief Executive

Ronald J Floto

Mark Greenberg

George J Ho

Sir Henry Keswick

Dr George C G Koo

R C Kwok

Lord Leach of Fairford

Howard Mowlem

James Riley

Percy Weatherall

Giles White

REGISTERED OFFICE

Jardine House
33-35 Reid Street
Hamilton
Bermuda

DAIRY FARM MANAGEMENT SERVICES LIMITED

DIRECTORS

A J L Nightingale
Chairman

Michael Kok
Group Chief Executive

Howard Mowlem
Group Finance Director

Dato' John Coyle
Regional Director, East Asia

Caroline Mak
Regional Director, North Asia/
Chief Executive Officer, China

Jeff Shaw
Regional Director, South Asia

Michael Wu
Chairman and Managing Director, Maxim's

Mark Greenberg

James Riley

Giles White

CORPORATE SECRETARY

N M McNamara

Dairy Farm International Holdings Limited

Dairy Farm is a leading pan-Asian retailer. At 31st December 2009, the Group and its associates operated over 5,000 outlets, employed over 76,000 people in the region, and had total annual sales exceeding US$8 billion.

The Group operates supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants under well-known local brands, including:

- Supermarkets – Wellcome in Hong Kong, Taiwan and Vietnam, ThreeSixty and Oliver's The Delicatessen in Hong Kong, Jasons MarketPlace in Singapore, Taiwan and Hong Kong, Cold Storage in Singapore and Malaysia, Giant in Malaysia and Indonesia, Shop N Save in Singapore, Hero in Indonesia, and Foodworld in India;

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

- Health and beauty stores – Mannings in Hong Kong, Macau and China, Guardian in Singapore, Malaysia, Indonesia and Brunei, and Health and Glow in India;

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

- Home furnishings stores – IKEA in Hong Kong and Taiwan.

The Group has a 50% interest in Maxim's, Hong Kong's leading restaurant chain.

Dairy Farm International Holdings Limited is incorporated in Bermuda and has its primary share listing in London, 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.

Corporate Overview

"Our goal is to satisfy the appetites of Asian shoppers for wholesome food and quality consumer and durable goods at competitive prices."

HIGH-QUALITY, LOW-COST RETAILING

Dairy Farm aims to be a leader in all its market sectors. Our focus is retailing and we strive to offer consumers value-for-money through efficient, low-cost distribution of high-quality fresh foods, and consumer and durable goods in our supermarkets, hypermarkets, health and beauty stores, convenience stores and home furnishings stores.

ASIA FOCUS

We are geographically committed to Asia. In addition to developing our existing operations, we aim to achieve growth by exploring new investment opportunities within the region.

MULTIPLE FORMATS, SHARED SERVICES

We operate multiple formats in most markets and achieve economies of scale by supporting these with shared infrastructure for logistics, human resources, finance, procurement, and information technology systems.

LONG-TERM SHAREHOLDER VALUE CREATION

We aim to maintain financial strength through prudent balance sheet management. We take a long-term view of business development and believe in striking a balance between investment in mature cash-flow activities and investment in new businesses. Shareholder value creation is the performance yardstick for the long-term incentive programme of the Company's management.

Highlights

- Underlying earnings up 14%
- Major markets performed well
- Profit growth at Maxim's
- Strong financial position with net cash

Results

	2009 US$m	2008 US$m	Change %
Sales			
– subsidiaries	**7,029**	6,733	4
– including associates	**8,053**	7,742	4
Underlying profit attributable to shareholders	**364**	320	14
Non-trading items	**–**	13	n/a
Profit attributable to shareholders	**364**	333	9
Underlying PBIT to sales	**6.0%**	5.5%	

	US¢	US¢	%
Underlying earnings per share	**27.02**	23.77	14
Basic earnings per share	**27.02**	24.73	9
Dividends per share	**16.00**	14.00	14

Chairman's Statement

OVERVIEW

In a challenging year for economies throughout Asia, Dairy Farm achieved another good result in 2009 with growth in both sales and profit. The Group's core business of selling goods that meet the everyday needs of Asian customers again proved resilient.

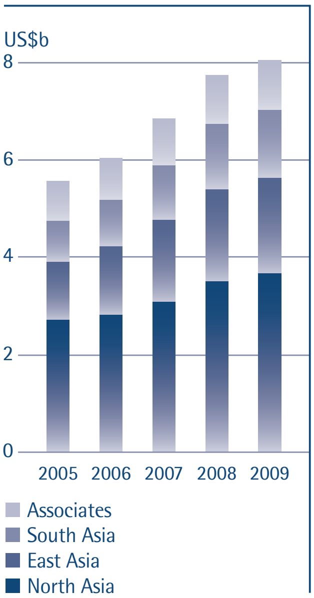
PERFORMANCE

Sales, including 100% of associates, increased by 4% to US$8.1 billion in 2009. Underlying profit for the year of US$364 million increased by 14%. Underlying earnings per share also rose by 14% to US¢27.02. There were no non-trading items in 2009, while in 2008 the profit attributable to shareholders of US$333 million included non-trading gains of US$13 million. The adverse effects of foreign currency movements that had affected the results in the first half were largely reversed by the year end.

The Group ended 2009 with net cash of US$34 million, having begun the year with net borrowings of US$4 million. Capital expenditure within the Group's businesses amounted to US$289 million, while asset disposals provided an inflow of US$47 million. The positive cash generation in 2009 was more than sufficient to meet business demands and to cover the relatively modest debt servicing needs.

The Board is recommending a final dividend of US¢11.50 per share, which would bring the total ordinary dividend for 2009 to US¢16.00 per share, an increase of 14%.

Total Sales



OPERATIONS

During the year the Group concentrated on maintaining margins in the face of a prolonged economic downturn. The Company also continued its strategy of building leading retail businesses across Asia, and opportunities were taken to add new stores in existing formats. The total number of stores in operation increased by a net 431 in 2009, passing the 5,000 store milestone late in the year. In larger format stores, Dairy Farm operated 94 Giant hypermarkets at the year end, comprising 51 in Malaysia, 35 in Indonesia, seven in Singapore and one in Brunei.

The Group's operations in North Asia produced mixed results, with overall sales increasing by 5% and profit by 1%. In Hong Kong, the health and beauty business performed well and supermarkets were steady, but convenience stores struggled. IKEA in Hong Kong produced an acceptable performance given the disruption caused by the relocation of a key store. In Taiwan, IKEA was able to consolidate the profitability of its operations, while Wellcome supermarkets did well to achieve further profit growth in a difficult market.

A reduction in export activity in Southern China, and the resulting employment losses, had an adverse effect on sales and profit at 7-Eleven, particularly in the first half. Mannings health and beauty stores, however, proved more resilient, and expansion of the chain continued with the number of outlets across mainland China reaching 120 by the year end.

After a slow start, restaurant associate Maxim's produced a good performance in the second half of the year as consumer sentiment improved and dining out regained popularity. Earnings growth was achieved, and the recent sales momentum has continued into 2010. In December 2009, Maxim's opened a food factory in Shenzhen, China to support its expansion on the Mainland.

In South Asia, sales rose by 5% and profits by 32%. In Singapore, results were particularly strong as both hypermarkets and supermarkets performed well, while government programmes to offset the impact of the economic downturn also proved effective. The Group's supermarket and health and beauty joint ventures in India both saw a return to reasonable sales growth, although the market is still very challenging.

Sales in East Asia grew by 3% and profits by 26%. The strength of the Malaysian business was again demonstrated by growth in all formats, the opening of 28 new stores, and the completion of a dry goods distribution centre. In Indonesia, profits continued to improve and 51 new stores were added across the four retail banners. Brunei achieved its first year of profit in 2009, while we continue to explore avenues to expand in Vietnam.

PEOPLE

The continued strong results that have been achieved in 2009 reflect the hard work of all Dairy Farm employees. On behalf of the Board, I thank them for their efforts and wish them well in achieving further success in 2010.

Jonathan Gould retired as a Director at the end of June 2009 and we would like to thank him for his contribution. Giles White joined the Board on 1st July 2009.

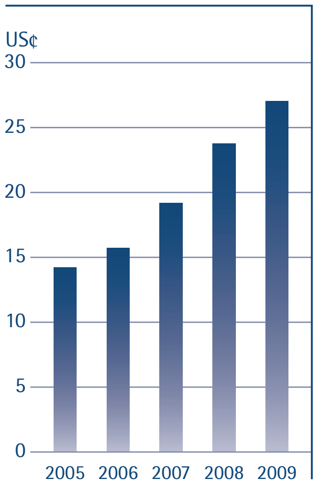
PROSPECTS

Dairy Farm's businesses have established leading retail brand names in their markets, and enjoy strong customer recognition and support. This has underpinned the Group's performance in the recent challenging economic environment, and should provide the basis for further expansion as conditions improve. With its secure financial position, Dairy Farm's prospects for the coming year remain positive.

Simon Keswick
Chairman

4th March 2010

Underlying Earnings Per Share



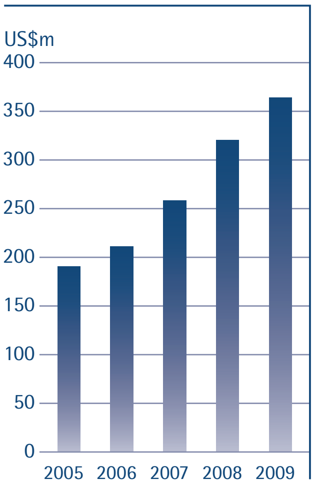
Group Chief Executive's Review

The outset of 2009 was a time of considerable economic uncertainty, and it is therefore pleasing to report that Dairy Farm was able to complete the year with increased sales and earnings in each of its operating regions. At the year end, Dairy Farm operated 27 separate businesses in ten territories across its three regions in Asia.

Apart from the improved financial results, there were other notable achievements in 2009:

- We added a net 431 stores, including 16 Giant hypermarkets in Malaysia and Indonesia, to reach a total of 5,071 stores at the year end;
- In Hong Kong, we completed the relocation of our IKEA store at Shatin, and preparations are underway for a new store to open in mid-2010 in Kowloon's MegaBox complex;
- Mannings in Hong Kong reached a milestone by opening its 300th store in December;
- In China, we expanded our Mannings health and beauty business and now operate 120 stores;
- In Malaysia, we completed the construction of a major new distribution centre at Sepang, as well as the sale-and-leaseback of two major shopping centres anchored by Giant hypermarkets;
- In Brunei, our hypermarket became profitable in just its second full year of operation, while the health and beauty business increased its scale and profitability;
- We made good progress toward our goal of increasing significantly the proportion of convenience stores that are operated by franchisees;
- We began a major modernization of our IT merchandising systems with the successful implementation of SAP Retail in Malaysia, to be followed by Indonesia in 2010; and
- Our restaurant associate, Maxim's, opened a new food factory in Shenzhen, China, and increased its penetration of the important Mainland market.

Underlying PATAM



REGIONAL REVIEW

NORTH ASIA

Hong Kong

After strong growth in 2008, when cost price inflation helped to boost sales, **Wellcome** supermarkets faced a more difficult year in 2009. Competitive conditions prevented full recovery of cost price increases, resulting in an adverse effect on gross margins. The introduction by the government of a selective scheme to charge for plastic bags also led to some loss of sales. A strict focus on operating costs was required to achieve an acceptable result for the year.

7-Eleven convenience stores had a very challenging year as comparable store sales declined. A major contributing factor was the substantial increase in tobacco duties imposed in the first half of the year, which reduced sales volume and margin. A number of initiatives are in hand to restore profitability, including 'Hot Shot' ready-to-eat sections, which had been installed in 340 stores by the year end.

Mannings health and beauty stores had an excellent year. The strength of the Mannings brand was again demonstrated by the loyalty of its customers to its traditional health and beauty offerings while promotions offering customers an economical alternative to salon-based beauty treatments proved very popular.

The performance of **IKEA** was constrained in 2009 by the continuing renovation and partial relocation of the major Shatin store, which was completed in December. The performance in the two other locations was good, with the result that overall earnings were slightly below the previous year – an acceptable outcome in a challenging year for the home furnishings sector.

Maxim's faced difficulties early in the year as ingredient costs were at high levels and customers reduced their expenditure on dining out. The second half, however, saw a strong rebound in patronage in a generally more buoyant Hong Kong economy. Turnover improved in most formats and the important mid-Autumn mooncake sales went well, with encouraging growth in the Mainland. As a result, Maxim's was able to record an overall profit increase for the year of 10%.

Macau

Both **7-Eleven** and **Mannings** expanded in Macau in 2009. Despite their relatively small scale, both businesses were consistently profitable, with Mannings making good gains in earnings during the year. There remains scope for moderate further expansion of these businesses.

Mainland China

7-Eleven suffered a decline in comparable store sales, with restrictions on sale of tobacco by foreign-invested enterprises affecting both sales and earnings. A number of actions are being taken to try to improve performance, but these will take time and the business returned to an operating loss in 2009. **Mannings** showed more encouraging sales results, and added 50 stores to reach 120 outlets by the year end.

