Pioneers in Asian Retail

Annual Report 2016

Dairy Farm

Corporate Information

Directors

Ben Keswick
Chairman and Managing Director

Graham Allan
Group Chief Executive

Neil Galloway

Mark Greenberg

George J. Ho

Adam Keswick

Sir Henry Keswick

Simon Keswick

Michael Kok

Dr George C.G. Koo

Anthony Nightingale

Y.K. Pang

Jeremy Parr

Lord Sassoon, Kt

Percy Weatherall

John Witt

Company Secretary

Neil M. McNamara

Registered Office

Jardine House
33-35 Reid Street
Hamilton
Bermuda

Dairy Farm Management Services Limited

Directors

Ben Keswick
Chairman

Graham Allan
Group Chief Executive

Neil Galloway
Group Finance Director

Choo Peng Chee
Regional Director, North Asia (Food)

Pierre-Olivier Deplanck
Chief Executive Officer, Malaysia and Brunei (Food)

Stéphane Deutsch
President Director, PT Hero

Gordon Farquhar
Group Director, Health and Beauty

Mark Herbert
Chief Executive Officer, Singapore and Cambodia (Food)

Martin Lindström
Group Director, IKEA

Michael Wu
Chairman and Managing Director, Maxim's

Mark Greenberg

Y.K. Pang

Jeremy Parr

John Witt

Corporate Secretary

Neil M. McNamara

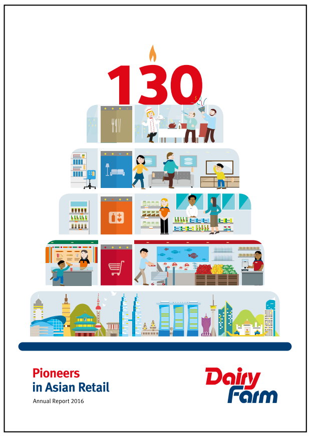
Jardines
A member of the Jardine Matheson Group

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

130 Years of Pioneering Asian Retail

This year marks the 130th anniversary of Dairy Farm, tracing our roots back to a dairy farm incorporated in Hong Kong by a Scottish surgeon, Sir Patrick Manson, and five prominent local businessmen in 1886.

Over the past 13 decades, Dairy Farm has grown to become a pioneer in Asian retail – operating supermarkets, hypermarkets, convenience stores, health and beauty stores and home furnishings stores under well-known brands. The Group also has a 50% interest in Maxim's, Hong Kong's leading restaurant chain. Today, Dairy Farm is one of the leading pan-Asian retail groups, with over 6,500 outlets and over 180,000 staff across the region.



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Dairy Farm At-a-Glance

11 Network spans across
Asian countries and territories

	Supermarkets and Hypermarkets	Convenience Stores	Health and Beauty	Home Furnishings	Restaurants
Hong Kong	✓	✓	✓	✓	✓
Macau	✓	✓	✓	✓	✓
Mainland China	✓	✓	✓		✓
Singapore	✓	✓	✓		
Indonesia	✓		✓	✓	
Malaysia	✓		✓		
Brunei	✓		✓		
Taiwan	✓			✓	
The Philippines	✓		✓		
Vietnam	✓		✓		✓
Cambodia	✓		✓		✓

Store Network^

6,548

outlets

Number of Net New Stores*^

114

stores

Number of Employees^

Over

180,000

people

Total Corporate Brands

Over

10,000

SKUs**

^ including associates and joint ventures.
* on a continuing operations basis.
** stock keeping units.

Vision, Mission and Guiding Principles

Vision

Pioneers in Asian Retail

The Way We Work: Our Guiding Principles

Consumers are Our Reason for Being

Our first priority is to delight our customers. We listen to consumers, understand their changing needs and aspirations and build our retail offer around insights that enrich their lives every single day.

Innovation Drives Our Growth

Retail is a business of constant innovation. Innovation involves risk and we embrace that with relish. We view disruptive change as a great opportunity. With equal enthusiasm for different channels, we constantly search for new ways to excite consumers and deliver greater value to our customers.

Teamwork Gives Us Our Competitive Edge

Our working culture is based around teamwork, engagement, openness and trust. We celebrate diversity across our teams and the unique contribution of each individual.

Sustainable Results Reinforce Everything We Do

We work with passion and urgency to deliver superior results. We value durable business performance and we invest to build the strongest possible foundations. By doing this, we create lasting value for shareholders and enhance the lives of our customers, colleagues, business partners and communities.

Our People Make Us Different

When it comes to retail skills, our people are the envy of the industry. We cultivate an organization where people learn and grow by creating a workplace that attracts great people, builds capability, promotes talent and inspires excellence.

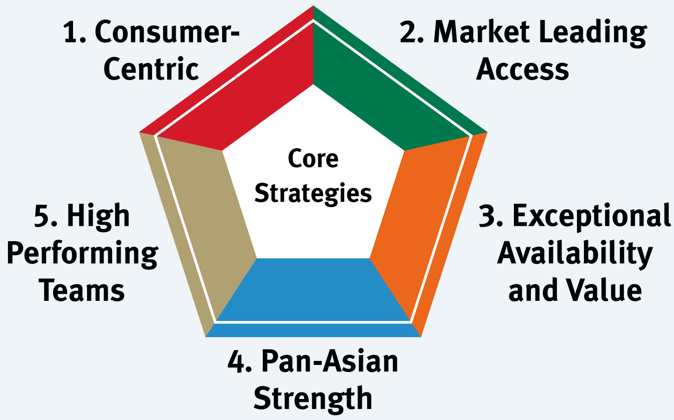
Integrity is at the Heart of the Way We Do Business

We accept responsibility for our actions and outcomes individually, as teams, and as an organization. We aspire to be trusted and respected in everything we do and by everyone with whom we engage.

Mission

Bringing to Asian Consumers the Benefits of Modern Retail

The Way We Grow: Our Strategic Priorities



1. Operate a consumer pull retail model across all formats
2. Provide convenient consumer access whether in stores or online
3. Underpinned by a modern, efficient supply chain which leverages central distribution
4. Sustain core markets and build presence in mainland China, Indonesia and the Philippines to deliver portfolio balance
5. Provide talented and empowered people with fun jobs that stimulate personal development

Highlights

Modest sales growth achieved in challenging markets

Underlying profit up
7%
at US$460 million

Total sales up
14%

Results	2016 US$m	2015 US$m	Change %
Sales			
– subsidiaries	**11,201**	11,137	1
– including associates and joint ventures†	**20,424**	17,907	14
EBITDA††	**672**	643	5
Underlying profit attributable to shareholders*	**460**	428	7
Profit attributable to shareholders	**469**	424	11
Net debt	**641**	482	33

	US¢	US¢	%
Underlying earnings per share*	**34.03**	31.66	7
Basic earnings per share	**34.69**	31.39	11
Dividends per share	**21.00**	20.00	5
Net asset value per share^	**111.32**	101.75	9

Store Network#	**2016**	2015	Net change
Food	**3,839**	3,696	+143
– Supermarkets	**1,137**	1,073	+64
– Hypermarkets	**471**	438	+33
– Convenience Stores	**2,231**	2,185	+46
Health and Beauty	**1,715**	1,815	-100
Home Furnishings	**9**	9	–
Restaurants	**985**	914	+71
	6,548	6,434	+114

† on a 100% basis.

†† EBITDA represents operating profit before depreciation and amortization.

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

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

on a 100% and continuing basis.

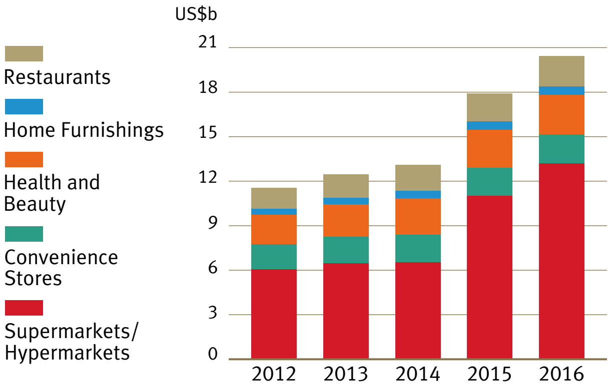
114

Net store increase

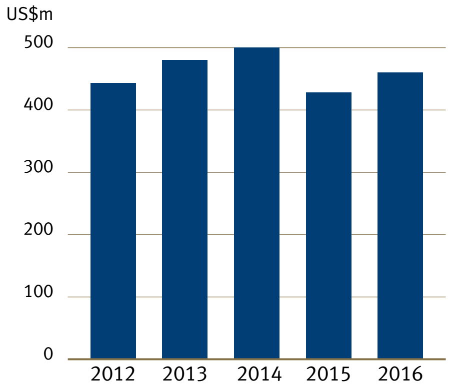
Food,
Home Furnishings and
Restaurants
deliver higher
profits

Additional
contribution
from
Yonghui Superstores

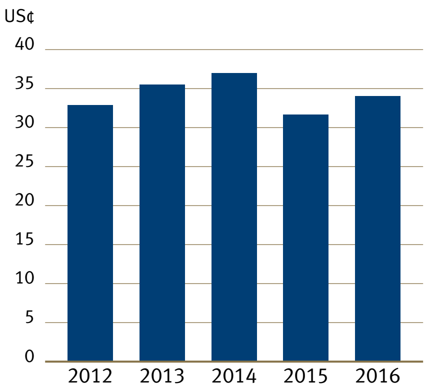
Total Sales



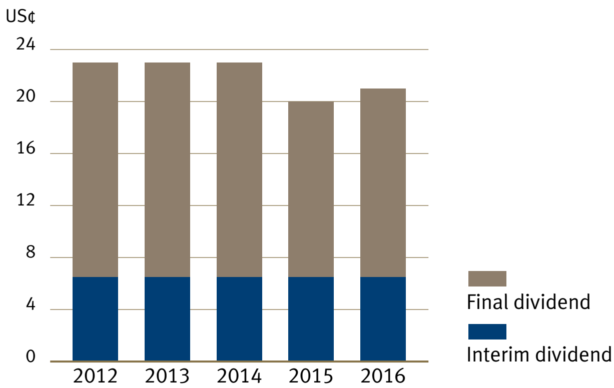
Underlying Profit Attributable to Shareholders



Underlying Earnings per Share



Ordinary Dividends per Share

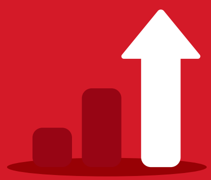


Our Business Divisions

Total Sales (US$)

15.2 billion

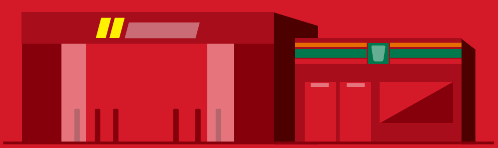
Operating Profit (US$)



267 million

Store Network

3,839 stores



Total sales and store network in Our Business Divisions include 100% of associates and joint ventures.

Food

Supermarkets and Hypermarkets

Convenience Stores

Dairy Farm is a leading operator of supermarkets, hypermarkets and convenience stores catering to all consumer segments across the region, recognized for our fresh produce offerings and wide variety of local and international brands.

With multiple formats and our broad presence in 11 markets across Asia, the quality of service, convenience, and accessibility that we offer our consumers is unmatched in the region.

Health and Beauty

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

Total Sales (US$)

2.6 billion

Operating Profit (US$)

175 million

Store Network

1,715 stores

Our Business Divisions

Total Sales (US$)

597 million

Operating Profit (US$)

71 million

Store Network

9 stores

Home Furnishings

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

Restaurants

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

Total Sales (US$)

2.0 billion

Share of Results (US$)

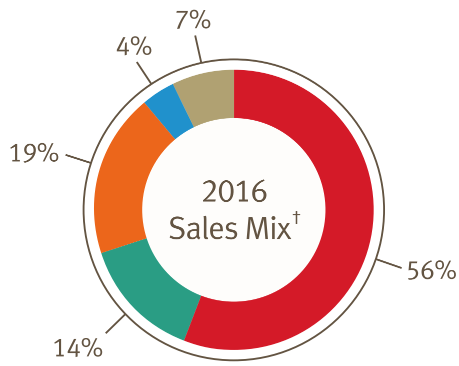
88 million

Store Network

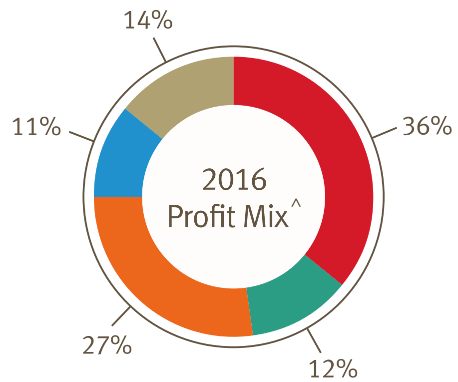
985 stores

Chairman's Statement

"The Group is transforming itself to compete aggressively in a changing retail landscape. Central to this are a strong focus on understanding changing consumer behaviour, growing market share, building digital engagement with customers and sharing know-how across the Group."



† including share of associates and joint ventures.



^ based on operating profit and share of results of associates and joint ventures, excluding support office costs and non-trading items.

Supermarkets/Hypermarkets
Convenience Stores
Health and Beauty
Home Furnishings
Restaurants

Overview

Dairy Farm achieved sound profit growth in 2016, its 130th anniversary year, despite soft consumer spending and intense pressure on pricing in most markets. Underlying net profit rose by 7% for the full year and by 11% in the second half compared with 2015. Improved operating margins in the Food Division and at IKEA, as well as strong contributions from Maxim's and Yonghui, underpinned the profit performance. The Group continued to make progress against its key strategic objectives and invested a further US$190 million in Yonghui Superstores to maintain its shareholding.

Operating performance

Sales for the year by the Group's subsidiaries of US$11.2 billion were 1% ahead of last year. Total sales, including 100% of associates and joint ventures, of US$20.4 billion were 14% higher than 2015, buoyed by stronger growth at Yonghui as well as an additional three months of contribution from Yonghui.

In the Food Division, sales were flat with the modest growth achieved in Hong Kong being offset by weaker sales in Southeast Asia, in part reflecting the Group's store rationalization programme. Operating profit in the Division improved, however, as the Group continued its initiatives to enhance gross margins and control costs.

In Health and Beauty, sales growth was achieved in difficult markets, but operating profit showed a modest decline principally due to lower gross margins and higher rents. In Home Furnishings, both sales and operating profit showed growth.

The operating margin gains together with increased contributions from Yonghui and Maxim's, partly offset by higher net financing charges, produced underlying profit attributable to shareholders up 7% at US$460 million and underlying earnings per share up 7% at US¢34.03.

The Group generated a net cash flow from operating activities of US$543 million, versus US$700 million in 2015. The reduction was due mainly to negative working capital movements from the timing of supplier payments and inventory accumulation for an earlier Chinese New Year in 2017. Net debt at the end of 2016 was US$641 million compared to US$482 million at the prior year end.

The Board recommends a final dividend of US¢14.50 per share, (up US¢1) for a total 2016 dividend of US¢21.00 per share, a 5% increase on the prior year.

Business developments

The Group is transforming itself to compete aggressively in a changing retail landscape. Central to this are a strong focus on understanding changing consumer behaviour, growing market share, building digital engagement with customers and sharing know-how across the Group. Investment is being sustained in supply chain, IT infrastructure and systems, and the skills and expertise of our people to support this transformation. Each business is committed to optimizing the shopping experience of its customers and to serving their evolving needs as efficiently as possible.