Taiwan

Wellcome supermarkets achieved a reasonable result for the year, managing modest increases in sales and earnings in a continuing difficult market. The smaller format stores that have been added in recent years, together with Jasons MarketPlace superstores, are complementing the traditional Wellcome supermarket format and providing additional means of expansion despite the strong competition from other operators.

IKEA continued its consolidation and made solid gains in sales and profitability in 2009, despite operating in a lacklustre local economy. The renewal of leases at the Asia World and Taoyuan stores enables the business to move ahead with secure occupancy in all locations. Management has made good progress on supply chain efficiencies and is now focused on raising sales levels in all stores.

SOUTH ASIA

Singapore

Despite concerns at the start of the year over consumer sentiment in Singapore, both **Cold Storage** and **Shop N Save** supermarkets achieved excellent results in 2009, producing strong growth in both sales and profit. Four stores were added during the year, to reach 95 stores at the year end.

Giant hypermarkets also recorded a very pleasing performance in 2009 as strong sales growth and good cost control led to further substantial gains in earnings and market share.

7-Eleven in Singapore was the Group's best-performing convenience chain, with a pleasing increase in earnings, while the **Guardian** chain managed a slight improvement in its result despite operating in an intensely competitive segment.

The Singapore government's temporary subsidy of some employment and occupancy costs in 2009 assisted all the businesses in meeting the year's economic challenges.

India

Foodworld supermarkets managed to reduce its losses in a year that saw some market rationalization as a result of the failure of several competing chains. With stronger sales in the later part of the year, the business is planning for further improvement in 2010.

Health and Glow showed steady improvement with its health and beauty stores achieving profitability in the final quarter. We will continue the measured expansion of this business.

EAST ASIA

Malaysia

The **Giant** and **Cold Storage** hypermarket and supermarket businesses recorded pleasing expansion against a background of constrained customer spending for a large part of the year. Sales of general merchandise items, which tend to be more discretionary in nature, were the most affected by customers' response to the global economic disruption. Despite this, overall sales growth was reasonable and with stringent cost control the businesses were able to achieve a good improvement in earnings.

Guardian had an excellent year. The existing base of stores achieved good like-for-like sales increases, but licensing issues affected store expansion with only a net 16 outlets added in 2009. We anticipate stronger growth in store numbers in 2010 as Guardian continues to establish itself as Malaysia's leading pharmacy chain.

Indonesia

The results from both the **Giant** and **Hero** hypermarket and supermarket businesses improved substantially in 2009. The programme of converting selected Hero supermarkets to the Giant format, which was completed in the first half of 2009, has provided benefits to both banners in terms of sales and earnings. As was the case in Malaysia, sales of general merchandise categories suffered during the year as customers became cautious with non-essential spending, but sales in grocery and fresh categories were stronger and supported an excellent improvement in overall earnings. Expansion of store numbers also accelerated with the opening of 16 new outlets.

Guardian pharmacies also improved its results, benefiting from a net addition of 15 stores. We are continuing to invest in this format, which we believe has substantial scope for expansion.

Vietnam

Wellcome maintained its small supermarket operation while expansion plans were developed with a view to entering the hypermarket sector. Potential sites have been identified and submissions for approval are being pursued with the relevant authorities. While progress is slow, we believe that the market will be attractive in the medium term.

THE YEAR AHEAD

We were fortunate in 2009 that the Asian region was less affected than other areas by the consequences of the financial crisis. Also, our positioning as a retailer of predominantly non-discretionary items helped to insulate us from the effects of expenditure reductions seen in other areas of consumption. Our supermarket and health and beauty businesses, in particular, proved themselves to be largely immune to the economic difficulties affecting other sectors.

In 2010, we hope for a continuation of the improvement in economic sentiment, and will base our expansion plans on the strategy of building on our leading positions in the markets we serve. Our capital expenditure will support development of the Giant hypermarket business in Malaysia and Indonesia, and will also be directed to achieving substantial improvements in our supply chain and IT systems.

The strength of our businesses should allow us to perform well in the coming year and beyond. Our achievements in 2009 were a result of the abilities and commitment of our work force. I would like to thank them sincerely for their efforts in achieving another rewarding year for the Group and its shareholders.

Michael Kok
Group Chief Executive

4th March 2010

Financial Review

Strong profit growth in the South Asia and East Asia regions, along with a steady performance in North Asia, enabled Dairy Farm to record another good result in 2009. This favourable performance, and the resulting positive cash flows, funded a higher level of capital expenditure during the year as well as an increase in the annual dividend, while still achieving a net cash position at the year end.

PERFORMANCE

Sales, excluding those of associates, were US$7,029 million, a 4% increase over 2008. Operating profit before interest and tax ('PBIT') was US$424 million, an increase of US$51 million over the underlying figure in 2008. This represents a ratio of PBIT to sales of 6.0% in 2009, compared to 5.5% in the previous year. After including the Group's share of results of associates, the profit attributable to shareholders was US$364 million. This represents a 14% increase over the underlying result for 2008, which had excluded a non-trading gain of US$13 million arising mainly from asset disposals.

The tax charge for 2009 was US$75 million, compared to US$71 million in 2008, reflecting the Group's improved profitability in all major markets. Earnings per share were US¢27.02, an increase of 14% over the previous year's underlying earnings.

CASH FLOW

Operating cash flow remained strong with a net inflow of US$481 million, compared to the previous year's US$523 million. Working capital requirements accounted for an outflow of US$28 million in 2009, as general merchandise holdings increased with the expanded business. The sale and leaseback of two retail complexes in Malaysia generated an inflow of US$47 million. As a result, the Group ended the year with net cash of US$34 million, compared to net debt of US$4 million at 2008 year end.

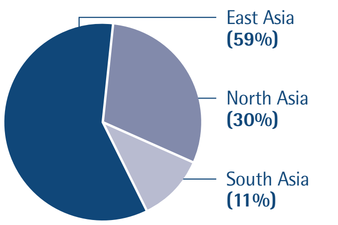
Normal capital expenditure was US$289 million, compared to US$257 million in 2008 and representing an increase of 12%. A further US$3 million was paid for investments in joint venture companies. The Group, including associates, added 431 outlets in 2009.

BALANCE SHEET

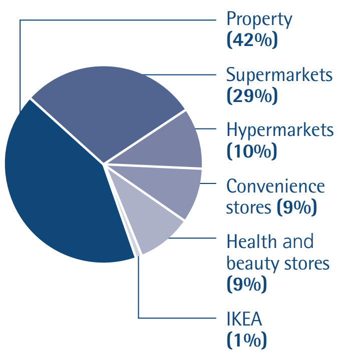
Total assets, excluding cash and bank balances, of US$2,291 million were US$247 million higher than 2008, mainly reflecting the investment in new and refurbished stores and the associated increased level of stock. Net operating assets excluding net cash were US$509 million at the end of 2009, a 51% increase over the previous year.

2009 Capital Expenditure

Total by region: US$292m



Store capex by format



DIVIDEND

The Board is recommending a final dividend of US¢11.50 per share. This will bring the total dividend in respect of 2009 to US¢16.00 per share, an increase of 14% over 2008 and a payout of approximately 60% of the year's profit.

FINANCING

Borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund and partially hedge their local asset investments. The Group, excluding associates, had gross debt of US$499 million at the year end, an increase of US$32 million. Committed banking facilities at the year end totalled US$826 million, and had an average life to maturity of 2.3 years. Financing income decreased from US$10 million in 2008 to US$3 million in 2009, mainly reflecting the lower deposit rates available, while financing charges remained unchanged at US$24 million.

PRINCIPAL RISKS AND UNCERTAINTIES

A review of the principal risks and uncertainties facing the Company is set out on page 61.

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, both short and long term, to give flexibility to develop the business. At the year end, US$288 million of gross debt was subject to fixed interest rates, with a remaining average tenor of 1.4 years.

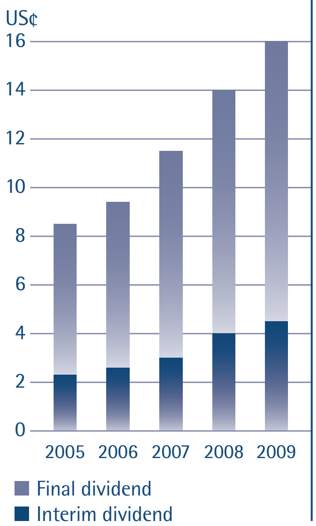
ACCOUNTING POLICIES

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards. During 2009, the Group adopted certain new accounting standards, but these did not have a material impact on the Group's results. Details are disclosed in note 1 to the financial statements.

Howard Mowlem
Group Finance Director

4th March 2010

Ordinary Dividends Per Share



Directors' Profiles

Simon Keswick
Chairman

Mr Simon Keswick joined the Board and became Chairman in 1986. He joined the Jardine Matheson group in 1962 and is also chairman of Hongkong Land and Mandarin Oriental, and a director of Jardine Lloyd Thompson, Jardine Matheson and Jardine Strategic.

A J L Nightingale*
Managing Director

Mr Nightingale joined the Board and was appointed as Managing Director in 2006. He has served in a number of executive positions since joining the Jardine Matheson group in 1969. He is chairman of Jardine Cycle & Carriage, Jardine Matheson Limited, Jardine Motors and Jardine Pacific; and a commissioner of Astra. He is also managing director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental. Mr Nightingale is chairman of the Business Facilitation Advisory Committee established by the Financial Secretary in Hong Kong, a vice president of The Real Estate Developers Association of Hong Kong, a member of the Commission on Strategic Development, a council member of the Employers' Federation of Hong Kong and a Hong Kong representative to the APEC Business Advisory Council. He is also chairman of The Sailors Home and Missions to Seamen.

Michael Kok*
Group Chief Executive

Mr Kok joined the Board and was appointed Group Chief Executive in 2007. He joined Dairy Farm in 1987 and has extensive experience in the retail industry in Asia. As a director of Dairy Farm Management Services since 1997, he had prime responsibility for the Group's retail businesses in South and East Asia.

Howard Mowlem*
Group Finance Director

Mr Mowlem was appointed as Group Finance Director in 2001. He joined the Group in 2000 as finance director, North Asia. He previously held a number of senior financial positions in the Australian retail sector. Mr Mowlem is a Fellow of the Australia Society of CPAs.

Ronald J Floto

Mr Floto joined the Board in 1997 and was Group Chief Executive until he retired from executive office in 2007. His extensive experience in the retail industry included senior positions in Kmart Corporation and Super Kmart in the United States.

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 and a non-executive director of Enoteca Company in Japan.

Sir Henry Keswick

Sir Henry joined the Board in 1988. He is chairman of Jardine Matheson, having first joined the Jardine Matheson group in 1961, and is also chairman of Jardine Strategic. He is a director of Hongkong Land, Mandarin Oriental and Rothschilds Continuation. He is also vice chairman of the Hong Kong Association.

Dr George C G Koo

Dr Koo, a Fellow of the Royal College of Surgeons, was appointed as a Director in 1990. He is the founder and managing director of the Hong Kong Lithotripter Centre and a member of the Political Consultative Committee of Chekiang Province of the People's Republic of China. He is also a director of Jardine Strategic.

R C Kwok

Mr Kwok is a Chartered Accountant and has been a Director since 1986. He joined the Jardine Matheson group in 1964 and is a director of Jardine Matheson Limited, Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

Lord Leach of Fairford

Lord Leach joined the Board in 1987. He is deputy chairman of Jardine Lloyd Thompson, and a director of Hongkong Land, Jardine Matheson, Jardine Strategic, Mandarin Oriental and Rothschilds Continuation. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking.

James Riley

Mr Riley joined the Board in 2005. He is group finance director of Jardine Matheson. A Chartered Accountant, he joined the Jardine Matheson group from Kleinwort Benson in 1993. He was appointed chief financial officer of Jardine Cycle & Carriage in 1994, and from 1999 to 2005 he was responsible for the businesses grouped under Jardine Pacific. He is also a director of Jardine Matheson Limited.

Percy Weatherall

Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 2006. He held a number of senior positions since first joining the Jardine Matheson group in 1976 until his retirement 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 and Barrow.

Giles White

Mr White joined the Board in July 2009. He is the Jardine Matheson group general counsel. He was previously Asia managing partner of Linklaters based in Hong Kong, prior to which he was the firm's head of global finance and projects in London. Mr White is also a director of Jardine Matheson Limited, Jardine Matheson and Mandarin Oriental.

* Executive Director

Consolidated Profit and Loss Account

for the year ended 31st December 2009

	Note	2009 US$m	2008 US$m
Sales	4	**7,028.5**	6,732.5
Cost of sales		**(4,910.9)**	(4,713.3)
Gross margin		**2,117.6**	2,019.2
Other operating income		**117.0**	104.5
Selling and distribution costs		**(1,564.8)**	(1,506.7)
Administration and other operating expenses		**(246.1)**	(229.2)
Operating profit	5	**423.7**	387.8
Financing charges		**(24.3)**	(23.9)
Financing income		**3.2**	9.8
Net financing charges	6	**(21.1)**	(14.1)
Share of results of associates and joint ventures	7	**35.2**	30.2
Profit before tax		**437.8**	403.9
Tax	8	**(75.0)**	(70.7)
Profit after tax		**362.8**	333.2
Attributable to:			
Shareholders of the Company		**364.0**	333.0
Minority interests		**(1.2)**	0.2
		362.8	333.2

	Note	US¢	US¢
Earnings per share	9		
- basic		**27.02**	24.73
- diluted		**26.99**	24.71

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2009

	2009 US$m	2008 US$m
Profit for the year	**362.8**	333.2
Revaluation of other investments		
- gains arising during the year	**0.8**	2.2
- transfer to profit and loss	**–**	(0.2)
	0.8	2.0
Actuarial gains/(losses) on employee benefit plans	**16.5**	(64.6)
Net exchange translation differences		
- gains/(losses) arising during the year	**22.0**	(14.3)
- transfer to profit and loss	**–**	(2.0)
	22.0	(16.3)
Cash flow hedges		
- losses arising during the year	**(2.5)**	(3.0)
Share of other comprehensive income of associates and joint ventures	**3.8**	(4.9)
Tax relating to components of other comprehensive income	**(2.7)**	11.9
Other comprehensive income for the year	**37.9**	(74.9)
Total comprehensive income for the year	**400.7**	258.3
Attributable to:		
Shareholders of the Company	**401.1**	258.8
Minority interests	**(0.4)**	(0.5)
	400.7	258.3

Consolidated Balance Sheet

at 31st December 2009

	Note	2009 US$m	2008 US$m
Net operating assets			
Intangible assets	11	**319.3**	304.2
Tangible assets	12	**709.7**	636.9
Associates and joint ventures	13	**145.8**	128.7
Other investments	14	**3.1**	2.3
Non-current debtors	15	**113.3**	105.3
Deferred tax assets	16	**19.1**	18.0
Pension assets	17	**24.8**	8.8
Non-current assets		**1,335.1**	1,204.2
Stocks		**709.9**	649.0
Current debtors	15	**139.9**	120.6
Current tax assets		**1.2**	4.9
Bank balances and other liquid funds	18	**532.8**	462.9
		1,383.8	1,237.4
Non-current assets classified as held for sale	19	**105.2**	65.2
Current assets		**1,489.0**	1,302.6
Current creditors	20	**(1,605.5)**	(1,537.9)
Current borrowings	21	**(133.8)**	(62.6)
Current tax liabilities		**(63.0)**	(65.0)
Current provisions	22	**(3.2)**	(2.0)
Current liabilities		**(1,805.5)**	(1,667.5)
Net current liabilities		**(316.5)**	(364.9)
Long-term borrowings	21	**(365.4)**	(404.5)
Deferred tax liabilities	16	**(43.6)**	(36.6)
Pension liabilities	17	**(31.1)**	(27.0)
Non-current creditors	20	**(16.9)**	(20.7)
Non-current provisions	22	**(18.6)**	(17.0)
Non-current liabilities		**(475.6)**	(505.8)
		543.0	333.5
Total equity			
Share capital	23	**74.9**	74.8
Share premium and capital reserves	25	**36.6**	32.6
Revenue and other reserves		**429.3**	223.5
Shareholders' funds		**540.8**	330.9
Minority interests	27	**2.2**	2.6
		543.0	333.5

Approved by the Board of Directors

A J L Nightingale

Michael Kok

Directors

4th March 2010

Consolidated Statement of Changes in Equity

for the year ended 31st December 2009

	Attributable to shareholders of the Company									
	Share capital US$m	Share premium US$m	Capital reserves US$m	Revenue reserves US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m	Attributable to minority interests US$m	Total equity US$m
2009										
At 1st January 2009	74.8	7.4	25.2	248.8	16.8	(3.6)	(38.5)	330.9	2.6	333.5
Total comprehensive income	–	–	–	381.8	–	(1.9)	21.2	401.1	(0.4)	400.7
Dividends paid by the Company	–	–	–	(195.3)	–	–	–	(195.3)	–	(195.3)
Issue of shares	0.1	2.5	–	–	–	–	–	2.6	–	2.6
Employee share option schemes	–	–	1.5	–	–	–	–	1.5	–	1.5
Transfer	–	–	–	1.0	(1.0)	–	–	–	–	–
At 31st December 2009	**74.9**	**9.9**	**26.7**	**436.3**	**15.8**	**(5.5)**	**(17.3)**	**540.8**	**2.2**	**543.0**
2008										
At 1st January 2008	74.8	7.0	23.3	140.0	17.2	(1.3)	(22.9)	238.1	3.0	241.1
Total comprehensive income	–	–	–	276.7	–	(2.3)	(15.6)	258.8	(0.5)	258.3
Dividends paid by the Company	–	–	–	(168.3)	–	–	–	(168.3)	–	(168.3)
Issue of shares	–	0.4	–	–	–	–	–	0.4	–	0.4
Employee share option schemes	–	–	1.9	–	–	–	–	1.9	–	1.9
Change in attributable interest	–	–	–	–	–	–	–	–	0.1	0.1
Transfer	–	–	–	0.4	(0.4)	–	–	–	–	–
At 31st December 2008	74.8	7.4	25.2	248.8	16.8	(3.6)	(38.5)	330.9	2.6	333.5

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$364.0 million (2008: US$333.0 million), fair value gains on revaluation of other investments of US$0.7 million (2008: US$1.7 million) and actuarial gains on employee benefit plans of US$17.1 million (2008: losses of US$58.0 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2009

	Note	2009 US$m	2008 US$m
Operating activities			
Operating profit	5	**423.7**	387.8
Depreciation and amortization	29(a)	**143.4**	136.4
Other non-cash items	29(b)	**9.2**	(2.5)
(Increase)/decrease in working capital	29(c)	**(28.2)**	36.9
Interest received		**3.6**	10.8
Interest and other financing charges paid		**(24.0)**	(23.8)
Tax paid		**(70.9)**	(47.5)
		456.8	498.1
Dividends from associates and joint ventures		**24.5**	25.1
Cash flows from operating activities		**481.3**	523.2
Investing activities			
Purchase of tangible assets		**(250.6)**	(215.6)
Purchase of subsidiaries	29(d)	**–**	(42.0)
Store acquisitions	29(e)	**–**	(2.6)
Purchase of associates and joint ventures		**(2.6)**	(6.6)
Purchase of land use rights	29(f)	**(30.7)**	(33.7)
Purchase of other intangible assets		**(7.9)**	(7.9)
Sale of properties	29(g)	**47.0**	–
Sale of other tangible assets		**0.6**	1.0
Sale of associates and joint ventures	29(h)	**–**	20.5
Sale of other investments		**–**	1.0
Cash flows from investing activities		**(244.2)**	(285.9)
Financing activities			
Issue of shares		**2.6**	0.4
Drawdown of borrowings		**1,202.4**	991.0
Repayment of borrowings		**(1,181.9)**	(990.3)
Dividends paid by the Company	26	**(195.3)**	(168.3)
Cash flows from financing activities		**(172.2)**	(167.2)
Effect of exchange rate changes		**2.7**	(1.7)
Net increase in cash and cash equivalents		**67.6**	68.4
Cash and cash equivalents at 1st January		**453.2**	384.8
Cash and cash equivalents at 31st December	29(i)	**520.8**	453.2

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The 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. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Standards, amendments and interpretations effective in 2009 which are relevant to the Group's operations

IFRS 8	Operating Segments
IAS 1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to IFRS 2	Vesting Conditions and Cancellations
Amendments to IFRS 7	Improving Disclosures about Financial Instruments
Improvements to IFRSs (2008)	
IFRIC 13	Customer Loyalty Programmes
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

IFRS 8 'Operating Segments' supersedes IAS 14 'Segment Reporting' and requires the reporting of financial and descriptive information about an entity's reportable segments on the basis of internal reports that are regularly reviewed by its management. There is no change in the Group's reportable segments from 2008 as they remain consistent with the internal reporting provided to management. No operating segments have been aggregated to form the reportable segments. The Group has also early adopted an amendment to IFRS 8 (effective from 1st January 2010) included in the 2009 improvement project. The amendment clarifies that a measure of total assets should be disclosed in the financial statements only if that amount is regularly provided to management.

IAS 1 'Presentation of Financial Statements' replaces IAS 1 (as revised in 2003 and amended in 2005) and sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Two new primary statements, 'Consolidated Statement of Comprehensive Income' and 'Consolidated Statement of Changes in Equity' have been presented in these financial statements. The former replaces the 'Consolidated Statement of Recognized Income and Expense' presented in the 2008 financial statements. This change in presentation has no effect on reported profit or loss, total income and expense or net assets.

Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' remove the definition of the cost method from IAS 27 and allow an entity to recognize a dividend from a subsidiary, jointly controlled entity or associate in profit and loss in its separate financial statements when its right to receive the dividend is established. There is no impact on the consolidated financial statements as the changes affect only the separate financial statements of the investing entity.

Amendments to IFRS 7 'Improving Disclosures about Financial Instruments' require the disclosure of any change in valuation technique and the reason for that change, introduce a three-level hierarchy for fair value measurement disclosures, and require the disclosure of liquidity risk between non-derivative financial liabilities and derivative financial liabilities.

IAS 36 (Amendment) 'Impairment of Assets' is part of the 2008 improvement project. It provides that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IFRIC 13 'Customer Loyalty Programmes' addresses the accounting by entities that grant loyalty award credits to customers who buy goods or services. It requires the allocation of consideration receivable from the customer between the separately identifiable components of the sale transaction using fair values. There is no significant impact on the results of the Group on adoption of this interpretation.

(a) Basis of preparation (continued)

The adoption of the following standards, amendments and interpretations does not have a material impact on the Group's accounting policies.

IAS 23 (revised 2007) 'Borrowing Costs' supersedes IAS 23 (as revised in 1993) and requires the capitalization of borrowing costs relating to qualifying assets.

Amendments to IFRS 2 'Vesting Conditions and Cancellations' restrict vesting conditions to service conditions and performance conditions, and specify that a failure to meet a non-vesting condition, whether by the entity or by the counterparty, should be treated as a cancellation.

IAS 19 (Amendment) 'Employee Benefits' is part of the 2008 improvement project. It clarifies the distinction between curtailments and negative past service costs under a defined benefit plan.

IAS 23 (Amendment) 'Borrowing costs' is part of the 2008 improvement project. It amends the definition of borrowing costs such that interest expense is calculated using the effective interest method as defined in IAS 39 'Financial Instruments: Recognition and Measurement'.

IAS 28 (Amendment) 'Investments in Associates' and consequential amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures' is part of the 2008 improvement project. It specifies that for the purposes of impairment testing, an investment in associate is treated as a single asset and any impairment loss is not allocated to specific assets included within the investment.

IAS 38 (Amendment) 'Intangible Assets' is part of the 2008 improvement project. It clarifies that expenditure on advertising and other promotional activities must be recognized in the period in which the entity obtains the right to access the advertising or promotional material.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' addresses the nature of the hedged risk and amount of the hedged item for which a hedging relationship may be designated in the consolidated financial statements of a parent entity.

Standards and amendments early adopted by the Group

IFRS 3 (revised 2008)	Business Combinations
IAS 27 (amended 2008)	Consolidated and Separate Financial Statements

IFRS 3 (revised 2008) 'Business Combinations' and the related amendment to IAS 27 'Consolidated and Separate Financial Statements' (both effective prospectively from 1st July 2009) provide guidance for applying the acquisition method for business combinations. The major changes from the existing standards include: the immediate expensing of all acquisition-related costs, the inclusion in the cost of acquisition of the fair value at acquisition date of any contingent purchase consideration, the remeasurement of previously held equity interest in the acquiree at fair value in a business combination achieved in stages, and accounting for changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as equity transactions. The early adoption of IFRS 3 (revised 2008) and the related amendment to IAS 27 has resulted in changes in the accounting policies for goodwill and change in attributable interests in subsidiaries. Until 31st December 2008, acquisition-related costs were included in the cost of a business combination; contingent purchase consideration was recognized in goodwill as incurred; the cost of each exchange transaction in a business combination achieved in stages was compared with the fair values of the acquiree's identifiable net assets to determine the amount of goodwill associated with that transaction; the difference between the cost of acquisition and the carrying amount of the proportion of minority interest acquired in respect of an increase in attributable interest in a subsidiary was recognized as goodwill or credited to profit and loss as discount on acquisition, where appropriate; and the difference between the proceeds and the carrying amount of the proportion sold in respect of a decrease in attributable interest in a subsidiary was recognized as profit or loss on disposal. The Group continues to measure minority interest in an acquiree in a business combination at the minority interest's proportionate share of the acquiree's identifiable net assets.

(a) Basis of preparation (continued)

Standards, amendments and interpretations effective after 2009 which are relevant to the Group's operations and yet to be adopted

IFRS 9 'Financial Instruments' (effective from 1st January 2013) is the first part of a project to replace IAS 39. It addresses the classification and measurement of financial assets. The Group will apply IFRS 9 from 1st January 2013.