Increasing convenience through expansion and enhancement of the store network remains a high priority, although when necessary, underperforming stores will be closed. The Group's continuing operations, including associates and joint ventures, added a net 114 stores in 2016. At 31st December 2016, the Group had 6,548 stores in operation in 11 countries and territories, including its interest in 487 Yonghui stores in mainland China.

The Group accelerated its e-commerce presence in 2016 with a number of initiatives in its Home Furnishings, Food and Health and Beauty operations. Strategic initiatives on range enhancement also progressed in all formats, such as with increased fresh food penetration, higher Ready-to-Eat participation and a broader corporate brand range. The Group is increasingly leveraging its scale to provide a more extensive international range at more attractive prices, while the consumer offer is advancing through better in-store experiences and further investment in quality assurance.

Corporate developments

In March, the Group refinanced its short-term borrowings through new bank loan facilities totalling US$900 million. The new facilities were used in part to finance the US$190 million additional investment in Yonghui in August, which maintained the Group's 19.99% interest following a private placement by Yonghui of a 10% shareholding to JD.com.

In April, Maxim's completed the acquisition of the COVA patisserie and restaurant franchise in Hong Kong. Maxim's also opened its first The Cheesecake Factory restaurant in Shanghai Disney Town in June, and has launched a cakes and bakery joint venture in Thailand.

PT Hero completed the sale of its Starmart stores in Indonesia in September.

People

Dairy Farm's encouraging performance in 2016, in the face of challenging market conditions, reflects the resilience and resourcefulness of its people. On behalf of the Board, I would like to thank them for their efforts and wish them well for the year ahead.

James Riley stepped down as a Director on 31st March 2016, and was succeeded by John Witt on 1st April 2016. Y. K. Pang also joined the Board on 1st August 2016.

We were saddened by the death of Lord Leach in June 2016. He made a significant contribution to the Group and his wise counsel will be greatly missed.

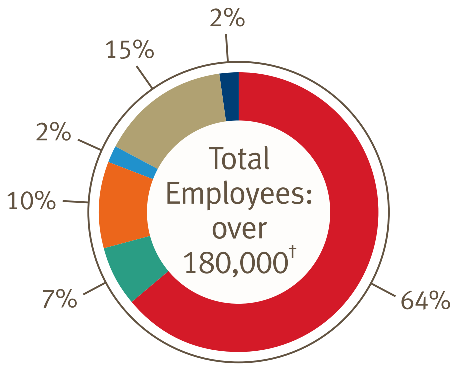
Prospects

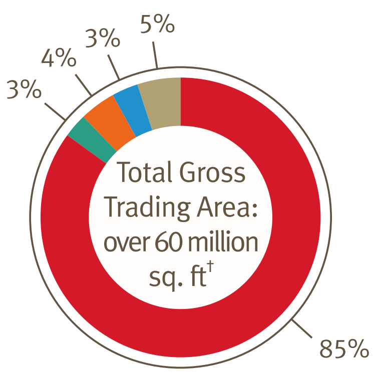
Despite the uncertain economic outlook for 2017, the Group continues to strengthen its businesses. Investments are being made to enhance its competitive position, increase customer convenience and adapt to emerging consumer trends. These investments, coupled with the exposure of its market-leading retail brands to Asia's growth markets, will support Dairy Farm's long-term success.

Ben Keswick
Chairman
2nd March 2017

Group Chief Executive's Review

> "With our proud, 130-year history of doing business in Asia, the depth of our Asian know-how and the breadth of our retail formats, we are uniquely placed to benefit from the growth prospects in the region."





† including 100% of associates and joint ventures.

In 2016, Dairy Farm celebrated its 130th anniversary. From its modest beginnings as a dairy farm in Pok Fu Lam, Hong Kong, in 1886, the Company has evolved into an expansive Asian retailer with 6,548 stores across 11 markets, five major formats, 20 retail brands and more than 180,000 employees.

While Hong Kong remains a key market for Dairy Farm, accounting for the largest proportion of revenue and operating profit, we now have a broad retail portfolio with exposure to many of the most exciting growth markets in Asia. Well established market positions have been built in Singapore, Malaysia and Indonesia, and more recently, investments have been made in China, the Philippines, Vietnam and Cambodia.

In 2016, Dairy Farm's businesses delivered encouraging results, while further investments were made to enhance our long-term competitive position in all our markets. These investments are helping us to adapt to current changes taking place in retail, where it is increasingly important to complement bricks and mortar stores with a digital presence. Shifts are also occurring in the balance between more local smaller stores and the more remote larger format offers. Interest in international product ranges is also higher than ever before. Dairy Farm is embracing these consumer trends and is making investments to strengthen our retail offer, to improve efficiency and to enrich the shopping experience of our customers.

2016 performance

Sales, excluding associates and joint ventures, of US$11.2 billion, were 1% ahead of the prior year in US dollar terms and 2% ahead in constant currency terms. Total sales, including 100% of associates and joint ventures, were US$20.4 billion, an increase of 14% in US dollar terms and 17% in constant currency terms. Underlying net profit rose by 7% to US$460 million, partly due to a 13 basis point net improvement in operating margins as well as increased contributions from Yonghui and Maxim's. Operating profit rose 6% and the Company generated net cash flow of US$543 million from its operating activities.

In our **Food Division**, sales were flat in US dollar terms, although up 1% in constant currency. In an environment of severe pressure on pricing, sales growth in Hong Kong supermarkets and in the convenience store businesses in Hong Kong, mainland China and Singapore helped to offset declines in the Group's supermarkets and hypermarkets in Singapore and Indonesia and largely flat sales elsewhere. The closure of a number of unprofitable stores in Singapore and Indonesia also weighed on sales performance. However, specific actions, including strategic store closures, prudent management of costs and more targeted promotional activity, delivered improved operating margins. Consequently, operating profit from the Division was up 13% to US$267 million, with the largest gains coming from Singapore and Indonesia.

Sales in our **Health and Beauty Division** were up by 3%, and 4% in constant currency. Gains in Hong Kong, mainland China, Singapore, Indonesia and the Philippines, offset disappointing sales in Malaysia. Operating profit, however, declined by 5% to US$175 million due mainly to lower gross margins and higher rents in Hong Kong, softer sales in Macau attributable to weakness in mainland visitor spending, and the combination of declining sales and rising costs in Malaysia. Encouraging progress in Mannings China and significant margin gains in Rose Pharmacy in the Philippines were very promising developments for the Division.

In our **Home Furnishings Division**, sales and operating profit were up by 5% and 11%, respectively. Sales and profit gains were strong in Taiwan and the performance in our single IKEA store in Indonesia was also very pleasing in its second full year of operation.

Dairy Farm's **Restaurants Division**, Maxim's, delivered another year of good results. A very successful mooncake programme during the Chinese Mid-Autumn Festival bolstered its sales and profit performance. Regional expansion continued with Starbucks in Vietnam and Cambodia, and Maxim's established a cakes and bakery joint venture in Thailand.

Our 19.99% owned associate, Yonghui Superstores, opened a net 105 new stores in China underpinning a 17% growth in revenue. Improvements in margins led to higher year-on-year profits.

Strategic progress

In 2016, significant progress was made in pursuit of the Group's strategic priorities, which are important to the long-term growth prospects of our businesses. Further investments will be made in the coming year to build on the progress to date.

Group Chief Executive's Review

Create a consumer-centric business model

Understanding our customers' needs, and delivering an in-store experience that meets them, is at the heart of our consumer-centric retail model.

We are implementing a new SAP merchandising system across the Group that will greatly enhance our processes and our business analytics. In 2016, the implementation of the new system was completed in Mannings China and Guardian Singapore, and has begun in both Giant and Guardian in Malaysia. Additional merchandising training has been added to strengthen our category management capability across the Group.

The corporate brand programme in both Food and Health and Beauty continues to provide value and differentiation to customers. In 2016, we launched over 1,500 new SKUs. Further product range innovation is focused on improving local relevance and creating a differentiated assortment through our international supplier network. To embed enhanced quality into our assortment and operating practices, we have strengthened our quality assurance and food safety teams across the Group. Investment in existing store refurbishments and additional service counters are also being undertaken to enhance the customer experience.

Leverage our regional presence and scale

There is increased focus on direct sourcing from international and domestic suppliers. The reduced reliance on third party distributors should deliver a more differentiated range and reduce costs. We are looking to consolidate common ranges across business units and simplify the supply chain to lower cost and improve replenishment frequency. Common sourcing opportunities are also being pursued in fresh food, including the use of mainland Chinese suppliers developed through our Yonghui relationship. A new buying office established in Hong Kong manages common sourcing in general merchandise to maximize Group-wide cooperation on regular range and seasonal promotions.

Deliver greater convenience for customers

During 2016 we continued to expand our store network to increase convenience across our formats. The Group's continuing operations, including associates and joint ventures, opened 114 net new stores, including 97 net new supermarkets and hypermarkets, 46 net new convenience stores and 71 net new restaurant outlets, although it was necessary to have a net reduction of 100 Health and Beauty stores due to rationalization, particularly in Indonesia.

IKEA will open its fourth Hong Kong store in Tsuen Wan in the second half of 2017, and has identified a site for its second Indonesian store in Jakarta. During 2016, IKEA also created three new pick-up points in Hong Kong, Macau and Taiwan to provide more convenient options for its customers closer to home. In parallel, e-commerce initiatives are being pursued by most of our formats to deliver a multi-channel shopping experience for our customers. In 2016, IKEA launched its online offering in Hong Kong, Macau and Indonesia, and this was expanded to Taiwan in February 2017. Separately, Wellcome in Hong Kong has enhanced its MarketPlace online offer with improved fulfilment options. Strengthening our digital presence and putting consumers in charge of the way they access our brands, is a key priority for all our businesses.

Invest in a modern, efficient supply chain

Our modern retail formats rely on a centralized distribution centre approach to drive efficiencies and stock availability levels. In 2016, centralization rates, which capture the percentage of products delivered to our stores via our own distribution centres, improved in most businesses, leading to enhanced in-store product availability.

Further investments have also been made in our fresh supply chain. A new fresh food distribution centre was opened in Singapore during the year, which has enhanced product quality. This is important for the future growth of both Cold Storage and Giant, providing better quality control, cost savings and the potential for higher value food production. A new fresh food distribution centre is being built in Malaysia, and will open in the second half of 2017, while in the Philippines, a new fresh food distribution centre will open in the first half of the year.

Build people capability across Asia

Retail is a people intensive business. Over 180,000 people are employed across Dairy Farm's own operations and those of its associates and joint ventures. We rely on the dedication and resourcefulness of our people to welcome more than 6.6 million consumers every day. We are developing a culture which rewards people who champion innovation and demonstrate a bias for collaboration, while delivering results. To support our ambitious growth plans, we are also building capability in the key retail functions of merchandising, operations, supply chain, IT and quality assurance.

These priorities have broad application across each of our formats. They have been important contributors to our 2016 performance and will sharpen the competitive edge of our businesses for the longer term. Accordingly, further steps are planned in 2017 to accelerate progress on all of these fronts.

The year ahead

Retailers across the globe face unprecedented disruption from new business models as well as the changing lifestyles and increased expectations of consumers. In response, we will continue to focus on profitable business approaches in both our bricks and mortar stores and our digital presence as we innovate to improve our consumer offer and modernize our infrastructure. Dairy Farm's market-leading brands, strong cash generation, solid balance sheet and deep people capability place us in a good position to meet these challenges.

There remains a significant degree of economic uncertainty in a number of key markets in Asia and consumer confidence is mixed. In such times, delivering real value to customers and maximizing efficiencies are especially important. All of our businesses are focused on driving these efficiencies and improving our offerings to customers. This has reinforced our performance in 2016 and is the basis for continued confidence in the outlook for the Company.

With our proud, 130-year history of doing business in Asia, the depth of our Asian know-how and the breadth of our retail formats, we are uniquely placed to benefit from the growth prospects in the region.

The passion and commitment of our people underpin our performance and future growth and I am grateful to them for their contribution to another successful year at Dairy Farm.

Graham Allan
Group Chief Executive
2nd March 2017

Building Profitable Brands

Focusing on the Finer Things in Life

One Click to a Better Home

**Live,
Work and
Support**

Feature Stories:

Setting the Benchmark for Retail in Asia

Over the past 130 years, Dairy Farm has grown from a small Hong Kong dairy farm to one of the leading retail organizations in Asia – with operations in Food, Health and Beauty, Restaurants and Home Furnishings throughout the region. As a leader in Asian retail, the Group has been at the forefront of the industry in developing upscale supermarket experiences and private label corporate brands while expanding its online offerings and community engagement programmes.

Pioneering
130 Years of Innovation

Incorporated in 1886 in Hong Kong as a dairy farm, the Company started with a capital of HK$30,000 and 80 head of cattle. Over the years it has transformed into a leading pan-Asian retailer with operations spanning across 11 markets, serving the needs of Asian consumers and bringing them world-class products and services.

1880 | 1960 | 1980 | 1990

1886
The Dairy Farm Company Limited incorporated in Hong Kong by Sir Patrick Manson

1916
Dairy Farm's Central Depot reorganized to form Hong Kong's first supermarket

1964
Wellcome grocery chain acquired

1972
Acquired by Hongkong Land, joining the Jardine Matheson group

1976
Invested in Manning Dispensary Ltd.

1986
Became a public company again, taking a 50% interest in Maxim's from Hongkong Land

1989
Hong Kong 7-Eleven convenience store chain acquired

1993
Singapore Cold Storage acquired

1998
Invested in PT Hero, an Indonesian supermarket chain, and Guardian, a Malaysian pharmacy chain

1999
Acquires Giant Malaysia

2000

2002
IKEA Hong Kong and Taiwan join the Group

2005
7-Eleven and Mannings enter Macau and China

2010

2012
Enters the Philippines market with investment in Rustan Supercenters

Acquires interest in Lucky Supermarkets to enter Cambodia

2013
First Starbucks opens in Vietnam

2014
First IKEA store in Indonesia opens

Invests in Rose Pharmacy in the Philippines

2015

2015
Investment in Yonghui Superstores in China

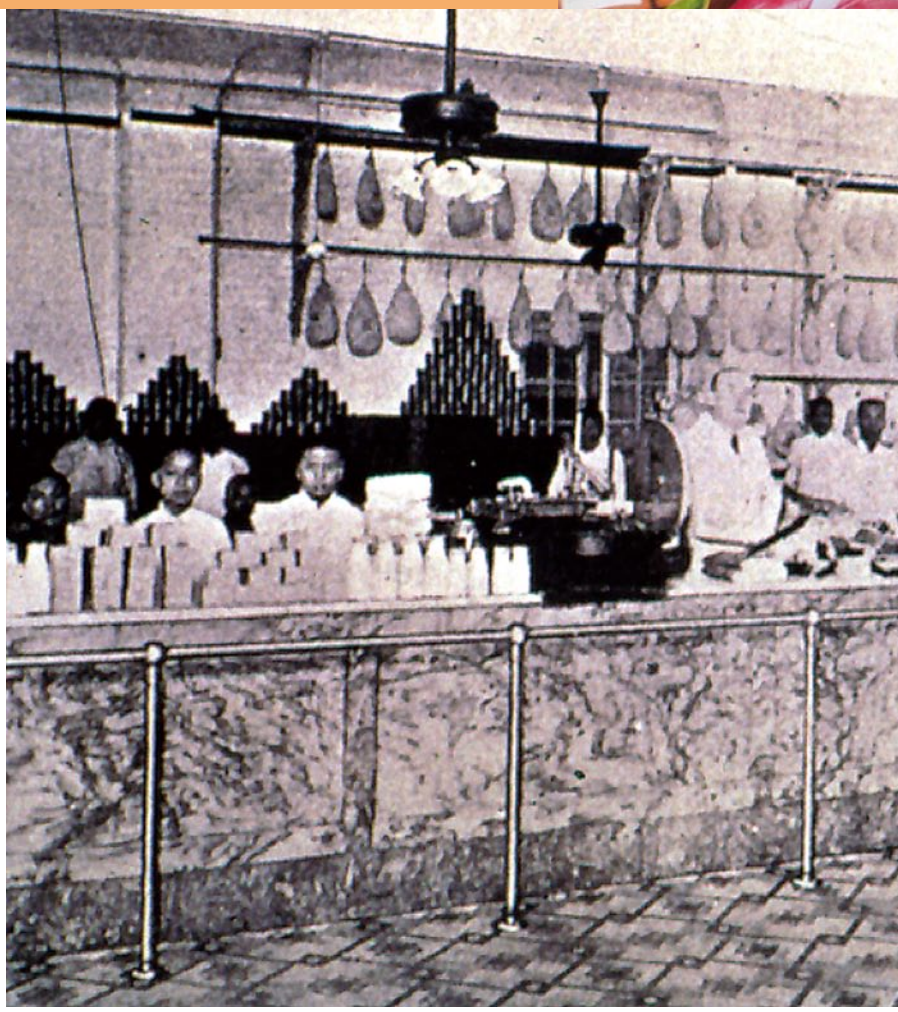
Invests in Sanmiu Supermarkets in Macau

Focusing on the Finer Things in Life

Over the course of Dairy Farm's 130-year heritage, upmarket delicatessens have played a major role in defining the business and reputation of the Group. Today, our focus on fresh produce and exciting imported goods is a hallmark of our upscale supermarket business around the region, and that distinction allows us to provide a rewarding shopping experience for discerning shoppers across Asia.