IAS 24 'Related Party Disclosures' (effective from 1st January 2011) supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply IAS 24 and provide the required disclosure from 1st January 2011.

Amendment to IAS 32 'Classification of Right Issues' (effective from 1st February 2010) clarifies that rights issues are equity instruments when they are denominated in a currency other than the issuer's functional currency and are issued pro-rata to an entity's existing shareholders for a fixed amount of currency. The Group will apply amendment to IAS 32 from 1st January 2011.

Amendment to IAS 39 'Eligible Hedged Items' (effective from 1st July 2009) gives additional guidance on the designation of a hedged item and how hedged accounting should be applied in particular situations. The Group will apply amendment to IAS 39 from 1st January 2010, but it is not expected to have any significant impact on the results of the Group.

The improvements to IFRSs (2009) comprise a number of non-urgent but necessary amendments to IFRSs. With the exception of IAS 17 (Amended 2009) 'Leases', adoption of the other amendments is not expected to have any significant impact on the results of the Group.

IAS 17 (Amended) 'Leases' (effective from 1st January 2010) is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of title at the end of the lease term. The Group will apply this amendment retrospectively from 1st January 2010.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective from 1st January 2011) require an entity to recognize an asset for a prepayment that will reduce future minimum funding contributions required by the entity. The Group will apply amendments to IFRIC 14 from 1st January 2011.

IFRIC 17 'Distributions of Non-cash Assets to Owners' (effective from 1st July 2009) requires that a non-cash dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend should be measured at the fair value of the net assets to be distributed. Any difference between the dividend paid and the carrying amount of the net assets distributed should be included in profit or loss. The Group will apply IFRIC 17 from 1st January 2010.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1st April 2010) provides guidance on the application of IAS 39 and IAS 32 when an entity issues its own equity instruments to extinguish all or part of a financial liability. The Group will apply IFRIC 19 from 1st January 2011.

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 pages 30 and 32.

(b) Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and its associates and joint ventures.

(b) Basis of consolidation (continued)

(ii) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition includes the fair value at the acquisition date of any contingent consideration. 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.

(iii) Associates are entities, not being subsidiaries or joint ventures, over which the Group exercises significant influence. Joint ventures are entities which the Group jointly controls with one or more other venturers. Associates and joint ventures are included on the equity basis of accounting.

(iv) Minority 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.

(c) 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 which results in the loss of control, 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. 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.

(d) Impairment

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 separately identifiable cash flows. 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.

(e) Intangible assets

(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the effective date of acquisition. Minority 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 includes the carrying amount of goodwill relating to the entity sold.

(ii) Land use rights are payments to third parties to acquire long-term interests in owner-occupied 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 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.

(f) Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at valuation. Independent valuations are performed every three years on an open market basis and, in the case of the building component of leasehold properties, on the basis of depreciated replacement cost. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years the Directors review the carrying values and adjustment is made where there has been a material change. Revaluation surpluses and deficits are recognized in other comprehensive income and accumulated in equity under asset revaluation reserves except for movements on individual properties below depreciated cost which are recognized in profit and loss. Grants related to tangible fixed 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.

Depreciation of tangible fixed assets is calculated on the straight line basis to allocate the cost or valuation 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:

Buildings	30 - 50 years
Leasehold improvements	over period of the lease
Plant and machinery	3 - 20 years
Furniture, equipment and motor vehicles	3 - 15 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.

(g) Investments

Investments are classified by management as available for sale on initial recognition. Available-for-sale investments are shown at fair value. Gains or losses arising from changes in the fair value are recognized in other comprehensive income. 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 their maturities are within twelve months after the balance sheet date.

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

(g) Investments (continued)

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.

(h) Stocks

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

(i) Debtors

Trade debtors 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 twelve months after the balance sheet date are classified under non-current assets.

(j) Cash and cash equivalents

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

(k) 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.

(l) Deferred tax

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.

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.

(m) 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 are recognized in other comprehensive income in the year in which they occur.

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

(m) Employee benefits (continued)

(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.

(n) Dividends

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

(o) Sales

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

(p) 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.

(q) Pre-operating costs

Pre-operating costs are expensed as they are incurred.

(r) 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.

Borrowing costs relating to major development projects are capitalized during the construction period until the asset is substantially completed. Capitalized borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

Borrowings are classified under non-current liabilities unless their maturities are within twelve months after the balance sheet date.

(s) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use.

(t) Derivative financial instruments

The Group enters into derivative financial instruments only 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.

(t) Derivative financial instruments (continued)

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. 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.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in exchange reserves; the gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

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

(u) Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognized when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

(v) 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.

(w) 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 Company's share of the shares held by the Trustee under the Senior Executive Share Incentive Schemes. 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 Senior Executive Share Incentive Schemes based on the average share price during the year.

(x) Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

2. FINANCIAL RISK MANAGEMENT

(a) 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, under the directions of the Board of Dairy Farm International Holdings Limited, 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, caps, 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 profit and loss. 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 2009 are disclosed in note 30.

(i) Market risk

Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk 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.

Group companies are required to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments. 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.

There are no significant monetary balances held by Group companies at 31st December 2009 that are denominated in a non-functional currency. 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; 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 the use of derivative financial instruments such as interest rate swaps and caps. The Group monitors interest rate exposure on a monthly 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 gross borrowings in fixed rate instruments with an average tenor of one to three years. At 31st December 2009 the Group's interest rate hedge was 60% (2008: 58%), with an average tenor of 1.4 years (2008: 2.0 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions is set out in note 21.

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 and caps for a maturity of up to five years. Interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, whilst caps provide protection against a rise in floating rates above a pre-determined rate.

(a) Financial risk factors (continued)

At 31st December 2009, 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$2.8 million (2008: US$2.2 million) higher/lower, and hedging reserves would have been US$4.1 million (2008: US$5.3 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 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, capital adequacy ratios, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2009, over 99% (2008: 99%) 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. The Group's exposure to credit risk arising from debtors is set out in note 15 and totals US$253.2 million (2008: US$225.9 million). In 2009, the Group has no exposure to credit risk arising from derivative financial instruments with a positive fair value (2008: US$3.7 million) as disclosed in note 15 as a component of other debtors. The Group's exposure to credit risk arising from deposits and balances with banks is set out in note 18 and totals US$468.8 million (2008: US$400.6 million).

(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. In addition long-term cash flows are projected to assist with the Group's long-term debt financing plans.

At 31st December 2009, total available borrowing facilities amounted to US$1,185.8 million (2008: US$997.0 million), of which US$499.2 million (2008: US$467.1 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$381.3 million (2008: US$319.3 million).

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in notes 20, 21 and 30.

(b) 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 actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. 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 business performance divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2009 and 2008 are as follows:

	2009	2008
Gearing ratio (%)	**n/a**	1
Interest cover (times)	**22**	29

The net cash position at 31st December 2009 for the year then ended is primarily due to better operating results and proceeds from sale of properties. The decrease in interest cover is mainly due to lower interest income during the year.

(c) Fair value estimation

The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amount 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.

The fair value of interest rate swaps and caps is calculated by reference to the present value of the estimated future cash flows, taking into account current interest rates as observed from the market. The fair value of forward foreign exchange contracts is determined using forward exchange market rates of the same remaining tenor at the balance sheet date.

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.

(a) 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 land use rights 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.

(b) Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are valued every three years by independent valuers. In the intervening years the Group reviews the carrying values and adjustment is made where there has been a material change. In arriving at the valuation of land and buildings, assumptions and economic estimates have to be made.

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) 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.

(d) 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 income tax and deferred tax provisions in the period in which such determination is made.

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.

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

(f) Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management.

4. SALES

	Including associates and joint ventures		Subsidiaries	
	2009 US$m	2008 US$m	**2009 US$m**	2008 US$m
Analysis by operating segment:				
North Asia	**3,666.7**	3,502.8	**3,666.7**	3,502.8
East Asia	**1,957.8**	1,892.9	**1,957.8**	1,892.9
South Asia	**1,459.8**	1,395.0	**1,404.0**	1,336.8
	7,084.3	6,790.7	**7,028.5**	6,732.5
Maxim's	**968.3**	950.9	**–**	–
	8,052.6	7,741.6	**7,028.5**	6,732.5
Analysis by format:				
Supermarkets/hypermarkets	**4,311.9**	4,190.8	**4,275.1**	4,151.7
Health and beauty stores	**1,232.8**	1,077.1	**1,213.8**	1,058.0
Convenience stores	**1,282.2**	1,261.8	**1,282.2**	1,261.8
Home furnishings stores	**257.4**	261.0	**257.4**	261.0
	7,084.3	6,790.7	**7,028.5**	6,732.5
Restaurants	**968.3**	950.9	**–**	–
	8,052.6	7,741.6	**7,028.5**	6,732.5

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 operating segments: North Asia, East Asia, South Asia and Maxim's. North Asia comprises Hong Kong, mainland China, Macau, Taiwan and Korea. East Asia comprises Malaysia, Indonesia, Vietnam and Brunei. South Asia comprises Singapore, India and Thailand. Maxim's is the Group's major associate, a leading Hong Kong restaurant chain. No operating segments have been aggregated to form the reportable segments.

5. OPERATING PROFIT

	2009 US$m	2008 US$m
Analysis by operating segment:		
North Asia	**208.2**	205.3
East Asia	**140.4**	111.8
South Asia	**101.0**	79.0
	449.6	396.1
Support office	**(25.9)**	(23.4)
	423.7	372.7
Non-trading items in North Asia:		
– Gain on sale of associates and joint ventures	**–**	14.2
– Gain on sale of other investments	**–**	0.9
	423.7	387.8
Analysis by format:		
Supermarkets/hypermarkets	**251.7**	209.2
Health and beauty stores	**108.9**	94.1
Convenience stores	**60.8**	70.2
Home furnishings stores	**12.3**	10.1
Other	**15.9**	12.5
	449.6	396.1

5. OPERATING PROFIT (continued)

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

	2009 US$m	2008 US$m
Cost of stocks recognized as expense	**4,901.8**	4,704.5
Impairment of intangible assets (note 11)	**–**	2.5
Amortization of intangible assets (note 11)	**4.0**	4.5
Impairment of tangible assets (note 12)	**4.3**	2.8
Depreciation of tangible assets (note 12)	**139.4**	131.9
Employee benefit expense		
– salaries and benefits in kind	**584.8**	564.2
– share options granted (note 25)	**1.5**	1.9
– defined benefit pension plans (note 17)	**10.9**	6.2
– defined contribution pension plans	**30.3**	29.2
	627.5	601.5
Operating leases		
– minimum lease payments	**542.1**	511.7
– contingent rents	**4.7**	5.0
– subleases	**(31.6)**	(31.9)
	515.2	484.8
Concession and service income	**(81.0)**	(70.4)
Gain on sale of associates and joint ventures	**–**	(14.2)*
Rental income	**(15.9)**	(12.5)
Gain on sale of other investments	**–**	(0.9)
Net foreign exchange gains	**(0.6)**	(1.8)**
Loss on sale of tangible assets	**3.4**	5.5

* *Included US$1.0 million realization of exchange gain upon disposal.*

** *Included exchange gain of US$1.0 million arising on repatriation of capital from foreign subsidiaries.*

6. NET FINANCING CHARGES

	2009 US$m	2008 US$m
Interest expense – bank loans and advances	**23.4**	22.5
Commitment and other fees	**0.9**	0.7
Fair value loss on remeasurement of put option	**–**	0.7
Financing charges	**24.3**	23.9
Interest income on bank deposits	**(3.2)**	(9.8)
	21.1	14.1

7. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	2009 US$m	2008 US$m
Analysis by operating segment:		
Maxim's	**38.2**	34.7
South Asia	**(3.0)**	(4.5)
	35.2	30.2
Analysis by format:		
Restaurants	**38.2**	34.7
Supermarkets	**(2.9)**	(3.9)
Health and beauty stores	**(0.1)**	(0.6)
	35.2	30.2

Results are shown after tax and minority interests in the associates and joint ventures.

8. TAX

	2009 US$m	2008 US$m
Tax charged to profit is analyzed as follows:		
Current tax	**71.5**	70.1
Deferred tax	**3.5**	0.6
	75.0	70.7
Geographical analysis:		
North Asia	**32.8**	35.8
East Asia	**25.7**	21.2
South Asia	**16.5**	13.7
	75.0	70.7
Reconciliation between tax expense and tax at the applicable tax rate:*		
Tax at applicable tax rate	**65.7**	58.4
Income not subject to tax	**(1.3)**	(0.9)
Expenses not deductible for tax purposes	**4.4**	7.1
Tax losses not recognized	**4.6**	2.2
Utilization of previously unrecognized tax losses and temporary differences	**(0.4)**	–
Recognition of previously unrecognized tax losses and temporary differences	**(0.5)**	–
Under/(over) provision in prior years	**0.3**	(0.6)
Change in tax rates	**(0.4)**	0.4
Withholding tax	**2.1**	2.0
Deferred tax liabilities written back	**–**	(0.2)
Other	**0.5**	2.3
	75.0	70.7
Tax relating to components of other comprehensive income is analyzed as follows:		
Employee benefit plans	**(3.2)**	11.5
Cash flow hedges	**0.6**	0.7
Revaluation of other investments	**(0.1)**	(0.3)
	(2.7)	11.9

Share of tax of associates and joint ventures of US$9.3 million (2008: US$7.7 million) is included in share of results of associates and joint ventures.

** The applicable tax rate for the year was 16.3% (2008: 15.6%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The increase in the applicable tax rate is caused by a change in the profitability of the Group's subsidiaries in respective territories.*

The Group has no tax payable in the United Kingdom (2008: nil).

9. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US$364.0 million (2008: US$333.0 million), and on the weighted average number of 1,347.0 million (2008: 1,346.4 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$364.0 million (2008: US$333.0 million), and on the weighted average number of 1,348.8 million (2008: 1,347.7 million) shares in issue during the year.

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

	Ordinary shares in millions	
	2009	2008
Weighted average number of shares for basic earnings per share calculation	**1,347.0**	1,346.4
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**1.8**	1.3
Weighted average number of shares for diluted earnings per share calculation	**1,348.8**	1,347.7

There were no non-trading items for the year ended 31st December 2009. Additional basic and diluted earnings per share are also calculated for the year ended 31st December 2008 based on underlying profit attributable to shareholders of US$320.1 million. A reconciliation of earnings is set below:

	2008		
	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders	333.0	24.73	24.71
Non-trading items (note 10)	(12.9)		
Underlying profit attributable to shareholders	320.1	23.77	23.75

10. NON-TRADING ITEMS

An analysis of non-trading items after interest, tax and minority interests for the year ended 31st December 2008 is set out below:

	US$m
Sale of 50% shareholding in CJ Olive Young	12.2
Sale of other investments	0.7
	12.9

11. INTANGIBLE ASSETS

	Goodwill US$m	Land use rights US$m	Other US$m	Total US$m
2009				
Cost	224.5	71.5	21.0	317.0
Amortization and impairment	(0.4)	(4.2)	(8.2)	(12.8)
Net book value at 1st January	224.1	67.3	12.8	304.2
Exchange differences	9.6	3.2	0.8	13.6
Additions	–	30.6	6.2	36.8
Amortization	–	(0.8)	(3.2)	(4.0)
Classified as non-current assets held for sale	–	(31.3)	–	(31.3)
Net book value at 31st December	**233.7**	**69.0**	**16.6**	**319.3**
Cost	234.1	73.5	28.9	336.5
Amortization and impairment	(0.4)	(4.5)	(12.3)	(17.2)
	233.7	**69.0**	**16.6**	**319.3**
2008				
Cost	230.4	56.6	12.2	299.2
Amortization and impairment	(0.4)	(3.6)	(2.7)	(6.7)
Net book value at 1st January	230.0	53.0	9.5	292.5
Exchange differences	(7.5)	(2.6)	(1.4)	(11.5)
Additions	1.6	33.7	10.7	46.0
Amortization	–	(1.0)	(3.5)	(4.5)
Impairment	–	–	(2.5)	(2.5)
Classified as non-current assets held for sale	–	(15.8)	–	(15.8)
Net book value at 31st December	224.1	67.3	12.8	304.2
Cost	224.5	71.5	21.0	317.0
Amortization and impairment	(0.4)	(4.2)	(8.2)	(12.8)
	224.1	67.3	12.8	304.2

	2009 US$m	2008 US$m
Analysis of goodwill by operating segments:		
North Asia	**41.0**	40.9
East Asia	**119.4**	111.6
South Asia	**73.3**	71.6
	233.7	224.1

The Group's other intangible assets comprise trademarks and computer software.

Additions of goodwill in 2008 mainly related to the acquisition of seven Guardian stores in Brunei for a total cash consideration of US$2.6 million (note 29(e)).

Impairment charge of other intangible assets in 2008 related to trademarks in PT Hero, Indonesia.

Goodwill is allocated to groups of cash-generating units identified by geographical segments. 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 include budgeted gross margins of between 23% and 50% and growth rates of up to 6% to extrapolate cash flows, which vary across the Group's business segments and geographical locations, over a five year period, and are based on management expectations for the market development; and pre-tax discount rates of between 7% and 21% 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 is required.

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

12. TANGIBLE ASSETS

	Freehold properties US$m	Leasehold properties US$m	Leasehold improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2009						
Cost and valuation	41.3	119.2	442.3	390.4	504.8	1,498.0
Depreciation and impairment	(0.5)	(12.4)	(288.2)	(243.0)	(317.0)	(861.1)
Net book value at 1st January	40.8	106.8	154.1	147.4	187.8	636.9
Exchange differences	0.9	5.4	1.0	1.8	12.9	22.0
Additions	21.7	55.4	51.0	52.6	70.7	251.4
Disposals	–	–	(1.7)	(1.4)	(1.0)	(4.1)
Depreciation	(0.2)	(4.7)	(40.7)	(38.9)	(54.9)	(139.4)
Impairment	–	–	–	(1.2)	(3.1)	(4.3)
Classified as non-current assets held for sale	(16.6)	(36.2)	–	–	–	(52.8)
Net book value at 31st December	**46.6**	**126.7**	**163.7**	**160.3**	**212.4**	**709.7**
Cost or valuation	47.2	144.9	465.2	425.5	579.7	1,662.5
Depreciation and impairment	(0.6)	(18.2)	(301.5)	(265.2)	(367.3)	(952.8)
	46.6	**126.7**	**163.7**	**160.3**	**212.4**	**709.7**
2008						
Cost and valuation	25.5	131.5	419.3	371.1	452.2	1,399.6
Depreciation and impairment	(0.2)	(11.7)	(264.2)	(231.8)	(287.9)	(795.8)
Net book value at 1st January	25.3	119.8	155.1	139.3	164.3	603.8
Exchange differences	(0.9)	(3.1)	(1.0)	(1.5)	(10.1)	(16.6)
Stores acquired	–	–	–	0.2	–	0.2
Additions	16.6	14.5	51.0	48.9	79.6	210.6
Disposals	–	–	(2.0)	(1.8)	(2.5)	(6.3)
Depreciation	(0.2)	(4.3)	(46.7)	(37.7)	(43.0)	(131.9)
Impairment	–	–	(2.3)	–	(0.5)	(2.8)
Classified as non-current assets held for sale	–	(20.1)	–	–	–	(20.1)
Net book value at 31st December	40.8	106.8	154.1	147.4	187.8	636.9
Cost or valuation	41.3	119.2	442.3	390.4	504.8	1,498.0
Depreciation and impairment	(0.5)	(12.4)	(288.2)	(243.0)	(317.0)	(861.1)
	40.8	106.8	154.1	147.4	187.8	636.9

The Group's freehold properties and the building component of leasehold properties were revalued at 31st December 2008 by independent professionally qualified valuers. Management has reviewed the carrying value at 31st December 2009 and are satisfied that there were no material changes to those values.

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost less depreciation, the carrying value would have been US$155.1 million (2008: US$129.4 million).

13. ASSOCIATES AND JOINT VENTURES

	2009 US$m	2008 US$m
Unlisted associates	**143.1**	126.5
Joint ventures	**2.7**	2.2
Share of attributable net assets	**145.8**	128.7

The Group's share of assets, liabilities, capital commitments, contingent liabilities and results of associates and joint ventures are summarized below:

	2009 US$m	2008 US$m
Non-current assets	**146.7**	156.3
Current assets	**117.6**	82.6
Non-current liabilities	**(23.9)**	(7.5)
Current liabilities	**(91.6)**	(96.9)
Total equity	**148.8**	134.5
Attributable to minority interests	**(3.0)**	(5.8)
Attributable net assets	**145.8**	128.7
Sales	**511.6**	504.2
Profit after tax	**35.9**	30.7
Capital commitments	**25.5**	20.3
Contingent liabilities	**–**	–
Movements of share of attributable net assets for the year:		
At 1st January	**128.7**	120.3
Exchange differences	**–**	1.6
Share of results after tax and minority interests	**35.2**	30.2
Share of other comprehensive income after tax and minority interests	**3.8**	(4.9)
Dividends received	**(24.5)**	(25.1)
Capital injections	**2.6**	6.6
At 31st December	**145.8**	128.7
Analysis by operating segment:		
Maxim's	**145.0**	127.4
South Asia	**0.8**	1.3
At 31st December	**145.8**	128.7

14. OTHER INVESTMENTS

	2009 US$m	2008 US$m
Movements for the year:		
At 1st January	**2.3**	0.4
Disposals	**–**	(0.3)
Revaluation surplus	**0.8**	2.2
At 31st December	**3.1**	2.3

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

15. DEBTORS

	2009 US$m	2008 US$m
Trade debtors		
– third parties	**36.4**	32.1
– provision for impairment	**(0.6)**	(0.6)
	35.8	31.5
Other debtors		
– third parties	**217.6**	194.4
– associates and joint ventures	**–**	0.2
	217.6	194.6
– provision for impairment	**(0.2)**	(0.2)
	217.4	194.4
	253.2	225.9
Non-current	**113.3**	105.3
Current	**139.9**	120.6
	253.2	225.9
Geographical analysis:		
North Asia	**107.0**	112.0
East Asia	**99.5**	77.5
South Asia	**46.7**	36.4
	253.2	225.9

Sales to customers are made in cash or via 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.

An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount. 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.

15. DEBTORS (continued)

At 31st December 2009, trade debtors of US$0.6 million (2008: US$0.6 million) were impaired. The amount of the provision was US$0.6 million (2008: US$0.6 million). The ageing analysis of these trade debtors is as follows:

	2009 US$m	2008 US$m
Over 90 days	**0.6**	0.6
	0.6	0.6

At 31st December 2009, trade debtors of US$2.9 million (2008: US$2.8 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2009 US$m	2008 US$m
Below 30 days	**2.5**	1.9
Between 31 and 60 days	**0.2**	0.4
Between 61 and 90 days	**0.2**	0.2
Over 90 days	**–**	0.3
	2.9	2.8

The risk of trade debtors that are neither past due nor impaired at 31st December 2009 becoming impaired is low as most of the balances have been settled subsequent to the year end.

Other debtors are further analyzed as follows:

	2009 US$m	2008 US$m
Prepayments	**64.0**	55.6
Rental and other deposits	**106.7**	105.1
Derivative financial instruments	**–**	3.7
Loans to employees	**0.2**	0.2
Other amounts due from associates and joint ventures	**–**	0.2
Other	**46.5**	29.6
	217.4	194.4

Movements on the provision for impairment are as follows:

	Trade debtors		Other debtors	
	2009 US$m	2008 US$m	**2009 US$m**	2008 US$m
At 1st January	**(0.6)**	(1.0)	**(0.2)**	(0.1)
Additional provisions	**(0.1)**	(0.1)	**(0.2)**	(0.1)
Unused amounts reversed	**0.1**	0.2	**0.2**	–
Amounts written off	**–**	0.3	**–**	–
At 31st December	**(0.6)**	(0.6)	**(0.2)**	(0.2)

There were no debtors pledged as security for borrowings as at 31st December 2009 and 2008.

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
2009					
At 1st January	(23.1)	(6.9)	5.5	5.9	(18.6)
Exchange differences	(0.9)	(0.6)	0.8	1.0	0.3
(Charged)/credited to consolidated profit and loss	(3.9)	0.2	0.3	(0.1)	(3.5)
Credited/(charged) to other comprenhensive income	–	0.5	(3.2)	–	(2.7)
At 31st December	**(27.9)**	**(6.8)**	**3.4**	**6.8**	**(24.5)**
Deferred tax assets	0.7	1.3	8.1	9.0	19.1
Deferred tax liabilities	(28.6)	(8.1)	(4.7)	(2.2)	(43.6)
	(27.9)	**(6.8)**	**3.4**	**6.8**	**(24.5)**
2008					
At 1st January	(19.5)	(7.9)	(6.3)	4.4	(29.3)
Exchange differences	0.7	0.6	(1.0)	(0.9)	(0.6)
(Charged)/credited to consolidated profit and loss	(4.3)	–	1.3	2.4	(0.6)
Credited to other comprehensive income	–	0.4	11.5	–	11.9
At 31st December	(23.1)	(6.9)	5.5	5.9	(18.6)
Deferred tax assets	0.9	1.5	6.9	8.7	18.0
Deferred tax liabilities	(24.0)	(8.4)	(1.4)	(2.8)	(36.6)
	(23.1)	(6.9)	5.5	5.9	(18.6)

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$14.2 million (2008: US$12.7 million) arising from unused tax losses of US$60.3 million (2008: US$48.8 million) have not been recognized in the financial statements. Included in the unused tax losses, US$7.7 million have no expiry date and the balance will expire at various dates up to and including 2018.