Purveyors of International Groceries

In 1904, Dairy Farm's Hong Kong Central Depot established a small retail section – effectively Hong Kong's first supermarket – treating sophisticated palates to a selection of fine imported goods. The Hong Kong Telegraph praised the "hams in nice white cloths... bacon of undisputed excellence, (and) German sausages of all kinds", as well as imported Australian butter and cheese, of which "the quality of these commodities is so well known that further mention of them would be superfluous". Today, Oliver's Delicatessen and many of our upscale supermarket chains thrive as kindred descendents of Dairy Farm's first steps into food retailing over a century ago.



Catering to Asia's Sophisticated Tastes

Across the region, the Group has created a comprehensive upscale supermarket experience – from high-end boutique offerings, to all-natural organics and premium everyday groceries. Dairy Farm's supermarkets share a commitment

to quality fresh food and a diverse selection of global brands.

In Hong Kong, Oliver's Delicatessen provides a boutique grocery experience with bespoke shopping services such as an in-store wine specialist. Catering to the city's health conscious consumers, ThreeSixty focuses on healthy, natural and organic offerings, while our MarketPlace offers consumers an international and customized assortment of foods, produce and merchandise in a comfortable and contemporary shopping environment.

Known for its focus on freshness, quality and choices from around the world, Cold Storage is a household name in Singapore and has moved the consumer offering further upscale with the introduction of the MarketPlace concept into the country.

In Malaysia, Cold Storage brings its same high-end focus to shoppers through a network of 17 stores – building on the strong branding and reputation of excellence in Singapore. Our Hero supermarket chain in Indonesia traces its history back to its first store in north Jakarta. Today, Hero continues to bring new offerings to Indonesia and now operates 33 supermarkets throughout the country.

Rustan's has pioneered modern grocery retailing in the Philippines, and this has been reinforced with the introduction of our MarketPlace concept to pioneer a luxury-themed lifestyle experience. In Taiwan, Jasons treats our local consumers to a top-end selection of quality goods from around the world.

Throughout our history, Dairy Farm has stayed true to its founding principles of bringing the best quality products to our customers. As consumers' lifestyles and preferences evolve, our ability to offer quality products will continue to exceed their expectations.

Building Profitable Brands

In creating more diverse product ranges, Dairy Farm has developed its own exciting brands in food and health and beauty – providing superior value and additional choice for consumers throughout the region while enhancing profitability.

Dairy Farm's corporate brands in Food delivered strong growth during 2016, building on the strength of its private label food and wine. Our SnapMax brand was introduced offering a wide range of snack products including dried nuts and hand-cooked chips, while our new Sun Harvest brand showcases a variety of wholesome choices such as dried fruits and nuts, cereals, jams and spreads.

Our Red Peak wine label follows the success of our French Cellars label, which has won over 50 medals in numerous international competitions. Red Peak focuses on Australian wine and has already won a bronze medal at the most recent Cowra wine show.

Winning
50
medals in international wine competitions

Corporate brands in the Health and Beauty Division achieved record sales in 2016, with double-digit growth and increased market penetration. Innovation marked this year's efforts, with over 900 new products introduced during 2016.

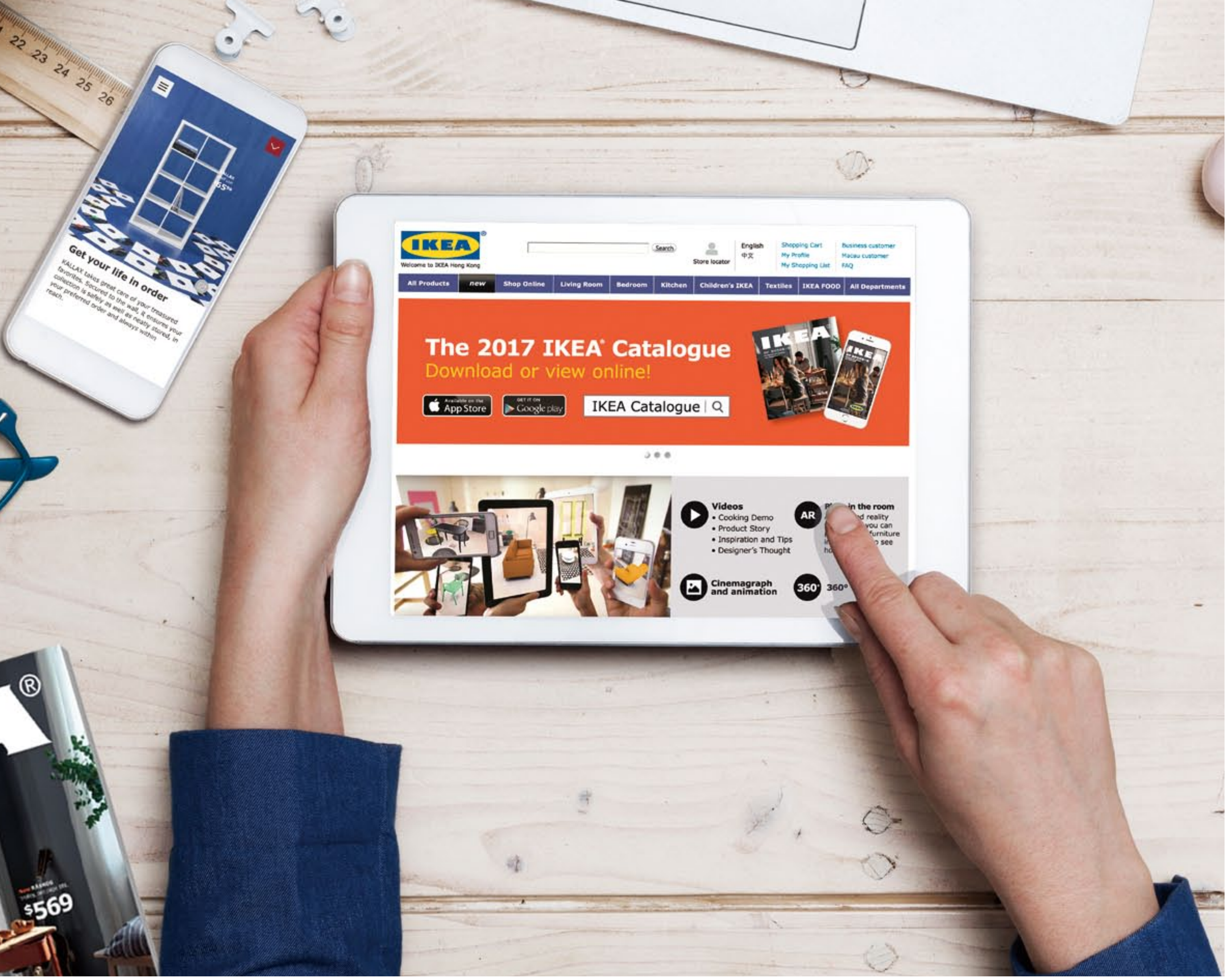
Answering the growing consumer demand for natural hair and body care products, Botaneco Garden has become a truly pan-Asian brand with successful launches in ten markets around the region. Crystal Moist, our skin care brand formulated with deep ocean water and minerals, continues to grow – expanding from China and Hong Kong into Singapore and Malaysia. Lip Hop (known as Kiss Hop in China) is our fun, Korean-inspired skin care brand targeting young consumers with innovative formulations at an affordable price.

Addressing the specific needs of the 15-20 year-olds in China, Beauté Blizz offers a fresh and blossoming beauty approach to skin care with natural ingredients.

Dairy Farm introduced more than 450 of its health and beauty corporate brand products into the developing markets of Vietnam, Cambodia, Indonesia and the Philippines, achieving an impressive 117% sales growth in 2016.

One Click to a Better Home

Dairy Farm is committed to making shopping more convenient for our customers whether in-store or online. Over the past year, this commitment has been particularly exemplified by IKEA.



Living up to its goal of increasing accessibility for consumers, IKEA rolled out its online shopping service in Hong Kong and Indonesia in 2016, and launched its online shopping service for Taiwan in February 2017.

The site provides an extensive shopping catalogue and product information, as well as seasonal promotions and decoration suggestions, raising convenience and quality of service to a higher level.

Online buyers can choose home delivery, full assembly and installation services, and have the option of picking up their orders at newly opened IKEA pick-up points. The first pickup point was opened in Macau in May 2016, and we followed up with the openings of a combined pick-up and order point in Hsinchu, Taiwan in September, and a pick-up point in Hong Kong in November.

In bringing the IKEA shopping experience beyond our stores and into our customers' living rooms and smartphones, our online service is becoming a great complement to our physical retail stores and helps us to connect closer to our customers.

Live, Work and Support

The Dairy Farm Group believes it is our responsibility to give back to the communities where we live and work and to support the less fortunate members of our society. These are just some examples of our many community outreach efforts across the region.

MINDSET

Dairy Farm actively participates in MINDSET, the Jardine Matheson group's philanthropic initiatives supporting people suffering or recovering from mental illnesses, as well as the promotion of mental health in Hong Kong and Singapore.

In Hong Kong, Dairy Farm staff formed teams to run up the 49 floors of Jardine House at the Walk Up Jardine House event to raise funds for MINDSET. Through participation in the CENTRAL Rat Race, Dairy Farm executives overcame the obstacles of a challenging course to race around the Central Business District to raise awareness about mental health. Our employees also acted as Jardine Ambassadors to volunteer in the in-school Health in Mind programme providing volunteer services, interactive workshops and seminars to raise awareness of mental health issues among young students, teachers and parents.

In Singapore, Dairy Farm actively participated in the MINDSET Learning Hub. Established in October 2016, the Hub is a facility that recruits, trains and equips clients with skillsets, and sources placements for clients upon completion of the programme. Dairy Farm Singapore supports the initiative by providing on-the-job training and hiring of clients who take part in the retail training programme. We also generously sponsored the MINDSET Vertical Challenge through monetary support, goodie bags and supplier engagement with proceeds going towards the MINDSET Learning Hub.

Mannings Supports Speech Therapy for Youth in Hong Kong

As the title sponsor of Benji's Centre Walkie Talkie Walkathon for the past four years, Mannings has provided valuable support to the only charitable organization in Hong Kong providing professional speech therapy to children and teenagers with language development delays and hearing disabilities.

In November, over 50 supporters and friends from Mannings joined this meaningful event to raise funds for children in need, with proceeds going towards over 1,000 one-on-one speech therapy sessions.

Wellcome Feeds the Needy in Hong Kong

Collaborating with three local food banks (Feeding Hong Kong, Food for Good, and Food Angel), Wellcome runs a programme to donate food to people in need.

Initiated in 2012 with ten cooperating stores, the programme now involves nearly 100 stores as of November 2016. Food items donated since the programme launch have been equivalent to nearly 150,000 meals – reducing food waste while benefitting the less fortunate members of our society.

Dairy Farm Singapore Works Hand in Hand with the Community

In Singapore, staff volunteers and their families invited 800 young and elderly beneficiaries under the auspices of the Care Community Services Society (CCSS) to a fun-filled day of carnival games and activities at Bay East Park. As part of the event, Dairy Farm Singapore donated essential groceries to 1,000 needy families under the care of CCSS.

CCSS is a voluntary welfare organization that provides assistance, education, training, therapy and counselling to individuals and families in need of assistance. CCSS has been Dairy Farm's adopted charity in Singapore for the past ten years, and this year's activities were organized under the theme of "Hand in Hand".

This event is one of many initiatives and efforts by Dairy Farm Singapore such as placing donation boxes across its chain of Cold Storage, Giant, 7-Eleven and Guardian stores island-wide to help raise awareness and over SG$400,000 in funds for CCSS.

Dairy Farm Singapore donated essential groceries to

1,000

needy families under the care of CCSS

Young Indonesian Artist Wins Global IKEA Soft Toy Drawing Competition

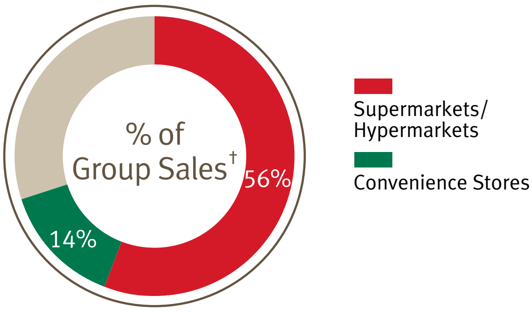
Children from around the world have created a new toy collection to support IKEA Good Cause Campaign focusing on children's right to play. For the second year in a row, IKEA invited children to design their dream soft toys and gave the opportunity for children aged four to 12 to express their creativity. The drawing competition attracted 52,000 unique and wonderful designs from around the world. Judges from the IKEA Global Team selected ten global winners, and one of them is from Indonesia.

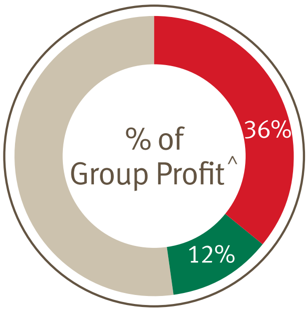
Naurazka Salsabilla (aged nine) impressed judges with her pink punk horse, which judges praised for its "creativity, winking eyes and unique features". Salsabilla's entry was turned into a real-life soft toy as part of the IKEA SAGOSKATT limited soft toy collection – and launched for sale around the world as part of the IKEA Good Cause Campaign. For every toy sold from November to December 2016, IKEA Foundation donated one euro to support children's right to play, grow and have fun in vulnerable communities in the world.

Food

Supermarkets and Hypermarkets

Convenience Stores





† including share of associates and joint ventures.