17. PENSION PLANS

The Group has defined benefit pension plans relating to employees in Hong Kong, Indonesia and Taiwan. These plans are final salary defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

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

	2009 Weighted average %	2008 Weighted average %
Discount rate applied to pension obligations	**5.5**	6.4
Expected return on plan assets	**7.4**	7.4
Future salary increases	**5.1**	5.3

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 3.8% to 11.3% per annum and global bonds of 2.8% to 4.4% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

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

	2009 US$m	2008 US$m
Fair value of plan assets	**154.6**	122.7
Present value of funded obligations	**(129.9)**	(114.0)
	24.7	8.7
Present value of unfunded obligations	**(30.7)**	(26.5)
Unrecognized past service cost	**(0.3)**	(0.4)
Net pension liabilities	**(6.3)**	(18.2)
Analysis of net pension liabilities:		
Pension assets	**24.8**	8.8
Pension liabilities	**(31.1)**	(27.0)
	(6.3)	(18.2)
Movements in the fair value of plan assets:		
At 1st January	**122.7**	184.2
Exchange differences	**(0.1)**	1.1
Expected return on plan assets	**8.8**	13.3
Actuarial gains/(losses)	**20.7**	(69.9)
Contributions from sponsoring companies	**8.7**	0.5
Benefits paid – funded obligations	**(6.2)**	(6.6)
Transfer from other plans	**–**	0.1
At 31st December	**154.6**	122.7
Movements in the present value of obligations:		
At 1st January	**140.5**	136.7
Exchange differences	**3.1**	(1.9)
Current service cost	**11.1**	11.4
Interest cost	**8.6**	7.2
Past service cost	**–**	(0.3)
Actuarial losses/(gains)	**4.2**	(5.3)
Benefits paid – funded obligations	**(6.2)**	(6.6)
– unfunded obligations	**(0.7)**	(0.8)
Transfer from other plans	**–**	0.1
At 31st December	**160.6**	140.5

17. PENSION PLANS (continued)

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

	2009 US$m	2008 US$m
Equity instruments	**84.6**	69.2
Debt instruments	**46.2**	32.7
Other assets	**23.8**	20.8
	154.6	122.7

The five year history of experience adjustments is as follows:

	2009 US$m	2008 US$m	2007 US$m	2006 US$m	2005 US$m
Fair value of plan assets	**154.6**	122.7	184.2	166.5	144.9
Present value of obligations	**(160.6)**	(140.5)	(136.7)	(126.3)	(110.5)
(Deficit)/surplus	**(6.0)**	(17.8)	47.5	40.2	34.4
Experience adjustments on plan assets	**20.7**	(69.9)	12.4	16.4	4.9
Percentage of plan assets (%)	**13**	(57)	7	10	3
Experience adjustments on plan obligations	**3.5**	(3.9)	(2.3)	(3.4)	–
Percentage of plan obligations (%)	**(2)**	3	2	3	–

The estimated amount of contributions expected to be paid to the plans in 2010 is US$6.9 million.

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

	2009 US$m	2008 US$m
Current service cost	**11.1**	11.4
Interest cost	**8.6**	7.2
Expected return on plan assets	**(8.8)**	(13.3)
Past service cost	**–**	0.9
	10.9	6.2
Actual return/(loss) on plan assets in the year	**29.5**	(56.6)

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

18. BANK BALANCES AND OTHER LIQUID FUNDS

	2009 US$m	2008 US$m
Deposits with banks	**442.6**	380.5
Bank balances	**26.2**	20.1
Cash balances	**64.0**	62.3
	532.8	462.9
Geographical analysis:		
North Asia	**471.7**	414.5
East Asia	**20.0**	26.2
South Asia	**41.1**	22.2
	532.8	462.9

The weighted average interest rate on deposits with banks is 0.4% (2008: 1.8%) per annum.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets classified as held for sale are set out below:

	2009 US$m	2008 US$m
Intangible assets - land use rights	**47.6**	15.1
Tangible assets	**57.6**	50.1
Total assets	**105.2**	65.2

At 31st December 2008, the non-current assets classified as held for sale represented two retail properties in Malaysia.

Another retail property in Malaysia was classified as held for sale during the first half of 2009. This property, together with one of the properties previously held for sale at the end of 2008, were sold for total cash proceeds of US$47.0 million (note 29(g)) during the year. The newly completed dry goods distribution centre in Sepang, Malaysia was classified as held for sale in December 2009.

At 31st December 2009, the balance represented a retail property and the Sepang distribution centre, both in Malaysia, which are expected to be sold in 2010.

20. CREDITORS

	2009 US$m	2008 US$m
Trade creditors	**1,110.9**	1,083.2
Accruals	**478.9**	445.3
Rental and other refundable deposits	**15.7**	14.1
Derivative financial instruments	**6.8**	8.0
Other creditors	**7.5**	5.7
Financial liabilities	**1,619.8**	1,556.3
Rental income received in advance	**1.4**	0.9
Other income received in advance	**1.2**	1.4
	1,622.4	1,558.6
Non-current	**16.9**	20.7
Current	**1,605.5**	1,537.9
	1,622.4	1,558.6
Geographical analysis:		
North Asia	**839.5**	821.4
East Asia	**462.2**	433.4
South Asia	**320.7**	303.8
	1,622.4	1,558.6

The remaining contractual maturities of financial liabilities other than derivative financial instruments included in creditors are analyzed as follows:

	2009 US$m	2008 US$m
Within one year	**1,600.8**	1,535.5
Between one and two years	**9.2**	8.1
Between two and three years	**0.4**	0.4
Beyond five years	**2.6**	4.3
	1,613.0	1,548.3

Derivative financial instruments are stated at fair values, which are calculated by reference to quoted prices in active markets. Other creditors are stated at amortized cost. The fair values of these creditors approximate their carrying amounts.

21. BORROWINGS

	2009 US$m	2008 US$m
Current		
– Bank overdrafts	**12.0**	9.7
– Other bank advances	**121.8**	52.9
	133.8	62.6
Long-term bank borrowings	**365.4**	404.5
	499.2	467.1

The Group's borrowings are further summarized as follows:

		Fixed rate borrowings			
Currency	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2009					
Brunei Dollar	*2.0*	–	–	4.4	4.4
Chinese Renminbi	*5.3*	–	–	28.4	28.4
Hong Kong Dollar	*4.1*	*0.8*	77.4	–	77.4
Indonesian Rupiah	*9.8*	–	–	42.2	42.2
Malaysian Ringgit	*4.4*	*1.4*	160.7	105.4	266.1
New Taiwan Dollar	*2.4*	*1.7*	39.5	21.4	60.9
Singapore Dollar	*2.4*	*2.8*	10.7	9.1	19.8
			288.3	**210.9**	**499.2**
2008					
Brunei Dollar	*3.0*	–	–	1.8	1.8
Chinese Renminbi	*7.1*	–	–	15.1	15.1
Hong Kong Dollar	*3.3*	*1.8*	77.4	28.9	106.3
Malaysian Ringgit	*4.7*	*2.2*	129.5	131.4	260.9
New Taiwan Dollar	*2.9*	*1.2*	39.1	24.6	63.7
Singapore Dollar	*3.4*	*2.6*	17.4	1.9	19.3
			263.4	203.7	467.1

The remaining contractual maturities of the borrowings, including related interest payments, are analyzed below. The interest payments are computed using contractual rates and, in the case of floating rate borrowings, based on market rates at the balance sheet date before taking into account hedging transactions. Cash flows denominated in currencies other than United States dollars are converted into United States dollars at the rates of exchange ruling at the balance sheet date.

	2009	2008
Within one year	**147.8**	65.7
Between one and two years	**57.8**	156.4
Between two and three years	**108.9**	49.0
Between three and four years	**163.8**	18.5
Between four and five years	**46.0**	159.0
Beyond five years	**16.5**	65.9
	540.8	514.5

All borrowings are unsecured.

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

The fair value of borrowings is not materially different from their carrying values.

22. PROVISIONS

	Closure cost provisions US$m	Obligations under onerous leases US$m	Reinstatement and restoration costs US$m	Total US$m
2009				
At 1st January	0.5	0.3	18.2	19.0
Exchange differences	–	–	0.4	0.4
Additional provisions	1.0	–	2.2	3.2
Unused amounts reversed	(0.2)	–	–	(0.2)
Utilized	(0.2)	(0.2)	(0.2)	(0.6)
At 31st December	**1.1**	**0.1**	**20.6**	**21.8**
Non-current	–	–	18.6	18.6
Current	1.1	0.1	2.0	3.2
	1.1	**0.1**	**20.6**	**21.8**
2008				
At 1st January	1.5	1.0	16.6	19.1
Exchange differences	(0.1)	–	(0.5)	(0.6)
Additional provisions	0.7	–	2.3	3.0
Unused amounts reversed	(0.6)	–	(0.2)	(0.8)
Utilized	(1.0)	(0.7)	–	(1.7)
At 31st December	0.5	0.3	18.2	19.0
Non-current	–	0.2	16.8	17.0
Current	0.5	0.1	1.4	2.0
	0.5	0.3	18.2	19.0

	2009 US$m	2008 US$m
Geographical analysis:		
North Asia	**5.8**	4.9
East Asia	**11.3**	9.5
South Asia	**4.7**	4.6
	21.8	19.0

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

Provisions are made for obligations under onerous operating leases when the properties are not used by the Group and the net costs of exiting from the leases exceed the economic benefits expected to be received.

23. SHARE CAPITAL

	2009 US$m	2008 US$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 2009	Ordinary shares in millions 2008	2009 US$m	2008 US$m
Issued and fully paid:				
Ordinary shares of US¢5 5/9 each				
At 1st January	**1,347.0**	1,347.0	**74.8**	74.8
Issued under employee share option schemes	**0.7**	–	**0.1**	–
At 31st December	**1,347.7**	1,347.0	**74.9**	74.8
Outstanding under employee share option schemes	**(0.4)**	(0.4)	**–**	–
	1,347.3	1,346.6	**74.9**	74.8

24. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES

The Senior Executive Share Incentive Schemes were set up in order to provide selected executives with options to purchase ordinary shares in the Company.

The exercise price of the granted options is based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested in tranches over a period of up to five years and exercisable for up to ten years following the date of grant. Prior to the adoption of the 2005 Plan on 4th May 2005, ordinary shares were issued on the date of grant of the options to the Trustee of the Schemes, The Verandah Company (PTC) Limited, a wholly-owned subsidiary, which holds the ordinary shares until the options are exercised. Under the 2005 Plan, ordinary shares may be issued upon exercise of the options.

The shares issued under the Schemes held on trust by the wholly-owned subsidiary are, for presentation purposes, netted off the Company's share capital in the consolidated balance sheet *(note 23)* and the premium attached to them is netted off the share premium account *(note 25)*.

Movements for the year:

	2009		2008	
	Weighted average exercise price US$	**Options in millions**	Weighted average exercise price US$	Options in millions
At 1st January	**3.6072**	**5.2**	2.9706	4.4
Granted	**4.4640**	**1.2**	4.6280	1.3
Exercised	**3.4199**	**(0.7)**	0.8077	(0.5)
Lapsed	**4.5162**	**(0.4)**	–	–
At 31st December	**3.7552**	**5.3**	3.6072	5.2

The average share price during the year was US$5.44 (2008: US$4.72) per share.

24. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES (continued)

Outstanding at 31st December:

	Exercise price	Options in millions	
Expiry date	US$	**2009**	2008
2011	0.0600	**0.1**	0.1
2015	2.4954	**0.3**	0.3
2016	3.2497	**1.3**	1.8
2017	3.5569	**1.7**	1.7
2018	4.6280	**1.0**	1.3
2019	4.4640	**0.9**	–
Total outstanding		**5.3**	5.2
of which exercisable		**1.5**	0.1

The fair value of options granted during the year, determined using the trinomial valuation model, was US$1.4 million (2008: US$1.4 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US$4.53 (2008: US$4.74) at the grant dates, exercise price shown above, expected volatility based on the last seven years of 28.9% (2008: 21.5%), dividend yield of 3.1% (2008: 2.4%), option life disclosed above, and annual risk-free interest rate of 2.9% (2008: 3.5%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

25. SHARE PREMIUM AND CAPITAL RESERVES

	Share premium US$m	Capital reserves US$m	Total US$m
2009			
At 1st January	8.1	25.2	33.3
Employee share option schemes			
– value of employee services	–	1.5	1.5
– shares issued	2.5	–	2.5
At 31st December	10.6	26.7	37.3
Outstanding under employee share option schemes	(0.7)	–	(0.7)
	9.9	**26.7**	**36.6**
2008			
At 1st January	8.1	23.3	31.4
Employee share option schemes			
– value of employee services	–	1.9	1.9
At 31st December	8.1	25.2	33.3
Outstanding under employee share option schemes	(0.7)	-	(0.7)
	7.4	25.2	32.6

Capital reserves comprise contributed surplus of US$20.1 million (2008: US$20.1 million) and capital reserves of US$6.6 million (2008: US$5.1 million), which represent the value of services under the Company's Senior Executive Share Incentive Schemes. The contributed surplus principally arose from the conversion of convertible preference shares in 1989 and, under the Bye-laws of the Company, is distributable.