^ based on operating profit and share of results of associates and joint ventures, excluding support office costs and non-trading items.

Food (excluding Yonghui) reported US$8.2 billion in sales, in line with last year and 1% ahead in constant currency. Operating profit increased significantly to US$267 million, 14% ahead of prior year in constant currency, driven by margin recovery across the Division.

Our continued drive to improve our fresh, corporate brand and Ready-to-Eat ('RTE') offerings helped bolster sales in most markets. However, difficult trading conditions in Malaysia and Indonesia led to lower sales, with increasing competition from smaller format retailers being a key factor.

Food – Supermarkets and Hypermarkets

Sales of US$6.2 billion from our supermarkets and hypermarkets (excluding Yonghui) were in line with last year in constant currency while operating profit increased by 13% to US$194 million.

HONG KONG MACAU

Wellcome in Hong Kong drove higher sales through further efforts to strengthen its fresh offer and enhanced its merchandise assortment leading to better appeal to local consumers despite uncertainties in the local economy. Operating profit was lower, principally due to a continued rise in rental costs and competitor promotional activities. In Macau, San Miu achieved sales and operating profit growth in its first full year in the Group with range enhancement and increased fresh participation.

TAIWAN

In Taiwan, sales and operating profit were ahead of last year. A new 'superstore' concept was introduced for Wellcome with two net new stores opening during the year, while Jason's continued its store expansion and upscale leadership.

INDONESIA

The retail landscape in Indonesia was challenging with limited recovery in consumer confidence and significant competition from the continued rollout of mini-market stores across the country, which impacted sales growth at supermarkets and hypermarkets. Nevertheless, improved margins, from pricing and promotional activities, the closure of a number of underperforming stores and tighter cost control boosted profitability. Improving the fresh assortment and revitalizing the upscale Hero brand remain key focus areas for the business.

Continuous Improvement in Fresh Food and Direct Sourcing

Understanding changes in our customers' expectations, needs and preferences is the foundation of our key strategic priority to enhance our offering in the fresh category. This has been reinforced by the fact that growth in sales of fresh produce outpaced the rest of the food business, with fresh sales increasing 0.6% year-on-year as a percentage of our total sales. Dairy Farm's investment in new fresh distribution centres – in Singapore (May 2016), and additional centres launching in Malaysia and the Philippines (2017) – aims to improve quality control and cost, while creating higher value food production and bringing a wider range of products to our consumers.

The Group is also committed to expanding its direct sourcing and is continually looking for opportunities to partner and work with local businesses. By building longterm relationships with local farmers and producers, we are able to shorten the time from field to shelf of the produce, improve the quality and freshness of our products, and contribute to the development of local economies while passing on cost benefits to consumers. We believe it's a winning formula.

Business Review

MALAYSIA

In Malaysia, sales and operating profit were behind 2015. Persistent low consumer confidence together with ongoing price controls following the introduction of GST continues to weigh on performance. Despite this, improvements to our fresh offer yielded positive results, and sales participation of private label increased.

THE PHILIPPINES

The Philippines recorded a strong year with all banners reporting like-for-like sales growth and improved profitability. A more appealing fresh assortment coupled with tactical pricing and successful marketing activities underpinned an encouraging increase in footfall. Rustan's benefited from increased sales of its imported and exclusive brands, while measures to improve cost efficiency were also implemented.

SINGAPORE

In Singapore, sales were down year-on-year due to continued poor consumer sentiment and the impact of store rationalization. Cold Storage achieved an encouraging operating profit increase, despite reduced sales following the closure of underperforming stores. Giant saw steady sales and positive profit growth, driven by increased margins and lower operating costs. A new fresh distribution centre opened in May 2016. In the coming year, we aim to invest in the renewal of customer facing and back office technologies to improve our customer experience and internal efficiency whilst optimizing ranges and supply chain productivity.

VIETNAM

In Vietnam, Giant again posted sound sales growth, from our single store, with increased customer traffic being the main driver.

CAMBODIA

In Cambodia, the Group saw encouraging increases in like-for-like sales and operating profit. The business reduced costs through labour efficiency improvements.

Increasing Convenience with Ready-to-Eat

Ready-to-Eat (RTE) food offerings continued to improve with over 10% year-on-year sales growth across the Group, which was double the rate of overall growth in the convenience store business. Penetration of this popular product category increased across all markets. Focusing on innovation, quality improvement and development of local ranges including Hainan chicken rice in Singapore, soup rice noodles and steamed sweet potatoes in China and dim sum and fish balls in Hong Kong, we believe the opportunities to expand this category are wide-ranging.

Dairy Farm also expanded a successful collaboration with 7-Eleven Japan to source exclusive and unique Japanese products for its Singapore and Hong Kong markets with the goal of extending this offering to other markets in the future.

Food – Convenience Stores

Convenience stores reported US$2.0 billion in sales, an increase of 5% over the previous year in constant currency terms. Operating profit increased by 15% to US$73 million.

HONG KONG MACAU

In Hong Kong, 7-Eleven outpaced the competition and grew sales and operating profit despite soft consumer sentiment and difficult market conditions. Like-for-like sales strengthened during the year supported by promotions, range improvements (including RTE) and new products. A slight gross margin improvement led to a higher operating profit despite cost increases from labour and rent. In Macau, sales were flat and operating profit was lower due to slowing tourist numbers and a substantial cigarette tax increase in 2015.

MAINLAND CHINA

In mainland China, 7-Eleven continued its solid growth and passed its 800th store milestone. During the year, sales and operating profit increased, with store network expansion and like-for-like sales growth. RTE sales growth combined with attractive consumer promotions supported this achievement. In 2017, 7-Eleven will further expand its store network and develop its RTE consumer offer, driven by range, quality and innovation.

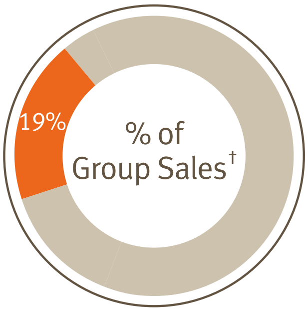
SINGAPORE

In Singapore, 7-Eleven achieved positive like-for-like sales growth arising from a store re-ranging project with a strong focus on RTE, including the successful introduction of new private label products sourced from 7-Eleven Japan. Operating profit was significantly ahead of 2015 due to these initiatives and the rationalization of loss making stores. The RTE range will be further expanded in 2017 and there will be increased focus on acquiring new profitable sites.

INDONESIA

In Indonesia, the Group completed its disposal of the Starmart chain.

Health and Beauty



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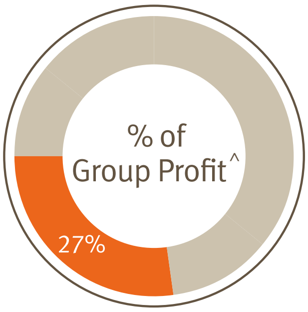

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Health and Beauty achieved US$2.6 billion in total sales, an increase of 4% in constant currency, although operating profit declined 5% to US$175 million due to margin pressure and higher rents.

HONG KONG MACAU

In Hong Kong, Mannings' sales increased in 2016 despite having fewer stores than the previous year. As mainland Chinese tourist arrivals continued to decline, promotional campaigns and loyalty programmes were launched throughout the year targeting local consumers. Sales were flat in Macau as mainland Chinese tourist arrivals remained soft. Operating profit in both Hong Kong and Macau declined due to lower gross margin and higher costs driven by rental increases.

MAINLAND CHINA

In mainland China, Mannings showed gradual improvement with solid sales growth, particularly in baby care, beauty care and personal care, while the contribution from corporate brands increased.

SINGAPORE

In Singapore, Guardian reported growth in sales, while operating profit also increased with higher gross margins and greater focus on cost and shrinkage management, partially offset by higher rental costs. A new SAP merchandising system went live smoothly in September.

MALAYSIA

In Malaysia, Guardian experienced a challenging year with lower sales and operating profit due to subdued consumer sentiment, increased competition and weakness in the ringgit. The year-on-year impact on sales of the introduction of GST in 2015 was felt in the first quarter however momentum improved in the second half.

INDONESIA

In Indonesia, Guardian had a strong year, delivering sales growth despite the net closure of 73 stores. Double-digit like-for-like sales growth was achieved for the fifth year in a row. Operating profit was ahead of 2015 with higher gross margins and the benefits of the store rationalization programme undertaken during the year.

VIETNAM

In Vietnam, Guardian recorded another strong year of double-digit sales

growth and improvement in gross margin. Corporate brand penetration increased significantly as brands such as Botaneco Garden proved popular with local consumers.

CAMBODIA

In Cambodia, good progress was made in developing this new market, with range expansion and increased corporate brand penetration supporting strong like-for-like sales.

THE PHILIPPINES

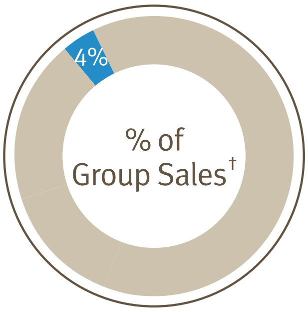
In its second year in the Group, Rose Pharmacy in the Philippines delivered performance improvement through sales growth, gross margin enhancement, better cost efficiency and the closure of a number of underperforming stores. Guardian brand products were launched with encouraging early signs of customer acceptance.

Expanding Health and Beauty Online

The Health and Beauty business delivered a number of successes in electronic loyalty programmes, e-commerce and increased online presence during the year. In Vietnam, Guardian leveraged social media, Facebook in particular, to update its customers on current promotions and special offers. This led to increased customer traffic and sharing of health and beauty tips with consumers.

In the Philippines, Rose Pharmacy introduced a new e-commerce platform, allowing customers to order non-pharmaceutical products online. It also allows customers to order selected medicines online with payment-on-delivery and in-store pick up options. Mannings introduced its Wechat member card in China in April, and also saw 150% growth in its e-commerce sales in 2016.

Home Furnishings



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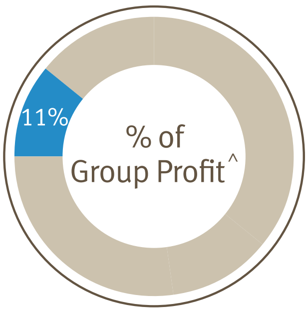

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Home Furnishings again achieved record sales and operating profit during 2016. In constant currency terms, operating profit rose by 12% to US$71 million driven by increased sales of US$597 million, 6% ahead of 2015.

Sales and operating profit were higher than last year in all three markets. Like-for-like sales growth was particularly strong in Taiwan and Indonesia.

Hong Kong led the Group in introducing new concepts to increase consumer access, launching online shopping in April 2016 and opening two pick-up points in Macau and on Hong Kong Island. Indonesia introduced online shopping in July. Taiwan opened a pick-up point in Hsinchu and launched online shopping in February 2017.

We continued to strengthen our low price image through ongoing price investment, and increased our focus on market specific products to enhance our local consumer appeal.

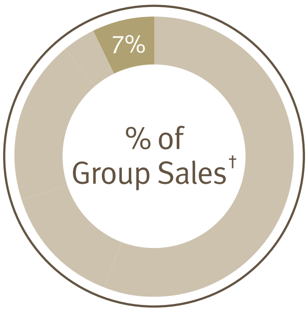
Functional Inspiration – IKEA House

Combining the inspirational experience of IKEA's showrooms with the unique atmosphere of Taipei's popular coffee shops, IKEA House in Taiwan attracts consumers with unique food and beverage offerings, while inspiring visitors to upgrade their own home furnishings by showcasing a wide variety of IKEA products.

Featuring an IKEA café on the ground floor, IKEA House cultivates a welcoming experience by encouraging visitors to take their food and wander throughout the house exploring IKEA designs and products in real-life environments. These special showcases include a seating area on the first floor, a model apartment, bedroom and living room on the second floor, and a fully functional model kitchen on the third floor, giving consumers a refreshing, holistic view of model living.

In the coming year, Home Furnishings plans both to continue its push in consumer accessibility and to drive forward its expansion plans, having identified a second Indonesia store location and opening a fourth store in Hong Kong in the second half of 2017.

Restaurants



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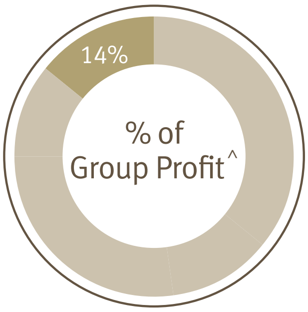


^ based on operating profit and share of results of associates and joint ventures, excluding support office costs and non-trading items.

Restaurants reported US$2.0 billion in total sales, an increase of 7% over the prior year, while profit contribution increased by 4%. The business delivered another year of record earnings in a difficult market environment while continuing to expand outside Hong Kong.

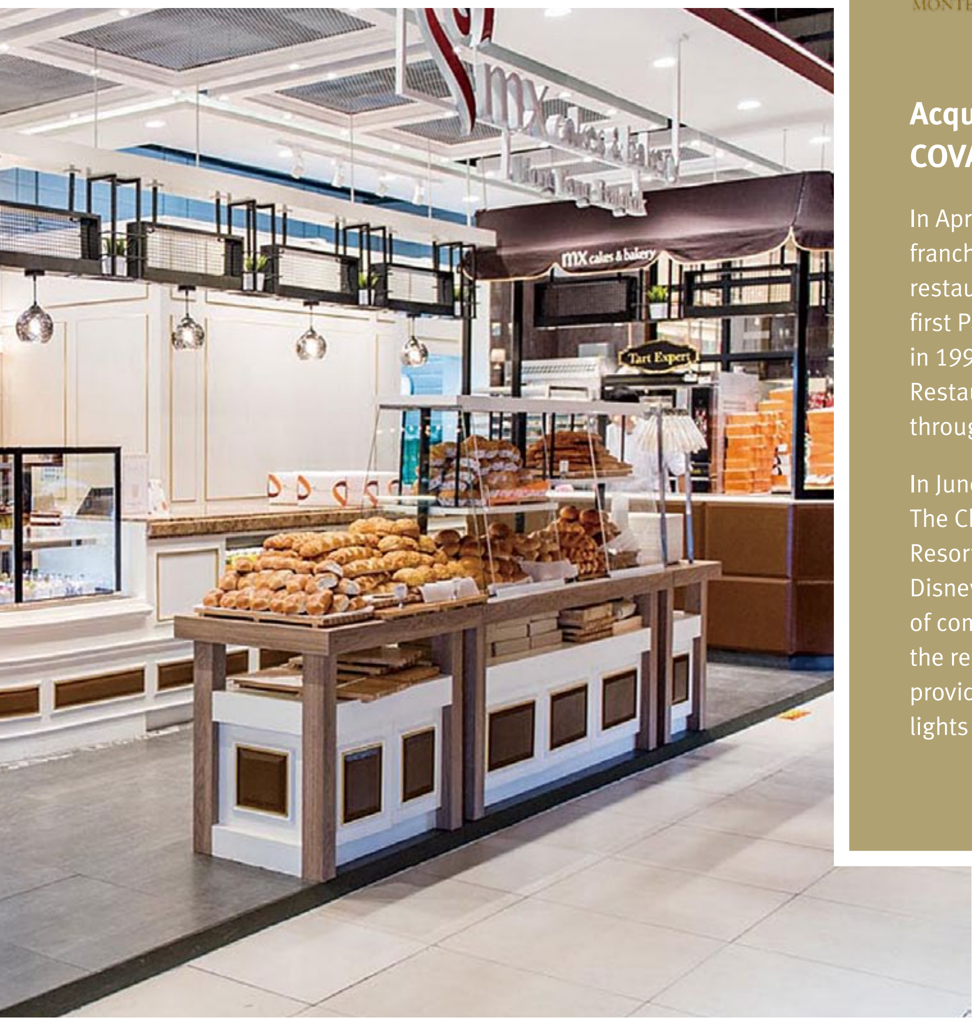
In 2016, Maxim's celebrated its 60th anniversary and continued its success in developing new concepts, business models and products.

In Hong Kong, the group realized steady sales growth, while continuing to update its consumer proposition. Maxim's mooncakes enjoyed very strong sales and operating profit growth driven by the popularity of the 'Lava Custard Mooncake'. The group expanded organically and via acquisition; opening their first food hall, TREATS, and acquiring COVA, a premium line of cake shops and restaurants.

Maxim's continued its expansion in mainland China, adding a net 16 new outlets across all brands. This brought new and exciting brands to the market, opening the first The Cheesecake Factory outlet in Asia at the Shanghai Disney Town adjacent to the new Disneyland theme park which opened in June. Maxim's is also managing several staff canteens at the theme park.

In Southeast Asia, the group is now operating over 20 Starbucks stores across Vietnam and Cambodia and performance is encouraging. In September 2016, the group entered Thailand and launched its first franchise, 'mx cakes and bakery', through a joint venture with ThaiBev, which has opened three outlets in Bangkok.

Looking ahead, the group continues to see various exciting opportunities, including entry into the Beijing market with the opening of Jade Garden, Café Landmark and The Cheesecake Factory planned in 2017. Maxim's will also continue to explore franchise and acquisition opportunities across the region.

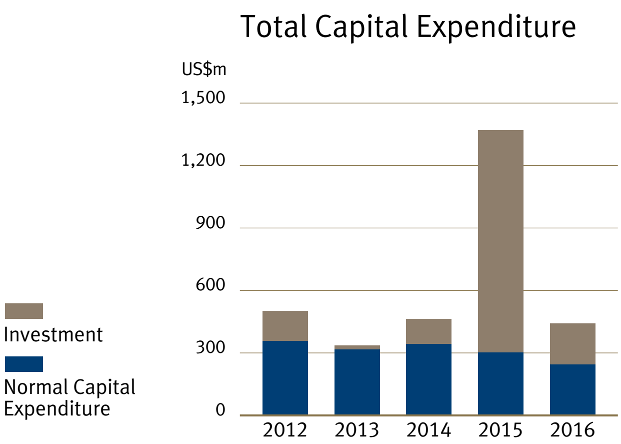


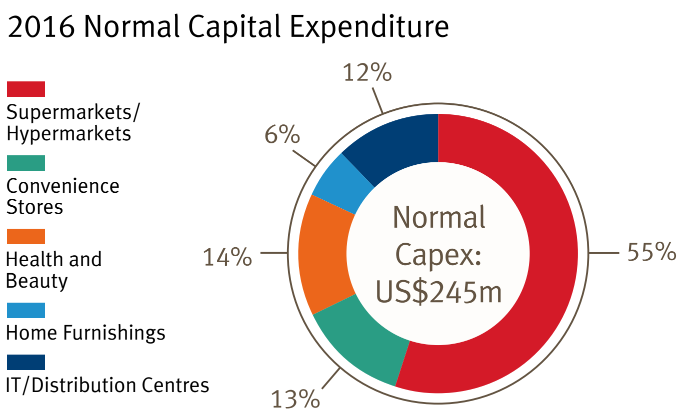
Acquisitions and Openings – COVA and The Cheesecake Factory

In April 2016, Maxim's acquired the COVA franchise of high-end Italian patisseries and restaurants in Hong Kong. COVA opened its first Pasticceria-Confetteria in Hong Kong in 1993, followed by the city's first Caffè Restaurante in 1994, and today has ten outlets throughout the territory.

In June 2016, Maxim's introduced China's first The Cheesecake Factory at Shanghai Disney Resort, located just outside the new Shanghai Disneyland. Delivering American-sized portions of comfort food classics and generous desserts, the restaurant's family-friendly atmosphere provides a fitting complement to the bright lights of Disneyland.

Financial Review





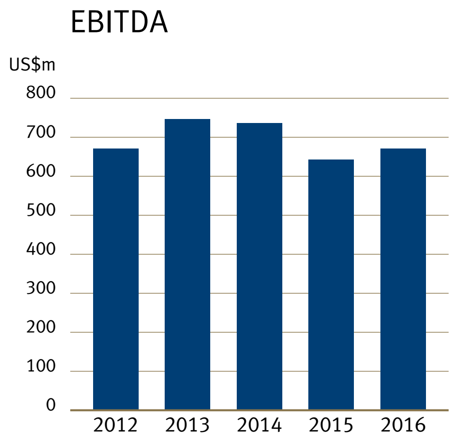
"Underlying operating profit increased from US$435 million in 2015 to US$453 million in 2016 mainly due to higher contributions from the Food and Home Furnishings divisions..."

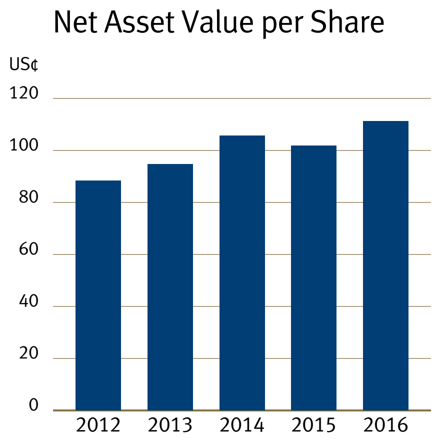
Accounting policies

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

Results

Sales, excluding those of associates and joint ventures, were US$11.2 billion, a 1% increase over prior year. On a constant currency basis sales have increased by 2% on prior year, mainly impacted by the depreciation of the Chinese renminbi, Malaysian ringgit and Philippine peso to the US dollar of approximately 5% each. With the inclusion of 100% of associates and joint ventures, total sales were US$20.4 billion, an increase of 14% over 2015, or 17% on a constant currency basis, principally driven by growth in Yonghui and the additional three months contribution from Yonghui and San Miu compared with 2015. Underlying operating profit increased from US$435 million in 2015 to US$453 million in 2016 mainly due to higher contributions from the Food and Home Furnishings divisions, partly offset by lower profits from the Health and Beauty Division.





The Group's share of results of associates and joint ventures increased 39% to US$118 million from 2015 which principally reflected the better performance and additional three months contribution from Yonghui and consistent good performance from Maxim's.

The tax charge for 2016 was US$85 million, 1% higher than 2015, mainly due to the change of profit contribution mix from different territories.

Underlying net profit was US$460 million, an increase of 7% versus 2015. There was a net non-trading gain of US$9 million in 2016, principally from the profit on disposal of certain properties, lower than expected costs associated with the closure of the Starmart business in Indonesia and share of profit on disposal of an associate by Yonghui. Consequently the reported net profit was US$469 million, 11% above prior year.

Underlying earnings per share were US¢34.03, also 7% ahead of 2015.

Cash flow

The Group generated a net inflow of US$543 million operating cash flow, compared to the previous year's US$700 million, mainly impacted by negative working capital from the timing of supplier payments and inventory stocking up in December for an early Chinese New Year in 2017. EBITDA was US$672 million for the year (2015: US$643 million).

Normal capital expenditure was lower at US$245 million (2015: US$304 million), principally due to a reduction in new store expansion and refurbishment. The Group's continuing businesses, including associates and joint ventures, added a net 114 outlets in 2016. This included its interest in 487 Yonghui stores, ending the year with 6,548 stores across all formats in 11 markets.

An additional investment of US$190 million was made in Yonghui Superstores during the year to maintain the Group's 19.99% shareholding.

Financial Review

Balance sheet

Total assets, excluding cash and bank balances, of US$4.81 billion were 5% higher than 2015, mainly reflecting the additional investment in Yonghui and capital expenditure for new and refurbished stores. Inventory was up 5% to US$983 million while trade creditors were broadly flat. Net operating assets were US$1.58 billion at the end of 2016, a 9% increase versus the previous year.

The Group ended the year with net debt of US$641 million as compared to US$482 million at 31st December 2015. The increase in the net debt position was principally driven by increased borrowings to fund the additional investment in Yonghui.

Dividend

The Board is recommending an increased final dividend of US¢14.50 per share, bringing the total dividend in respect of 2016 to US¢21.00 per share, up 5%.

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 and joint ventures, had gross debt of US$965 million at the year end, an increase of US$224 million from 2015, reflecting the loan drawn to finance the additional investment in Yonghui. Total committed banking facilities at the year end totalled US$1.25 billion with US$861 million drawn at year end, and had an average life to maturity of 2.4 years. Net financing charges increased from US$14 million in 2015 to US$22 million in 2016 reflecting the additional borrowings.

Financial risk management

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

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 116 and 117.

Neil Galloway
Group Finance Director
2nd March 2017

Directors' Profiles

Ben Keswick* ***Chairman and Managing Director***	Mr Ben Keswick joined the Board as Managing Director in 2012 and became Chairman in 2013. He has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage and a commissioner of Astra. He is also chairman and managing director of Hongkong Land and Mandarin Oriental, managing director of Jardine Matheson and Jardine Strategic, and a director of Jardine Pacific and Jardine Motors.
Graham Allan* ***Group Chief Executive***	Mr Allan joined the Board in 2013 as Group Chief Executive, having been Chief Operating Officer since 2012. He has extensive experience in the food service industry and was previously President and CEO of Yum! Restaurants International based in the United States. He is also a director of Yonghui Superstores and a commissioner of Hero.
Neil Galloway* ***Group Finance Director***	Mr Galloway joined the Board as Group Finance Director in 2013. He was previously finance director and chief financial officer of The Hongkong and Shanghai Hotels from 2008. Mr Galloway began his career in investment banking and he held a range of senior positions in Hong Kong and the United Kingdom. He is also a commissioner of Hero.
Mark Greenberg	Mr Greenberg joined the Board in 2006. He is group strategy director of Jardine Matheson. He had previously spent 16 years in investment banking with Dresdner Kleinwort Wasserstein in London. He is also a director of Jardine Matheson Limited, Hongkong Land, Jardine Cycle & Carriage and Mandarin Oriental, and a commissioner of Astra and Bank Permata.
George J. Ho	Mr Ho joined the Board in 1998. He was previously engaged in private law practice in San Francisco and is currently engaged in the broadcasting and multi-media industries. Mr Ho is also chairman of Hong Kong Commercial Broadcasting Company.
Adam Keswick	Mr Adam Keswick joined the Board in 2012. Having joined Jardine Matheson in 2001, he was appointed to the board in 2007 and was deputy managing director from 2012 to 2016. Mr Keswick is also deputy chairman of Jardine Lloyd Thompson and a director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental. He is also a director of Ferrari, and a supervisory board member of Rothschild & Co.
Sir Henry Keswick	Sir Henry joined the Board in 1988. He is chairman of Jardine Matheson, having first joined the group in 1961, and is also chairman of Jardine Strategic. He is a director of Hongkong Land and Mandarin Oriental. He is also vice chairman of the Hong Kong Association.
Simon Keswick	Mr Simon Keswick joined the Board in 1986 and was Chairman of the Company from 1986 to 2013. He joined the Jardine Matheson group in 1962 and is a director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental.
Michael Kok	Mr Kok was Group Chief Executive from 2007, when he first joined the Board, until he retired from executive office in 2012. He began his career in Dairy Farm in 1987 and has extensive experience in the retail industry in Asia. He is also a director of Jardine Cycle & Carriage, Mapletree Greater China Commercial Trust Management and SATS.

* Executive Director

Directors' Profiles

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

Our Leadership

Graham Allan

Group Chief Executive

Mr Allan was named Group Chief Executive of Dairy Farm in January 2013, having served as Chief Operating Officer from June 2012. Prior to joining Dairy Farm, Mr Allan was President and CEO at Yum! Restaurant International and was responsible for global brands KFC, Pizza Hut and Taco Bell in all markets except the US and China. Since 1989, he has held various senior positions in multinational food and beverage companies with operations across the globe and has lived and worked in Australia, the US and Europe. Mr Allan began his career in law before moving to leading management consultancy, McKinsey & Co. Inc., where he spent five years as a consultant working extensively in consumer goods.

Mr Allan holds Bachelor of Economics and Bachelor of Laws degrees from Monash University in Melbourne and an MBA from the University of Melbourne. He is also a director of Yonghui Superstores and a commissioner of Hero.

Neil Galloway

Group Finance Director

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

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

Tongwen Zhao

Group Human Resources Director

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

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

Suzanne Wong

Group Commercial Director

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

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

Our Leadership

Sam Oh

Group CIO

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

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

Charlie Wood

Group Counsel

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

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

Gordon Farquhar

Group Director, Health and Beauty

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

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

Pierre-Olivier Deplanck

CEO, Malaysia and Brunei (Food)

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

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

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

Choo Peng Chee

Regional Director, North Asia (Food)

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

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

Irwin Lee

CEO, RSCI

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

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

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

Stéphane Deutsch

President Director, PT Hero

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

Mr Deutsch has executive training from ESCP Paris.