26. DIVIDENDS

	2009 US$m	2008 US$m
Final dividend in respect of 2008 of US¢10.00 (2007: US¢8.50) per share	**134.7**	114.4
Interim dividend in respect of 2009 of US¢4.50 (2008: US¢4.00) per share	**60.6**	53.9
	195.3	168.3

A final dividend in respect of 2009 of US¢11.50 (2008: US¢10.00) per share amounting to a total of US$154.9 million (2008: US$134.7 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 2010.

27. MINORITY INTERESTS

	2009 US$m	2008 US$m
Geographical analysis:		
North Asia	**(3.6)**	(1.4)
East Asia	**5.8**	4.0
	2.2	2.6

28. GEOGRAPHICAL ANALYSIS OF NON-CURRENT ASSETS

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

	2009 US$m	2008 US$m
North Asia	**508.0**	466.1
East Asia	**452.7**	390.9
South Asia	**214.1**	212.8
At 31st December	**1,174.8**	1,069.8

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	2009 US$m	2008 US$m
(a) Depreciation and amortization		
Geographical analysis:		
North Asia	**67.3**	66.9
East Asia	**50.7**	47.1
South Asia	**25.4**	22.4
	143.4	136.4
(b) Other non-cash items		
By nature:		
Gain on sale of associates and joint ventures	**–**	(14.2)
Gain on sale of other investments	**–**	(0.9)
Impairment of tangible assets	**4.3**	2.8
Loss on sale of tangible assets	**3.4**	5.5
Impairment of other intangible assets	**–**	2.5
Other	**1.5**	1.8
	9.2	(2.5)
Geographical analysis:		
North Asia	**4.2**	(7.8)
East Asia	**0.3**	3.4
South Asia	**4.7**	1.9
	9.2	(2.5)
(c) (Increase)/decrease in working capital		
Increase in stocks	**(41.9)**	(120.4)
Increase in debtors and prepayments	**(21.7)**	(23.9)
Increase in creditors and accruals	**35.4**	181.2
	(28.2)	36.9

(d) Purchase of subsidiaries

In April 2008, the Group paid US$42.0 million in cash under a put option agreement to settle an acquisition of 25.2% interests in PT Hero Supermarket from minority shareholders.

	2008 Fair value US$m
(e) Store acquisitions	
Tangible assets	0.2
Current assets	0.8
Fair value of operating assets acquired	1.0
Goodwill	1.6
Total consideration	2.6

In 2008, Giant TMC (B), a wholly-owned subsidiary, acquired the store operating assets of seven Guardian stores in Brunei for a total cash consideration of US$2.6 million.

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(f) Purchase of land use rights

Purchase of land use rights in 2009 represented leasehold land for hypermarket developments in Malaysia and Indonesia. Purchase of land use rights in 2008 related to a distribution centre in Malaysia.

(g) Sale of properties

During the year, the Group disposed of two retail properties in Malaysia classified as non-current assets held for sale at carrying value for a cash consideration of US$47.0 million.

(h) Sale of associates and joint ventures

In February 2008, the Group completed the sale of its 50% shareholding in CJ Olive Young to its partner, CJ Corp, for a cash consideration of US$20.5 million.

	2009 US$m	2008 US$m
(i) Analysis of balances of cash and cash equivalents		
Bank balances and other liquid funds (note 18)	**532.8**	462.9
Bank overdrafts (note 21)	**(12.0)**	(9.7)
	520.8	453.2

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2009		2008	
	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				
– interest rate swaps	**–**	**5.8**	–	8.0
– forward foreign exchange contracts	**–**	**1.0**	3.7	–
	–	**6.8**	3.7	8.0

30. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The remaining contractual maturities of derivative financial instruments, based on their undiscounted cash outflows, are analyzed as follows:

	Within one year US$m	Between one and two years US$m	Between two and five years US$m
2009			
Net settled			
– Interest rate swaps	4.4	1.3	0.2
– forward foreign exchange contracts	0.2	–	–
Gross settled			
– forward foreign exchange contracts	48.6	–	–
	53.2	**1.3**	**0.2**
2008			
Net settled			
– Interest rate swaps	3.3	3.3	1.6
– forward foreign exchange contracts	3.7	–	–
Gross settled			
– forward foreign exchange contracts	24.0	–	–
	31.0	3.3	1.6

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2009 were US$56.1 million (2008: US$52.9 million). Forward foreign exchange contracts relate to hedges of firm and anticipated commitments mature at various dates in the following year.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2009 were US$288.3 million (2008: US$263.4 million). At 31st December 2009, the fixed interest rates relating to interest rate swaps vary from 1.1% to 4.8% (2008: 1.9% to 4.8%) per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.3% to 3.3% (2008: 0.2% to 3.3%) per annum.

31. COMMITMENTS

	2009 US$m	2008 US$m
Capital commitments		
Authorized not contracted	**270.2**	147.6
Contracted not provided	**13.2**	64.7
	283.4	212.3
Operating lease commitments		
Total commitments under operating leases		
Due within one year	**507.9**	444.8
Due between one and two years	**357.8**	322.2
Due between two and three years	**214.5**	185.9
Due between three and four years	**134.2**	107.4
Due between four and five years	**112.0**	78.2
Due beyond five years	**679.4**	523.3
	2,005.8	1,661.8

Total future sublease payments receivable relating to the above operating leases amounted to US$31.3 million (2008: US$31.4 million).

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

32. 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.

33. RELATED PARTY TRANSACTIONS

The parent company of the Group is Jardine Strategic Holdings Limited ('JSH') 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$1.8 million (2008: US$1.7 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 2009 (2008: US$0.5 million) to JML.

The Group rents properties from Hongkong Land Holdings Limited ('Hongkong Land'), which became a subsidiary of JSH on 30th June 2009. The gross annual rentals paid by the Group to Hongkong Land in 2009 were US$8.5 million (2008: US$5.0 million).

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 2009 were US$1.3 million (2008: US$1.3 million).

Amounts of outstanding balances with group companies of JMH are included in debtors and creditors, as appropriate.

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 58 under the heading of Appointments, Retirement, Remuneration and Service Contracts.

Balances with group companies of JMH as at 31st December 2009 and 2008 are immaterial, unsecured, and have no fixed terms of repayment.

34. SUMMARIZED BALANCE SHEET OF THE COMPANY

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

	2009 US$m	2008 US$m
Subsidiaries, at cost less provision	**1,246.1**	1,152.6
Current liabilities	**(0.9)**	(0.8)
Net operating assets	**1,245.2**	1,151.8
Share capital (note 23)	**74.9**	74.8
Share premium and capital reserves (note 25)	**37.3**	33.3
Revenue and other reserves	**1,133.0**	1,043.7
Shareholders' funds	**1,245.2**	1,151.8

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

A list of principal subsidiaries, associates and joint ventures at 31st December 2009 is presented below.

Company name	Country of incorporation	Particulars of issued capital			Attributable interests (%) 2009	2008	Nature of business
Dairy Farm Management Limited**	Bermuda	HKD	100,000	Ordinary	**100**	100	Holding company
		USD	100	Ordinary			
Dairy Farm Management Services Limited**	Bermuda	USD	12,000	Ordinary	**100**	100	Group management
DFI Treasury Limited**	British Virgin Islands	USD	1	Ordinary	**100**	100	Treasury company
NORTH ASIA							
Guangdong Sai Yi Convenience Stores Limited	Mainland China	HKD	50,000,000	Ordinary	**65**	65	Convenience stores
Mannings Guangdong Retail Company Limited	Mainland China	HKD	37,500,000	Ordinary	**100**	100	Health and beauty stores
Maxim's Caterers Limited*	Hong Kong	HKD	60,000,000	Ordinary	**50**	50	Restaurants
The Dairy Farm Company, Limited	Hong Kong	HKD	60,000,000	Ordinary	**100**	100	Investment holding, supermarkets, health and beauty, convenience and home furnishings stores
Wellcome Company Limited	Hong Kong	HKD	255,000	Ordinary	**100**	100	Property and food processing
Wellcome Taiwan Company Limited	Taiwan	TWD	850,000,000	Ordinary	**100**	100	Supermarkets
DFI Home Furnishings Taiwan Limited	Taiwan	TWD	171,000,000	Ordinary	**100**	100	Home furnishings stores
EAST ASIA							
GCH Retail (Malaysia) Sdn Bhd	Malaysia	MYR	491,300,000	Ordinary	**100**	100	Supermarkets, hypermarkets and pharmacies
		MYR	1,640	Redeemable Preference			
PT Hero Supermarket Tbk	Indonesia	IDR	164,710,000,000	Ordinary	**94**	94	Supermarkets, hypermarkets, health and beauty and convenience stores
Giant South Asia (Vietnam) Limited	Vietnam	VND	24,013,500,000	Ordinary	**100**	100	Supermarkets
Giant TMC (B) Sdn Bhd	Brunei	BND	500,002	Ordinary	**100**	100	Hypermarkets and health and beauty stores
		BND	45,000	Redeemable Preference			
SOUTH ASIA							
Cold Storage Singapore (1983) Pte Limited	Singapore	SGD	25,685,000	Ordinary	**100**	100	Supermarkets, hypermarkets, health and beauty and convenience stores
Shop N Save Pte Limited	Singapore	SGD	19,400,000	Ordinary	**100**	100	Supermarkets
Foodworld Supermarkets Private Limited*	India	INR	1,660,613,240	Ordinary	**49**	49	Supermarkets
Health and Glow Retailing Private Limited*	India	INR	510,000,000	Ordinary	**50**	50	Health and beauty stores

* *Associates or joint ventures. All other companies are subsidiaries.*

** *Owned directly.*

Independent Auditor's Report

To the members of Dairy Farm International Holdings Limited

We have audited the accompanying consolidated financial statements of Dairy Farm International Holdings Limited and its subsidiaries (the 'Group') which comprise the consolidated balance sheet as of 31st December 2009 and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31st December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not, in giving this opinion, 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.

PricewaterhouseCoopers LLP

Chartered Accountants

London

United Kingdom

4th March 2010

Five Year Summary

	2009 US$m	2008 US$m	2007 US$m	2006 US$m	2005 US$m
Profit and Loss					
Sales	**7,028.5**	6,732.5	5,887.2	5,175.0	4,749.4
Sales including associates	**8,052.6**	7,741.6	6,845.3	6,042.3	5,565.5
Underlying profit attributable to shareholders	**364.0**	320.1	258.2	210.8	190.4
Profit attributable to shareholders	**364.0**	333.0	258.2	210.8	205.3
Underlying earnings per share (US¢)	**27.02**	23.77	19.19	15.70	14.23
Basic earnings per share (US¢)	**27.02**	24.73	19.19	15.70	15.34
Dividends per share (US¢)	**16.00**	14.00	11.50	9.40	8.50
Special dividend per share (US¢)	**–**	–	16.00	–	–
Balance Sheet					
Total assets	**2,824.1**	2,506.8	2,302.7	2,126.6	1,832.6
Total liabilities	**(2,281.1)**	(2,173.3)	(2,061.6)	(1,798.3)	(1,589.5)
Net operating assets	**543.0**	333.5	241.1	328.3	243.1
Shareholders' funds	**540.8**	330.9	238.1	324.0	224.1
Minority interests	**2.2**	2.6	3.0	4.3	19.0
Total equity	**543.0**	333.5	241.1	328.3	243.1
Net cash/(debt)	**33.6**	(4.2)	(83.2)	20.0	1.1
Net asset value per share (US¢)	**40.14**	24.57	17.69	24.09	16.71
Cash Flow					
Cash flows from operating activities	**481.3**	523.2	473.5	312.2	352.3
Cash flows from investing activities	**(244.2)**	(285.9)	(217.3)	(167.8)	(18.0)
Cash flows before financing activities	**237.1**	237.3	256.2	144.4	334.3
Cash flow per share from operating activities (US¢)	**35.73**	38.86	35.20	23.25	26.33

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 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 Services Authority of the United Kingdom.

For and on behalf of the Board

Michael Kok
Howard Mowlem
Directors

4th March 2010

Corporate Governance

The Group's corporate governance relies on a combination of shareholder, board and management supervision and strict compliance, internal audit and risk control procedures, within the context of the various international regulatory regimes to which the Group is subject.

Dairy Farm International Holdings Limited is incorporated in Bermuda. The Group's retailing interests are entirely in Asia. The Company has its primary share listing on the London Stock Exchange and secondary listings in Bermuda and Singapore. With effect from 6th April 2010, the Company's share listing in London will be included within the new Premium listing segment. The primary corporate governance regime applicable to the Company arises under the laws of Bermuda, including under certain specific statutory provisions that apply to the Company alone. The Company has fully complied with that governance regime. This Report outlines the significant ways in which the Company's corporate governance practices differ from those set out in the Combined Code ('Code'), which was originally introduced in relation to United Kingdom incorporated companies listed on the London Stock Exchange.

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 Holdings Limited ('Jardine Matheson') to be, or to appoint, the Managing Director of the Company. The managing director of Jardine Matheson has been so appointed. Reflecting this, and the 78% interest of the Jardine Matheson group 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 and the group finance director, the group strategy director and the group general counsel of Jardine Matheson.