Mark Herbert

CEO, Singapore and Cambodia (Food)

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

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

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

Martin Lindström

Group Director, IKEA

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

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

Consolidated Profit and Loss Account

for the year ended 31st December 2016

		2016			2015		
		Underlying business performance	**Non-trading items**	**Total**	Underlying business performance	Non-trading items	Total
	Note	**US$m**	**US$m**	**US$m**	US$m	US$m	US$m
Sales	*4*	**11,200.7**	**–**	**11,200.7**	11,137.3	–	11,137.3
Cost of sales		**(7,815.2)**	**–**	**(7,815.2)**	(7,852.1)	–	(7,852.1)
Gross margin		**3,385.5**	**–**	**3,385.5**	3,285.2	–	3,285.2
Other operating income		**171.8**	**6.2**	**178.0**	170.5	0.5	171.0
Selling and distribution costs		**(2,634.9)**	**–**	**(2,634.9)**	(2,602.5)	–	(2,602.5)
Administration and other operating expenses		**(469.8)**	**–**	**(469.8)**	(417.9)	(4.7)	(422.6)
Operating profit	*5*	**452.6**	**6.2**	**458.8**	435.3	(4.2)	431.1
Financing charges		**(23.3)**	**–**	**(23.3)**	(15.3)	–	(15.3)
Financing income		**1.5**	**–**	**1.5**	1.7	–	1.7
Net financing charges	*6*	**(21.8)**	**–**	**(21.8)**	(13.6)	–	(13.6)
Share of results of associates and joint ventures	*7*	**114.5**	**3.7**	**118.2**	85.0	–	85.0
Profit before tax		**545.3**	**9.9**	**555.2**	506.7	(4.2)	502.5
Tax	*8*	**(85.1)**	**–**	**(85.1)**	(84.4)	(0.1)	(84.5)
Profit after tax		**460.2**	**9.9**	**470.1**	422.3	(4.3)	418.0
Attributable to:							
Shareholders of the Company		**460.2**	**8.8**	**469.0**	428.1	(3.7)	424.4
Non-controlling interests		**–**	**1.1**	**1.1**	(5.8)	(0.6)	(6.4)
		460.2	**9.9**	**470.1**	422.3	(4.3)	418.0
		US¢		**US¢**	US¢		US¢
Earnings per share	*9*						
– basic		**34.03**		**34.69**	31.66		31.39
– diluted		**34.02**		**34.68**	31.66		31.38

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2016

	Note	2016 US$m	2015 US$m
Profit for the year		**470.1**	418.0
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	*22*	**20.9**	(31.9)
Tax relating to items that will not be reclassified		**(4.4)**	6.1
		16.5	(25.8)
Share of other comprehensive expense of associates and joint ventures		**(1.1)**	(3.7)
		15.4	(29.5)
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net loss arising during the year		**(7.3)**	(118.9)
Revaluation of other investments			
– (loss)/gain arising during the year	*14*	**(0.9)**	1.6
Cash flow hedges			
– net gain arising during the year		**2.0**	0.4
– transfer to profit and loss		**(0.4)**	(1.9)
		1.6	(1.5)
Tax relating to items that may be reclassified		**(0.1)**	–
Share of other comprehensive expense of associates and joint ventures		**(76.4)**	(43.9)
		(83.1)	(162.7)
Other comprehensive expense for the year, net of tax		**(67.7)**	(192.2)
Total comprehensive income for the year		**402.4**	225.8
Attributable to:			
Shareholders of the Company		**398.0**	242.8
Non-controlling interests		**4.4**	(17.0)
		402.4	225.8

Consolidated Balance Sheet

at 31st December 2016

	Note	2016 US$m	2015 US$m
Net operating assets			
Intangible assets	*11*	**765.1**	744.4
Tangible assets	*12*	**1,099.5**	1,140.8
Associates and joint ventures	*13*	**1,461.8**	1,292.1
Other investments	*14*	**5.9**	6.8
Non-current debtors	*15*	**150.8**	161.5
Deferred tax assets	*16*	**29.0**	35.0
Non-current assets		**3,512.1**	3,380.6
Stocks		**983.1**	936.8
Current debtors	*15*	**290.5**	233.8
Current tax assets		**16.8**	10.8
Bank balances and other liquid funds	*17*	**323.8**	258.5
		1,614.2	1,439.9
Non-current assets held for sale	*18*	**2.6**	0.4
Current assets		**1,616.8**	1,440.3
Current creditors	*19*	**(2,327.9)**	(2,354.5)
Current borrowings	*20*	**(369.6)**	(729.6)
Current tax liabilities		**(58.6)**	(56.0)
Current provisions	*21*	**(14.8)**	(10.6)
Current liabilities		**(2,770.9)**	(3,150.7)
Net current liabilities		**(1,154.1)**	(1,710.4)
Long-term borrowings	*20*	**(595.0)**	(10.6)
Deferred tax liabilities	*16*	**(56.6)**	(55.3)
Pension liabilities	*22*	**(52.4)**	(71.4)
Non-current creditors	*19*	**(42.9)**	(43.6)
Non-current provisions	*21*	**(31.7)**	(34.1)
Non-current liabilities		**(778.6)**	(215.0)
		1,579.4	1,455.2
Total equity			
Share capital	*23*	**75.1**	75.1
Share premium and capital reserves	*25*	**59.4**	61.3
Revenue and other reserves		**1,370.8**	1,239.4
Shareholders' funds		**1,505.3**	1,375.8
Non-controlling interests		**74.1**	79.4
		1,579.4	1,455.2

Approved by the Board of Directors

Ben Keswick
Graham Allan
Directors

2nd March 2017

Consolidated Statement of Changes in Equity

for the year ended 31st December 2016

	Attributable to shareholders of the Company								
	Share capital	Share premium	Capital reserves	Revenue reserves	Hedging reserves	Exchange reserves	Total	Attributable to non-controlling interests	Total equity
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
2016									
At 1st January	75.1	31.1	30.2	1,561.3	0.3	(322.2)	1,375.8	79.4	**1,455.2**
Total comprehensive income	–	–	–	482.5	1.4	(85.9)	398.0	4.4	**402.4**
Dividends paid by the Company	–	–	–	(270.4)	–	–	(270.4)	–	**(270.4)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(3.1)	**(3.1)**
Unclaimed dividends forfeited	–	–	–	0.6	–	–	0.6	–	**0.6**
Employee share option schemes	–	–	1.3	–	–	–	1.3	–	**1.3**
Change in interest in a subsidiary	–	–	–	–	–	–	–	(2.2)	**(2.2)**
Capital repayment to non-controlling interests	–	–	–	–	–	–	–	(4.4)	**(4.4)**
Transfer	–	–	(3.2)	3.2	–	–	–	–	**–**
At 31st December	**75.1**	**31.1**	**28.3**	**1,777.2**	**1.7**	**(408.1)**	**1,505.3**	**74.1**	**1,579.4**
2015									
At 1st January	75.1	30.5	28.6	1,461.6	1.7	(168.8)	1,428.7	93.8	1,522.5
Total comprehensive income	–	–	–	397.6	(1.4)	(153.4)	242.8	(17.0)	225.8
Dividends paid by the Company	–	–	–	(311.0)	–	–	(311.0)	–	(311.0)
Employee share option schemes	–	–	2.2	–	–	–	2.2	–	2.2
Change in interests in subsidiaries	–	–	–	13.1	–	–	13.1	2.6	15.7
Transfer	–	0.6	(0.6)	–	–	–	–	–	–
At 31st December	75.1	31.1	30.2	1,561.3	0.3	(322.2)	1,375.8	79.4	1,455.2

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$469.0 million *(2015: US$424.4 million)* and net fair value loss on other investments of US$0.6 million *(2015: net fair value gain of US$1.3 million)*. Cumulative net fair value gain on other investments amounted to US$4.8 million *(2015: US$5.4 million)*.

Consolidated Cash Flow Statement

for the year ended 31st December 2016

	Note	2016 US$m	2015 US$m
Operating activities			
Operating profit	*5*	**458.8**	431.1
Depreciation and amortization	*29(a)*	**212.8**	212.0
Other non-cash items	*29(b)*	**8.4**	25.2
(Increase)/decrease in working capital	*29(c)*	**(97.1)**	73.0
Interest received		**1.3**	1.8
Interest and other financing charges paid		**(22.0)**	(15.0)
Tax paid		**(85.3)**	(90.2)
		476.9	637.9
Dividends from associates and joint ventures		**66.0**	61.9
Cash flows from operating activities		**542.9**	699.8
Investing activities			
Purchase of a subsidiary	*29(d)*	**–**	(146.6)
Purchases of associates and joint ventures	*29(e)*	**(197.0)**	(918.4)
Purchase of intangible assets		**(32.1)**	(41.9)
Purchase of tangible assets		**(212.5)**	(261.9)
Sale of convenience stores in Indonesia and restaurants in Cambodia		**5.1**	–
Sale of properties	*29(f)*	**7.2**	1.7
Sale of tangible assets		**1.3**	1.7
Cash flows from investing activities		**(428.0)**	(1,365.4)
Financing activities			
Change in interests in subsidiaries	*29(g)*	**(2.2)**	15.7
Capital repayment to non-controlling interests		**(4.4)**	–
Drawdown of borrowings		**1,769.7**	2,782.4
Repayment of borrowings		**(1,660.6)**	(2,209.3)
Net increase in other short-term borrowings	*29(h)*	**128.5**	–
Dividends paid by the Company	*26*	**(270.4)**	(311.0)
Dividends paid to non-controlling interests		**(3.1)**	–
Cash flows from financing activities		**(42.5)**	277.8
Net increase/(decrease) in cash and cash equivalents		**72.4**	(387.8)
Cash and cash equivalents at 1st January		**256.7**	656.6
Effect of exchange rate changes		**(6.5)**	(12.1)
Cash and cash equivalents at 31st December	*29(i)*	**322.6**	256.7

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of preparation

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

Amendments effective in 2016 which are relevant to the Group's operations:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative: Presentation of Financial Statements
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Annual Improvements to IFRSs	2012 – 2014 Cycle

The adoption of the above amendments does not have a significant effect on the Group's accounting policies and disclosures.

New standards and amendments effective after 2016 which are relevant to the Group's operations and yet to be adopted:

Certain new standards and amendments, which are effective after 2016, have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standards and amendments but expects their adoption will not have a significant effect on the Group's consolidated financial statements except as set out below.

IFRS 9 'Financial Instruments' (effective for accounting periods beginning on or after 1st January 2018), which replaces IAS 39 'Financial Instruments: Recognition and Measurement', addresses the classification and measurement of financial assets and liabilities and includes a new expected credit losses model for financial assets that replaces the incurred loss impairment model used today. A substantially-reformed approach to hedging accounting is introduced. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities. The new hedge accounting rules will align the accounting for hedging instruments closely with the Group's risk management practices. Nevertheless, the Group does not expect a significant impact on the accounting for its hedging relationships.

IFRS 15 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1st January 2018), establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. IFRS 15 replaces IAS 11 'Construction Contracts' and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in that framework is that revenue is recognized when control of a good or service transfers to a customer. The new standard will also result in new disclosure requirements on revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Group has done a preliminary review and does not expect a significant impact to the financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies continued

Basis of preparation continued

IFRS 16 'Leases' (effective for accounting periods beginning on or after 1st January 2019) replaces IAS 17 'Leases' and related interpretations. It will result in lessees bringing almost all their leases onto the balance sheet as the distinction between operating leases and finance leases is removed. The model requires a lessee to recognize a right-of-use asset (the right to use the underlying leased asset) and a lease liability (the obligation to make lease payments) except for leases with a term of less than 12 months or with low-value. The accounting for lessors will not change significantly. IFRS 16 will affect primarily the accounting for the Group's operating leases. With a large number of leases, IFRS 16 is likely to exert significant financial impact on the Group. A preliminary review was completed and the Group is yet to undertake a detailed assessment on how the new lease model will affect its profit, classification of cash flows and balance sheet position.

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

The Group's reportable segments are set out in notes 4, 5 and 7 and are described on page 69.

Basis of consolidation

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

(ii) A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

All material intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated. The cost of and related income arising from shares held in the Company by subsidiaries are eliminated from shareholders' funds and non-controlling interests, and profit, respectively.

1. Principal Accounting Policies continued

Basis of consolidation continued

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

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

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

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

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

Foreign currencies

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

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

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

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

1. Principal Accounting Policies continued

Impairment of non-financial assets

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

Intangible assets

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

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

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

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

Tangible fixed assets and depreciation

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

1. Principal Accounting Policies continued

Tangible fixed assets and depreciation continued

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

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

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

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

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

Investments

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

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

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

Leases

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

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

Stocks

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method or on a weighted average basis and comprises purchase price less rebates.

1. Principal Accounting Policies continued

Debtors

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

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

Cash and cash equivalents

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

Provisions

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

Borrowings and borrowing costs

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

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

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

1. Principal Accounting Policies continued

Current and deferred tax continued

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

Employee benefits

(i) Pension obligations

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

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

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

Past service costs are recognized immediately in profit and loss.

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

(ii) Share-based compensation

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

Non-current assets 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. Once classified as held for sale, the assets are no longer amortized or depreciated.

Notes to the Financial Statements

1. Principal Accounting Policies continued

Derivative financial instruments

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

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

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

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

Offsetting financial instruments

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

1. Principal Accounting Policies continued

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.

Earnings per share

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

Dividends

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

Sales

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

Cost of sales

Cost of sales consists of all costs to the point of sale. Supplier incentives, rebates and discounts are collectively referred to as supplier income in the retail industry. Supplier income is recognized as a deduction from cost of sales on an accruals basis based on the expected entitlement which has been earned up to the balance sheet date for each relevant supplier contract.

Buying income

Buying income incentives, rebates and discounts are collectively referred to as buying income in the retail industry. Buying income is recognized as a deduction from cost of sales on an accruals basis according to the expected entitlement which has been earned up to the balance sheet date for each relevant supplier contract.

Buying income receivables are not offset against payables to suppliers except when the Group has a legally enforceable right to offset the asset and liability and intends to settle balances on a net basis.

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

Notes to the Financial Statements

1. Principal Accounting Policies continued

Other operating income

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

Pre-operating costs

Pre-operating costs are expensed as they are incurred.

2. Financial Risk Management

Financial risk factors

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

The Group's treasury function co-ordinates financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, 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 the profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2016 are disclosed in note 30.

(i) Market risk

Foreign exchange risk

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

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

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. There are no significant monetary balances held by Group companies at 31st December 2016 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

2. Financial Risk Management continued

Financial risk factors continued

(i) Market risk continued

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments 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 long-term non-working capital gross borrowings in fixed rate instruments. At 31st December 2016, the Group's fixed rate borrowings were 32% *(2015: 63%)* on long-term non-working capital borrowings, with an average tenor of 2.2 years *(2015: 0.9 year)*. The interest rate profile of the Group's borrowings after taking into account hedging transactions is set out in note 20.

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.

At 31st December 2016, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$5.7 million *(2015: US$5.5 million)* higher/lower, and hedging reserves would have been US$4.4 million higher/lower *(2015: no impact)*, 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, Singapore and Malaysian rates, over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

(ii) Credit risk

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

The Group manages its deposits with banks and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2016, over 89% *(2015: 87%)* of deposits and balances with banks were made to institutions with credit ratings of no less than A- (Fitch). Similarly, transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

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

2. Financial Risk Management continued

Financial risk factors continued

(iii) Liquidity risk

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

At 31st December 2016, total available borrowing facilities amounted to US$1,914.5 million *(2015: US$1,549.3 million)*, of which US$1,249.4 million *(2015: US$771.3 million)* are committed facilities. A total of US$964.6 million *(2015: US$740.2 million)* from both committed and uncommitted facilities was drawn down. Undrawn committed facilities, in the form of revolving credit facilities, totalled US$388.4 million *(2015: US$53.6 million)*.

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

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
At 31st December 2016							
Creditors	2,324.8	14.1	1.1	25.2	0.1	2.4	**2,367.7**
Borrowings	387.9	11.8	307.3	6.3	296.2	–	**1,009.5**
Net-settled derivative financial instruments	–	–	–	–	–	–	**–**
Gross-settled derivative financial instruments							
– inflow	548.8	–	–	–	–	–	**548.8**
– outflow	548.5	–	–	–	–	–	**548.5**
At 31st December 2015							
Creditors	2,351.2	14.5	1.2	0.2	25.3	2.4	2,394.8
Borrowings	734.8	7.6	3.8	–	–	–	746.2
Net-settled derivative financial instruments	–	–	–	–	–	–	–
Gross-settled derivative financial instruments							
– inflow	21.0	–	–	–	–	–	21.0
– outflow	21.0	–	–	–	–	–	21.0

2. Financial Risk Management continued

Capital management

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

The Group 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 operating profit and share of results of associates and joint ventures divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2016 and 2015 are as follows:

	2016	2015
Gearing ratio (%)	**41**	33
Interest cover (times)	**26**	38

Fair value estimation

(i) Financial instruments that are measured at fair value

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')
The fair value of listed securities, which are classified as available-for-sale, is based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

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

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

2. Financial Risk Management continued

Fair value estimation continued

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

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

There were no changes in valuation techniques during the year.

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

	2016 US$m	2015 US$m
Assets		
Available-for-sale financial assets		
– unlisted investments *(note 14)*	**5.9**	6.8
Derivatives designated at fair value *(note 30)*		
– through other comprehensive expense	**3.0**	0.5
	8.9	7.3
Liabilities		
Derivatives designated at fair value *(note 30)*		
– through other comprehensive expense	**(0.6)**	(0.1)
	(0.6)	(0.1)

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

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

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

2. Financial Risk Management continued

Fair value estimation continued

Financial instruments by category

	Loans and receivables US$m	Derivatives used for hedging US$m	Available-for-sale US$m	Other financial instruments at amortized cost US$m	Total carrying amounts US$m
2016					
Assets					
Other investments	–	–	5.9	–	**5.9**
Debtors	125.3	3.0	–	–	**128.3**
Bank balances and other liquid funds	323.8	–	–	–	**323.8**
	449.1	**3.0**	**5.9**	**–**	**458.0**
Liabilities					
Borrowings	–	–	–	(964.6)	**(964.6)**
Trade and other payables excluding non-financial liabilities	–	(0.6)	–	(2,367.7)	**(2,368.3)**
	–	**(0.6)**	**–**	**(3,332.3)**	**(3,332.9)**
2015					
Assets					
Other investments	–	–	6.8	–	6.8
Debtors	116.0	0.5	–	–	116.5
Bank balances and other liquid funds	258.5	–	–	–	258.5
	374.5	0.5	6.8	–	381.8
Liabilities					
Borrowings	–	–	–	(740.2)	(740.2)
Trade and other payables excluding non-financial liabilities	–	(0.1)	–	(2,394.8)	(2,394.9)
	–	(0.1)	–	(3,135.0)	(3,135.1)

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

3. Critical Accounting Estimates and Judgements

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

Acquisition of subsidiaries, associates and joint ventures

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

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

Impairment of assets

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

Income taxes

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

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

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

3. Critical Accounting Estimates and Judgements continued

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 discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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 obligation.

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

4. Sales

	Including associates and joint ventures		**Subsidiaries**	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
Analysis by operating segment:				
Food	**15,174.7**	12,893.6	**8,167.9**	8,196.8
– Supermarkets/hypermarkets	**13,224.1**	11,012.3	**6,217.3**	6,315.5
– Convenience stores	**1,950.6**	1,881.3	**1,950.6**	1,881.3
Health and Beauty	**2,632.8**	2,563.1	**2,435.9**	2,372.5
Home Furnishings	**596.9**	568.0	**596.9**	568.0
Restaurants	**2,019.2**	1,882.3	**–**	–
	20,423.6	17,907.0	**11,200.7**	11,137.3

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

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

4. Sales continued

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

	Including associates and joint ventures		Subsidiaries	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
Analysis by geographical area:				
North Asia	**15,601.1**	12,911.0	**6,594.2**	6,344.2
East Asia	**2,415.5**	2,546.4	**2,382.2**	2,523.0
South Asia	**2,407.0**	2,449.6	**2,224.3**	2,270.1
	20,423.6	17,907.0	**11,200.7**	11,137.3

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

5. Operating Profit

	2016 US$m	2015 US$m
Analysis by operating segment:		
Food	**267.2**	235.8
– Supermarkets/hypermarkets	**193.7**	171.7
– Convenience stores	**73.5**	64.1
Health and Beauty	**175.5**	185.5
Home Furnishings	**70.6**	63.6
	513.3	484.9
Support office	**(60.7)**	(49.6)
	452.6	435.3
Non-trading items:		
– profit on sale of properties	**3.0**	0.5
– acquisition-related costs in business combination	**–**	(1.2)
– net closure costs reversal/(provision) for convenience stores in Indonesia	**2.2**	(3.5)
– profit on sale of restaurants in Cambodia	**1.0**	–
	458.8	431.1

5. Operating Profit continued

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

	2016 **US$m**	2015 US$m
Analysis by geographical area:		
North Asia	**416.4**	416.0
East Asia	**34.7**	31.6
South Asia	**62.2**	37.3
	513.3	484.9

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

	2016 **US$m**	2015 US$m
Cost of stocks recognized as expense	**(7,787.6)**	(7,812.5)
Amortization of intangible assets *(note 11)*	**(16.8)**	(13.1)
Depreciation of tangible assets *(note 12)*	**(196.0)**	(198.9)
Write down of stocks	**(1.2)**	(13.6)
Reversal of write down of stocks	**2.5**	1.0
Employee benefit expense		
– salaries and benefits in kind	**(1,022.1)**	(976.3)
– share options granted *(note 25)*	**(1.3)**	(2.2)
– defined benefit pension plans *(note 22)*	**(25.2)**	(22.4)
– defined contribution pension plans	**(49.3)**	(48.6)
	(1,097.9)	(1,049.5)
Operating lease expenses		
– minimum lease payments	**(901.8)**	(899.3)
– contingent rents	**(29.9)**	(16.9)
– subleases	**47.8**	43.2
	(883.9)	(873.0)
Auditors' remuneration		
– audit	**(4.0)**	(2.8)
– non-audit services	**(1.1)**	(1.0)
	(5.1)	(3.8)
Concession and service income	**139.8**	136.0
Rental income from properties	**27.8**	30.0
Net foreign exchange gains	**0.7**	1.5
Loss on sale of tangible and intangible assets	**(9.9)**	(10.0)

6. Net Financing Charges

	2016 US$m	2015 US$m
Interest expense – bank loans and advances	**(19.0)**	(12.0)
Commitment and other fees	**(4.3)**	(3.3)
Financing charges	**(23.3)**	(15.3)
Financing income	**1.5**	1.7
	(21.8)	(13.6)

7. Share of Results of Associates and Joint Ventures

	2016 US$m	2015 US$m
Analysis by operating segment:		
Food – Supermarkets/hypermarkets	**35.6**	6.4
Health and Beauty	**(5.3)**	(5.7)
Restaurants	**87.9**	84.3
	118.2	85.0

Share of results of associates and joint ventures included our share of a net gain of US$3.7 million on a disposal of its interest in an associate by Yonghui Superstores Co., Ltd ('Yonghui') *(note 10)*.

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

8. Tax

	2016 US$m	2015 US$m
Tax charged to profit and loss is analyzed as follows:		
Current tax	**(82.0)**	(82.9)
Deferred tax	**(3.1)**	(1.6)
	(85.1)	(84.5)
Reconciliation between tax expense and tax at the applicable tax rate:*		
Tax at applicable tax rate	**(67.9)**	(65.8)
Income not subject to tax	**6.2**	10.9
Expenses not deductible for tax purposes	**(12.9)**	(11.5)
Tax losses and temporary differences not recognized	**(4.1)**	(11.3)
Utilization of previously unrecognized tax losses	**1.2**	1.0
Recognition of previously unrecognized temporary differences	**–**	0.2
Deferred tax assets written off	**(1.7)**	–
Over provision in prior years	**1.9**	2.4
Withholding tax	**(8.1)**	(7.6)
Change in tax rates	**–**	0.3
Other	**0.3**	(3.1)
	(85.1)	(84.5)
Tax relating to components of other comprehensive (expense)/income is analyzed as follows:		
Remeasurements of defined benefit plans	**(4.4)**	6.1
Revaluation of other investments	**0.2**	(0.3)
Cash flow hedges	**(0.3)**	0.3
	(4.5)	6.1

Share of tax charge of associates and joint ventures of US$29.4 million *(2015: US$21.9 million)* is included in share of results of associates and joint ventures.

* The applicable tax rate for the year was 15.5% *(2015: 15.8%)* and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in applicable tax rate was mainly attributable to a change in the geographic mix of the Group's profit.

9. Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$469.0 million *(2015: US$424.4 million)*, and on the weighted average number of 1,352.2 million *(2015: 1,352.1 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$469.0 million *(2015: US$424.4 million)*, and on the weighted average number of shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

9. Earnings per Share continued

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

	Ordinary shares in millions	
	2016	2015
Weighted average number of shares for basic earnings per share calculation	**1,352.2**	1,352.1
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**0.3**	0.3
Weighted average number of shares for diluted earnings per share calculation	**1,352.5**	1,352.4

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

	2016			2015		
		Basic earnings per share	**Diluted earnings per share**		Basic earnings per share	Diluted earnings per share
	US$m	**US¢**	**US¢**	US$m	US¢	US¢
Profit attributable to shareholders	**469.0**	**34.69**	**34.68**	424.4	31.39	31.38
Non-trading items *(note 10)*	**(8.8)**			3.7		
Underlying profit attributable to shareholders	**460.2**	**34.03**	**34.02**	428.1	31.66	31.66

10. Non-trading Items

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

	2016	2015
	US$m	US$m
Profit on sale of properties	**2.5**	0.4
Acquisition-related costs in business combination	**–**	(1.2)
Net closure costs reversal/(provision) for convenience stores in Indonesia	**1.9**	(2.9)
Profit on sale of restaurants in Cambodia	**0.7**	–
Share of net gain from divestment in an associate by Yonghui	**3.7**	–
	8.8	(3.7)

11. Intangible Assets

	Goodwill US$m	Leasehold land US$m	Computer software US$m	Other US$m	Total US$m
2016					
Cost	571.2	96.7	107.4	21.8	**797.1**
Amortization and impairment	(0.3)	(7.2)	(39.1)	(6.1)	**(52.7)**
Net book value at 1st January	570.9	89.5	68.3	15.7	**744.4**
Exchange differences	(8.6)	2.5	(0.9)	(0.4)	**(7.4)**
Additions	–	0.7	31.6	17.3	**49.6**
Disposals	–	(4.3)	(0.4)	–	**(4.7)**
Amortization	–	(2.0)	(13.2)	(1.6)	**(16.8)**
Net book value at 31st December	**562.3**	**86.4**	**85.4**	**31.0**	**765.1**
Cost	562.6	95.6	134.2	44.0	**836.4**
Amortization and impairment	(0.3)	(9.2)	(48.8)	(13.0)	**(71.3)**
	562.3	**86.4**	**85.4**	**31.0**	**765.1**
2015					
Cost	414.2	100.7	77.5	18.7	611.1
Amortization and impairment	(0.3)	(5.8)	(33.8)	(5.1)	(45.0)
Net book value at 1st January	413.9	94.9	43.7	13.6	566.1
Exchange differences	(24.8)	(9.4)	(2.0)	(0.8)	(37.0)
New subsidiary	181.8	–	–	4.3	186.1
Additions	–	6.0	36.3	–	42.3
Amortization	–	(2.0)	(9.7)	(1.4)	(13.1)
Net book value at 31st December	570.9	89.5	68.3	15.7	744.4
Cost	571.2	96.7	107.4	21.8	797.1
Amortization and impairment	(0.3)	(7.2)	(39.1)	(6.1)	(52.7)
	570.9	89.5	68.3	15.7	744.4

Goodwill is allocated to groups of cash-generating units identified by banners or group of stores acquired in each territory. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations in 2016 include budgeted gross margins of between 21% and 28% and average growth rates of between 2.0% to 5.2% to project cash flows, which vary across the Group's business segments and geographical locations, over a five-year period and thereafter, and are based on management expectations for the market development; and pre-tax discount rates of between 6% and 16% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment exists.

The additions of goodwill in 2015 related to the acquisition of San Miu Supermarket Limited in Macau. *(note 29(d))*

Notes to the Financial Statements

11. Intangible Assets continued

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

There were no intangible assets pledged as security for borrowings at 31st December 2016 and 2015.

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

The remaining amortization periods for intangible assets are as follows:

Leasehold land	up to 58 years
Computer software	up to 7 years
Trademarks and others	up to 18 years

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
2016						
Cost	119.8	487.7	607.4	563.8	712.6	**2,491.3**
Depreciation and impairment	(3.6)	(85.5)	(407.0)	(381.0)	(473.4)	**(1,350.5)**
Net book value at 1st January	116.2	402.2	200.4	182.8	239.2	**1,140.8**
Exchange differences	(3.4)	(5.7)	(5.1)	(3.7)	2.1	**(15.8)**
Additions	1.7	28.6	63.9	63.2	31.0	**188.4**
Disposals	–	(0.1)	(5.1)	(3.0)	(7.7)	**(15.9)**
Transfers	–	2.5	46.0	16.4	(64.9)	**–**
Depreciation charge	(1.2)	(15.9)	(60.5)	(57.6)	(60.8)	**(196.0)**
Reversal of impairment charge	–	–	0.1	–	–	**0.1**
Reclassified to non-current assets held for sale	(2.1)	–	–	–	–	**(2.1)**
Net book value at 31st December	**111.2**	**411.6**	**239.7**	**198.1**	**138.9**	**1,099.5**
Cost	115.8	511.6	756.5	620.2	518.1	**2,522.2**
Depreciation and impairment	(4.6)	(100.0)	(516.8)	(422.1)	(379.2)	**(1,422.7)**
	111.2	**411.6**	**239.7**	**198.1**	**138.9**	**1,099.5**

12. Tangible Assets continued

	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
2015						
Cost	133.7	471.4	611.7	553.8	793.0	2,563.6
Depreciation and impairment	(5.9)	(80.8)	(396.6)	(367.9)	(493.2)	(1,344.4)
Net book value at 1st January	127.8	390.6	215.1	185.9	299.8	1,219.2
Exchange differences	(19.6)	(51.3)	(9.3)	(12.0)	(22.6)	(114.8)
New subsidiary	–	–	1.9	2.4	0.3	4.6
Additions	9.3	78.1	51.6	61.7	42.3	243.0
Disposals	–	(0.2)	(3.7)	(1.9)	(5.7)	(11.5)
Depreciation charge	(1.3)	(14.6)	(54.8)	(53.3)	(74.9)	(198.9)
Impairment charge	–	–	(0.4)	–	–	(0.4)
Reclassified to non-current assets held for sale	–	(0.4)	–	–	–	(0.4)
Net book value at 31st December	116.2	402.2	200.4	182.8	239.2	1,140.8
Cost	119.8	487.7	607.4	563.8	712.6	2,491.3
Depreciation and impairment	(3.6)	(85.5)	(407.0)	(381.0)	(473.4)	(1,350.5)
	116.2	402.2	200.4	182.8	239.2	1,140.8

Net book value of leasehold properties acquired under finance leases amounted to US$82.9 million *(2015: US$86.9 million)*.

Rental income from properties amounted to US$27.8 million *(2015: US$30.0 million)* including contingent rents of US$2.7 million *(2015: US$2.9 million)*.

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

	2016 US$m	2015 US$m
Within one year	**13.4**	12.8
Between one and two years	**10.1**	7.7
Between two and five years	**10.9**	4.6
Beyond five years	**1.8**	1.8
	36.2	26.9

There were no tangible assets pledged as security for borrowings at 31st December 2016 and 2015.

13. Associates and Joint Ventures

	2016 US$m	2015 US$m
Listed associate	**634.9**	464.1
Unlisted associate	**343.5**	310.9
Share of attributable net assets	**978.4**	775.0
Goodwill on acquisition	**388.4**	417.4
	1,366.8	1,192.4
Unlisted joint ventures	**19.1**	19.6
Goodwill on acquisition	**75.9**	80.1
	95.0	99.7
	1,461.8	1,292.1

	Associates		Joint ventures	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
Movements of associates and joint ventures during the year:				
At 1st January	**1,192.4**	280.7	**99.7**	107.3
Share of results after tax and non-controlling interests	**124.7**	92.1	**(6.5)**	(7.1)
Share of other comprehensive expense after tax and non-controlling interests	**(72.5)**	(40.5)	**(5.0)**	(6.9)
Dividends received	**(66.0)**	(61.9)	**–**	–
Acquisition or capital injections	**190.2**	922.0	**6.8**	6.4
Fair value adjustment	**(2.0)**	–	**–**	–
At 31st December	**1,366.8**	1,192.4	**95.0**	99.7
Fair value of listed associate	**1,352.5**	1,264.7		

(a) Investment in associates

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

Nature of investments in material associates in 2016 and 2015:

			% of ownership interest	
Name of entity	Nature of business	Country of incorporation/ place of listing	**2016**	2015
Maxim's Caterers Limited ('Maxim's')	Restaurants	Hong Kong/Unlisted	**50**	50
Yonghui Superstores Co., Ltd ('Yonghui')	Supermarkets and hypermarkets	Mainland China/Shanghai	**19.99**	19.99

At 31st December 2016, the fair value of the Group's interest in Yonghui was US$1,352.5 million *(2015: US$1,264.7 million)* and the carrying amount of the Group's interest was US$1,023.3 million *(2015: US$881.5 million)*.