THE BOARD

The Company currently has a Board of 14 directors: the Group Chief Executive and Group Finance Director; seven executives of Jardine Matheson; and five non-executive Directors. Their names and brief biographies appear on page 12 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 composition and operation of the Board reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as described in this Report. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. The Company has not designated a 'senior independent director' as set out in the Code, nor does it have nomination or remuneration committees or a formal Board evaluation process. Decisions on nomination and remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate. The four executives of Jardine Matheson on the board of DFMS, being A J L Nightingale, Mark Greenberg, James Riley and Giles White, also form the DFMS audit committee that has responsibility for the Group.

Among the matters which the Board of the Company decides are the Group's business strategy, its annual budget, dividends and major corporate activities. Responsibility for implementing 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. In addition, as part of the Company's tiered approach to oversight and management, certain Directors of the Company based outside Asia make regular visits to Asia and Bermuda, where they participate in five annual strategic reviews, four of which normally precede the full 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 by the Board.

The Board is scheduled to hold four meetings in 2010, and ad hoc procedures are adopted to deal with urgent matters. Two meetings each year are held in Bermuda and two in Asia. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of DFMS. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

APPOINTMENTS, RETIREMENT, REMUNERATION AND SERVICE CONTRACTS

Candidates for appointment as executive Directors of the Company, or as executive directors of DFMS or senior executives elsewhere in the Group may be sourced internally, from the Jardine Matheson group or externally using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise, combining international best practice with experience of and an affinity with Asian markets.

Each new Director is appointed by the Board and, in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 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 pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

Giles White was appointed as a Director of the Company with effect from 1st July 2009. In accordance with Bye-law 85, Ronald J Floto, George J Ho and Michael Kok retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Giles White will also retire, and, being eligible, offers himself for re-election. Michael Kok has a service contract with DFMS that has a notice period of 12 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, including the Group Chief Executive and Group Finance Director, are required to be offered international terms. The nature of the remuneration packages is designed to reflect this, for example by the provision of accommodation.

Non-executive Directors' fees are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. For the year ended 31st December 2009, the Directors received from the Group US$6.2 million (2008: US$6.3 million) in Directors' fees and employee benefits, being US$0.5 million (2008: US$0.5 million) in Directors' fees, US$5.0 million (2008: US$4.9 million) in short-term employee benefits including salary, bonus, accommodation and deemed benefits in kind, US$0.2 million (2008: US$0.1 million) in post-employment benefits and US$0.5 million (2008: US$0.8 million) in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Senior executive share incentive schemes have also been established to provide longer-term incentives for executive Directors and senior managers. Share options are granted after consultation between the Chairman, the Managing Director and the Group Chief Executive and other Directors as they consider appropriate. Share options are granted at the then prevailing market prices and the scheme rules provide that they normally vest after the third anniversary of the date of grant. Grants may be made in a number of instalments. 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.

The Secretary of the Company, Charles Harry Wilken, sadly passed away unexpectedly on 24th January 2010. Dianne Edmunds, Assistant Secretary of the Company, is acting Secretary until a successor to the position of Company Secretary takes office.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required under the Bermuda Companies Act 1981 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 should 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.

CODE OF CONDUCT

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Jardine Matheson group Code of Conduct, a set of guidelines to which every employee must adhere. The code 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 prohibits the giving or receiving of illicit payments, and requires all employees to be treated fairly, impartially and with respect. It also 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 Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control. The system of internal control is 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.

The principal risks and uncertainties facing the Company are set out on page 61.

The Board has delegated to the audit committee of DFMS responsibility for reviewing the operation and effectiveness of the Group's system of internal control and the procedures by which this is monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The group chief executive and group finance director of DFMS, together with representatives of the internal and external auditors, attend the meetings of the audit committee by invitation.

Executive management is responsible for the implementation of the system 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 system. The internal audit function is outside the operating businesses and reports its findings, and recommendations for any corrective action required, to the audit committee of DFMS.

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 is also an important part of the Group's internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, is reinforced and monitored by an annual compliance certification process.

The audit committee of DFMS 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.

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 is undertaken by the audit committee of DFMS 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 of DFMS keeps under review the nature, scope and results of the external audit and the audits conducted by the internal audit department. The audit committee of DFMS also keeps under review the independence and objectivity of the external auditors.

DIRECTORS' SHARE INTERESTS

The Directors of the Company in office on 12th March 2010 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) as set out below in the ordinary share capital of the Company. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

DIRECTORS' SHARE INTERESTS (continued)

Simon Keswick	66,087
A J L Nightingale	34,183
Michael Kok	780,071
Ronald J Floto	1,244,000
George J Ho	489,405
Dr George C G Koo	100,329
R C Kwok	20,914
Howard Mowlem	505,338
Percy Weatherall	400,000

In addition, Michael Kok and Howard Mowlem held options in respect of 1,680,526 and 880,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.

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 and its subsidiary undertakings are directly and indirectly interested in 1,049,942,518 ordinary shares carrying 77.91% 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) Franklins Resources, Inc and its subsidiary undertakings are directly and indirectly interested in 98,438,369 ordinary shares carrying 7.30% 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 12th March 2010.

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

RELATIONS WITH SHAREHOLDERS

The Company holds meetings following the announcement of the annual and half-year results with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.dairyfarmgroup.com.

The 2010 Annual General Meeting will be held on 5th May 2010. 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.

SECURITIES PURCHASE ARRANGEMENTS

At the Annual General Meeting held on 6th May 2009, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

ARRANGEMENTS UNDER WHICH SHAREHOLDERS HAVE AGREED TO WAIVE DIVIDENDS

The Verandah Company (PTC) Limited has waived the interim dividend and has undertaken to waive the recommended final dividend for 2009 in respect of the ordinary shares in which it is interested as trustee of the Company's Senior Executive Share Incentive Schemes.

RELATED PARTY TRANSACTIONS

Details of transactions with related parties entered into by the Company during the course of the year are included in note 33 to the financial statements on page 52. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

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 59 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 and Transparency Rules issued by the Financial Services 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 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 are set out in the Financial Review on page 11 and note 2 to the Financial Statements on pages 26 to 28.

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 concession, franchise, 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.

Shareholder Information

FINANCIAL CALENDAR

2009 full-year results announced	4th March 2010
Share registers closed	22nd to 26th March 2010
Annual General Meeting to be held	5th May 2010
2009 final dividend payable	12th May 2010
2010 half-year results to be announced	29th July 2010*
Share registers to be closed	23rd to 27th August 2010*
2010 interim dividend payable	13th October 2010*

** Subject to change*

DIVIDENDS

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 2009 final dividend by notifying the United Kingdom transfer agent in writing by 23rd April 2010. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 28th April 2010. 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.

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
Capita Registrars (Jersey) Limited
12 Castle Street
St Helier, Jersey JE2 3RT
Channel Islands

Singapore Branch Registrar
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

United Kingdom Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
England

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

Retail Outlets Summary

	As at 31st December				
	2009	2008	2007	2006	2005
Hong Kong					
• Wellcome/MarketPlace/ThreeSixty/Oliver's supermarkets	**276**	264	256	248	247
• 7-Eleven convenience stores	**963**	899	828	747	665
• Mannings/GNC health and beauty stores	**309**	282	250	243	230
• IKEA home furnishings stores	**3**	3	3	3	4
• Maxim's					
Chinese restaurants	**60**	60	57	55	60
Fast food/catering services	**99**	98	101	95	95
Cake shops/bakeries	**210**	213	153	147	145
European restaurants/other	**29**	28	29	27	19
Starbucks†	**108**	110	98	72	60
Genki Sushi	**39**	36	32	23	–
Brunei					
• Giant hypermarket	**1**	1	–	–	–
• Guardian health and beauty stores	**18**	10	–	–	–
India					
• Foodworld supermarkets	**64**	67	74	55	46
• Health and Glow health and beauty stores	**64**	60	57	42	34
Indonesia					
• Hero/Giant supermarkets	**113**	108	105	99	95
• Giant hypermarkets	**35**	26	17	17	12
• Guardian health and beauty stores	**195**	180	155	134	101
• Starmart convenience stores	**124**	116	98	70	54
Macau					
• 7-Eleven convenience stores	**42**	35	30	24	16
• Mannings health and beauty stores	**10**	7	5	4	2
• Starbucks†	**4**	4	4	2	1
Mainland China					
• 7-Eleven convenience stores	**560**	506	440	284	241
• Mannings health and beauty stores	**120**	70	30	12	11
• Maxim's					
Cake shops	**44**	30	15	7	6
Starbucks†	**97**	87	67	35	20
Fast Food/other	**5**	5	4	4	5
Malaysia					
• Giant/Cold Storage supermarkets	**69**	65	60	58	49
• Giant hypermarkets	**51**	44	41	28	22
• Guardian health and beauty stores	**339**	323	288	228	171
Singapore					
• Cold Storage/MarketPlace/Shop N Save supermarkets	**95**	91	85	80	80
• Giant hypermarkets	**7**	7	6	8	7
• 7-Eleven convenience stores	**484**	435	415	345	315
• Guardian health and beauty stores	**128**	120	118	123	127
Taiwan					
• Wellcome/MarketPlace supermarkets	**299**	243	207	182	167
• IKEA home furnishings stores	**4**	4	4	4	2
Vietnam					
• Wellcome supermarkets	**3**	3	3	2	–
Total	**5,071**	4,640	4,135	3,507	3,109

Note: Includes associates and joint ventures.

† *Starbucks stores in Hong Kong, Macau, South and South West China are owned by joint venture companies established by Maxim's Caterers Limited (in Hong Kong and Macau)/Mei-Xin (International) Limited (in South and South West China) and Starbucks Coffee International, Inc.*

Management and Offices

MANAGEMENT

Michael Kok	*Group Chief Executive*
Howard Mowlem	*Group Finance Director*
Dato' John Coyle	*Regional Director, East Asia*
Caroline Mak	*Regional Director, North Asia/ Chief Executive Officer, China*
Jeff Shaw	*Regional Director, South Asia*

CORPORATE OFFICE

7/F Devon House, Taikoo Place
979 King's Road, Quarry Bay
Hong Kong
P O Box 286, GPO
Tel : (852) 2299 1888
Fax: (852) 2299 4888
Website: www.dairyfarmgroup.com

EAST ASIA

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
Dato' John Coyle

Indonesia
PT Hero Supermarket Tbk
Jl. Jend. Gatot Subroto
No. 177A
Kav. 64, 12870 Jakarta
Tel : (62 21) 8378 8388
Fax: (62 21) 831 7734
John Callaghan

Vietnam
Giant South Asia (Vietnam) Ltd
3/F GMA Building
307/6 Nguyen Van Troi Street
Ward 1, Tan Binh District
Ho Chi Minh City
Tel : (84 8) 3847 8988
Fax: (84 8) 3847 8333
Glyn Hughes

Brunei
Giant TMC (B) Sdn Bhd
Giant Hypermarket Taik Rimba
Lot 58865 Kampong Rimba
Mukim Gadong
Bandar Seri Begawan
BE 3119
Negara Brunei Darussalam
Tel : (673) 246 0820
Fax: (673) 246 0821
Latip Isnin

SOUTH ASIA

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

India
Foodworld Supermarkets Private Ltd*
Health and Glow Retailing Private Ltd*
740 Eswari Industrial Estate
Gate No. 2, Hulimavu
Bannerghatta Road
Bangalore 560076
Tel : (91 80) 3988 0707
Fax: (91 80) 3910 0611
Venkatesh Parthasarthy

NORTH ASIA

Hong Kong and Macau
The Dairy Farm Company, Ltd
5/F Devon House
Taikoo Place
979 King's Road
Quarry Bay
Tel : (852) 2299 3888
Fax: (852) 2299 2888
Caroline Mak

Maxim's Caterers Ltd*
3505 Gloucester Tower
The Landmark
Central
Tel : (852) 2523 4107
Fax: (852) 2845 0715
Michael Wu

Mainland China
Guangdong Sai Yi Convenience Stores Ltd
3/F Guangdong Mechanical Sub-Building
185 Yue Hua Road
Yue Xiu District
Guangzhou
Tel : (86 20) 8364 7118
Fax: (86 20) 8364 7436
Paul Sheldrake

Mannings
3/F Guangdong Mechanical Main-Building
185 Yue Hua Road
Yue Xiu District
Guangzhou
Tel : (86 20) 8318 1388
Fax: (86 20) 8318 2388
Jenny Lee

Taiwan
Wellcome Taiwan Company Ltd
2/F 175 Hua Ling Street
Shih Lin
Taipei
Tel : (886 2) 2883 9489
Fax: (886 2) 2881 7050
Howard Tsai

DFI Home Furnishings Taiwan Ltd
4/F No. 1 Jhong-Jheng Road
Sinjhuang City
Taipei County 24243
Tel : (886 2) 8069 9005
Fax: (886 2) 2276 0689
Martin Lindstrom

* *Associates or joint ventures*