13. Associates and Joint Ventures continued

(a) Investment in associates continued

Summarized financial information for material associates

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

In 2015, the Group subscribed 813.1 million shares of Yonghui, representing its 19.99% equity interest at the date of acquisition. The finalized goodwill at 31st December 2016, represented the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets was concluded at US$415.4 million after a fair value adjustment of US$2.0 million, compared to the provisional goodwill of US$417.4 million at 31st December 2015. The impact of foreign exchange has further decreased the value of goodwill to US$388.4 million as of 31st December 2016.

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

	Maxim's		**Yonghui^**	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
Non-current assets	**856.9**	765.4	**1,969.1**	1,990.6
Current assets				
Cash and cash equivalents	**170.9**	189.6	**1,704.5**	1,021.5
Other current assets	**143.9**	135.8	**1,153.3**	910.0
Total current assets	**314.8**	325.4	**2,857.8**	1,931.5
Non-current liabilities				
Financial liabilities*	**(57.4)**	(43.1)	**–**	–
Other non-current liabilities	**(44.9)**	(33.5)	**(21.2)**	(13.3)
Total non-current liabilities	**(102.3)**	(76.6)	**(21.2)**	(13.3)
Current liabilities				
Financial liabilities*	**(259.8)**	(265.8)	**(68.1)**	(53.7)
Other current liabilities	**(108.7)**	(112.7)	**(1,486.8)**	(1,490.6)
Total current liabilities	**(368.5)**	(378.5)	**(1,554.9)**	(1,544.3)
Non-controlling interests	**(13.9)**	(13.9)	**(9.3)**	(7.7)
Net assets	**687.0**	621.8	**3,241.5**	2,356.8

^ Based on unaudited summarized balance sheet at 30th September 2016 and 2015.

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

Notes to the Financial Statements

13. Associates and Joint Ventures continued

(a) Investment in associates continued

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

	Maxim's		Yonghui	
	2016	2015	**2016^**	2015*
	US$m	US$m	**US$m**	US$m
Sales	**2,019.2**	1,882.3	**7,291.6**	3,217.5
Depreciation and amortization	**(85.5)**	(74.8)	**(197.0)**	(64.0)
Interest income	**1.4**	3.7	**20.0**	8.9
Interest expense	**(0.1)**	–	**(11.8)**	(4.7)
Profit from underlying business performance	**215.2**	206.0	**168.4**	48.8
Income tax expense	**(37.5)**	(35.9)	**(45.3)**	(8.4)
Profit after tax	**177.7**	170.1	**123.1**	40.4
Non-controlling interests	**(1.8)**	(1.6)	**2.0**	0.2
Profit after tax and non-controlling interests	**175.9**	168.5	**125.1**	40.6
Other comprehensive (expense)/income	**(15.3)**	(15.3)	**0.7**	(3.6)
Total comprehensive income	**160.6**	153.2	**125.8**	37.0
Dividends received from associates	**47.7**	46.4	**18.3**	15.5

^ Based on unaudited summarized statement of comprehensive income for the period from 1st October 2015 to 30th September 2016.

* Based on unaudited summarized statement of comprehensive income for the six months ended 30th September 2015.

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

Reconciliation of the summarized financial information

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

	Maxim's		Yonghui		Total	
	2016	2015	**2016**	2015	**2016**	2015
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
Net assets	**687.0**	621.8	**3,241.5^**	2,356.8^		
Interest in associates (%)	***50***	*50*	***19.99***	*19.99*		
Group's share of net assets in associates	**343.5**	310.9	**648.0**	471.1	**991.5**	782.0
Goodwill	**–**	–	**388.4**	417.4	**388.4**	417.4
Other reconciling items	**–**	–	**(13.1)**	(7.0)	**(13.1)**	(7.0)
Carrying value	**343.5**	310.9	**1,023.3**	881.5	**1,366.8**	1,192.4

^ Based on unaudited summarized balance sheet at 30th September 2016 and 2015.

There were no contingent liabilities relating to the Group's interests in associates at 31st December 2016 and 2015.

13. Associates and Joint Ventures continued

(b) Investment in joint ventures

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

Commitments and contingent liabilities in respect of joint ventures

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

	2016 US$m	2015 US$m
Commitment to provide funding	**12.2**	4.8

There were no contingent liabilities relating to the Group's interest in the joint ventures at 31st December 2016 and 2015.

14. Other Investments

	2016 US$m	2015 US$m
Movements during the year:		
At 1st January	**6.8**	5.2
Revaluation (deficit)/surplus	**(0.9)**	1.6
At 31st December	**5.9**	6.8

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

15. Debtors

	2016 US$m	2015 US$m
Trade debtors		
Third parties	**111.3**	96.5
Less: provision for impairment	**(2.7)**	(2.2)
	108.6	94.3
Other debtors		
Third parties	**335.1**	303.3
Less: provision for impairment	**(2.4)**	(2.3)
	332.7	301.0
	441.3	395.3
Non-current	**150.8**	161.5
Current	**290.5**	233.8
	441.3	395.3

Notes to the Financial Statements

15. Debtors continued

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

Trade and other debtors

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

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

At 31st December 2016, trade debtors of US$2.7 million *(2015: US$2.2 million)* and other debtors of US$2.4 million *(2015: US$2.3 million)* were impaired, which have been fully provided for in both years. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
Between 61 and 90 days	**–**	–	**0.1**	–
Over 90 days	**2.7**	2.2	**2.3**	2.3
	2.7	2.2	**2.4**	2.3

At 31st December 2016, trade debtors of US$0.6 million *(2015: US$12.0 million)* and other debtors of US$3.2 million *(2015: US$2.8 million)*, respectively, were past due but not impaired. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
Below 30 days	**0.4**	9.8	**2.1**	1.5
Between 31 and 60 days	**–**	0.9	**0.8**	0.6
Between 61 and 90 days	**–**	0.7	**0.1**	0.3
Over 90 days	**0.2**	0.6	**0.2**	0.4
	0.6	12.0	**3.2**	2.8

The risk of trade and other debtors that are neither past due nor impaired at 31st December 2016 becoming impaired is low as most of the balances have been settled subsequent to year end.

15. Debtors continued

Other debtors

Other debtors are further analyzed as follows:

	2016 US$m	2015 US$m
Derivative financial instruments	**3.0**	0.5
Other receivables	**16.7**	21.7
Financial assets	**19.7**	22.2
Prepayments	**79.3**	90.7
Rental and other deposits	**155.6**	157.5
Other	**78.1**	30.6
	332.7	301.0

Movements in the provision for impairment are as follows:

	Trade debtors		**Other debtors**	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
At 1st January	**(2.2)**	(1.3)	**(2.3)**	(2.5)
Exchange differences	**–**	0.1	**0.1**	0.2
Additional provisions	**(0.7)**	(1.2)	**(0.8)**	(0.7)
Unused amounts reversed	**–**	0.1	**0.3**	0.1
Amounts written off	**0.2**	0.1	**0.3**	0.6
At 31st December	**(2.7)**	(2.2)	**(2.4)**	(2.3)

There were no debtors pledged as security for borrowings at 31st December 2016 and 2015.

Notes to the Financial Statements

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
2016					
At 1st January	(41.9)	(3.4)	13.2	11.8	**(20.3)**
Exchange differences	0.3	–	0.1	(0.1)	**0.3**
(Charged)/credited to profit and loss	(3.5)	0.2	0.1	0.1	**(3.1)**
Charged to other comprehensive expense	–	(0.1)	(4.4)	–	**(4.5)**
At 31st December	**(45.1)**	**(3.3)**	**9.0**	**11.8**	**(27.6)**
Deferred tax assets	1.1	0.1	9.0	18.8	**29.0**
Deferred tax liabilities	(46.2)	(3.4)	–	(7.0)	**(56.6)**
	(45.1)	**(3.3)**	**9.0**	**11.8**	**(27.6)**
2015					
At 1st January	(39.6)	(3.6)	7.1	17.1	(19.0)
Exchange differences	2.5	0.2	(0.2)	(1.9)	0.6
(Charged)/credited to profit and loss	(4.8)	–	0.2	3.0	(1.6)
Credited to other comprehensive expense	–	–	6.1	–	6.1
Other movements	–	–	–	(6.4)	(6.4)
At 31st December	(41.9)	(3.4)	13.2	11.8	(20.3)
Deferred tax assets	1.3	–	13.2	20.5	35.0
Deferred tax liabilities	(43.2)	(3.4)	–	(8.7)	(55.3)
	(41.9)	(3.4)	13.2	11.8	(20.3)

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$23.4 million *(2015: US$24.3 million)* arising from unused tax losses of US$93.3 million *(2015: US$97.4 million)* have not been recognized in the financial statements. Included in the unused tax losses, the balance will expire at various dates up to and including 2021.

Deferred tax liabilities of US$17.0 million *(2015: US$14.7 million)* arising on temporary differences associated with investment in subsidiaries of US$170.0 million *(2015: US$146.8 million)* have not been recognized as there is no current intention of remitting the retained earnings of these subsidiaries to the holding companies in the foreseeable future.

17. Bank Balances and Other Liquid Funds

	2016 US$m	2015 US$m
Deposits with banks	**70.7**	62.7
Bank balances	**149.6**	104.3
Cash balances	**103.5**	91.5
	323.8	258.5

The weighted average interest rate on deposits with banks is 0.4% *(2015: 0.4%)* per annum.

18. Non-current Assets Held for Sale

At 31st December 2016, the non-current assets held for sale represented a retail property in Taiwan and two apartments in Indonesia brought forward from 31st December 2015. The sale of these properties is expected to complete in 2017 at amounts not materially different from their carrying values.

At 31st December 2015, the non-current assets held for sale represented two apartments in Indonesia.

19. Creditors

	2016 US$m	2015 US$m
Trade creditors	**1,518.0**	1,560.7
Accruals	**787.7**	772.5
Rental and other refundable deposits	**25.4**	25.3
Deferred consideration for acquisition of a subsidiary	**25.0**	25.0
Derivative financial instruments	**0.6**	0.1
Other creditors	**11.6**	11.3
Financial liabilities	**2,368.3**	2,394.9
Rental and other income received in advance	**2.5**	3.2
	2,370.8	2,398.1
Non-current	**42.9**	43.6
Current	**2,327.9**	2,354.5
	2,370.8	2,398.1

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

Notes to the Financial Statements

20. Borrowings

	2016 US$m	2015 US$m
Current		
– bank overdrafts	**1.2**	1.8
– other bank advances	**346.1**	641.6
	347.3	643.4
Current portion of long-term bank borrowings	**22.3**	86.2
Long-term bank borrowings	**595.0**	10.6
	964.6	740.2

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

The Group's borrowings are further summarized as follows:

		Fixed rate borrowings			
By currency	**Weighted average interest rates %**	**Weighted average period outstanding Years**	**US$m**	**Floating rate borrowings US$m**	**Total US$m**
2016					
Hong Kong dollar	1.2	–	–	157.8	**157.8**
Malaysian ringgit	4.3	–	–	136.1	**136.1**
New Taiwan dollar	1.4	–	–	3.3	**3.3**
Philippine peso	3.1	–	–	72.4	**72.4**
United States dollar	1.8	2.2	200.0	395.0	**595.0**
			200.0	**764.6**	**964.6**
2015					
Brunei dollar	2.5	–	–	0.4	0.4
Indonesian rupiah	10.2	–	–	7.3	7.3
Malaysian ringgit	4.2	–	–	49.7	49.7
New Taiwan dollar	1.4	–	–	3.3	3.3
Philippine peso	3.6	0.9	74.2	5.3	79.5
United States dollar	0.7	–	–	600.0	600.0
			74.2	666.0	740.2

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

20. Borrowings continued

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

	2016 US$m	2015 US$m
Within one year	**764.6**	666.0

In March 2016, the Group completed the refinancing of its short-term facility through new term and revolving loan facilities totalling US$900.0 million with longer tenor facilities of up to five years.

21. Provisions

	Closure cost provisions US$m	**Obligations under onerous leases US$m**	**Reinstatement and restoration costs US$m**	**Total US$m**
2016				
At 1st January	5.6	15.1	24.0	**44.7**
Exchange differences	–	(0.7)	(0.8)	**(1.5)**
Additional provisions	6.8	–	4.2	**11.0**
Unused amounts reversed	(2.7)	–	(0.1)	**(2.8)**
Utilized	(3.8)	–	(1.1)	**(4.9)**
At 31st December	**5.9**	**14.4**	**26.2**	**46.5**
Non-current	–	8.9	22.8	**31.7**
Current	5.9	5.5	3.4	**14.8**
	5.9	**14.4**	**26.2**	**46.5**
2015				
At 1st January	2.6	10.8	26.5	39.9
Exchange differences	(0.3)	(2.6)	(2.9)	(5.8)
Additional provisions	6.9	6.9	1.2	15.0
Unused amounts reversed	(2.0)	–	(0.2)	(2.2)
Utilized	(1.6)	–	(0.6)	(2.2)
At 31st December	5.6	15.1	24.0	44.7
Non-current	–	12.5	21.6	34.1
Current	5.6	2.6	2.4	10.6
	5.6	15.1	24.0	44.7

Notes to the Financial Statements

21. Provisions continued

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

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

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

22. Pension Plans

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

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

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

	2016 **US$m**	2015 US$m
Fair value of plan assets	**195.2**	191.9
Present value of funded obligations	**(247.6)**	(263.3)
	(52.4)	(71.4)
Present value of unfunded obligations	**–**	–
Net pension liabilities	**(52.4)**	(71.4)
Analysis of net pension liabilities:		
Pension assets	**–**	–
Pension liabilities	**(52.4)**	(71.4)
	(52.4)	(71.4)

22. Pension Plans continued

The movement in the net pension liabilities is as follows:

	Fair value of plan assets US$m	Present value of obligations US$m	Total US$m
2016			
At 1st January	191.9	(263.3)	**(71.4)**
Current service cost	–	(22.2)	**(22.2)**
Interest income/(expense)	8.1	(10.0)	**(1.9)**
Administration expenses	(1.1)	–	**(1.1)**
	7.0	(32.2)	**(25.2)**
	198.9	(295.5)	**(96.6)**
Exchange differences	0.7	(1.0)	**(0.3)**
Remeasurements			
– return on plan assets, excluding amounts included in interest income	2.9	–	**2.9**
– change in demographic assumptions	–	(0.8)	**(0.8)**
– change in financial assumptions	–	18.0	**18.0**
– experience losses	–	0.8	**0.8**
	2.9	18.0	**20.9**
Contributions from employers	22.0	–	**22.0**
Benefit payments	(29.7)	31.3	**1.6**
Transfer from/(to) other plans	0.4	(0.4)	**–**
At 31st December	**195.2**	**(247.6)**	**(52.4)**
2015			
At 1st January	199.9	(237.6)	(37.7)
Current service cost	–	(20.2)	(20.2)
Interest income/(expense)	8.2	(8.9)	(0.7)
Past service cost and losses on settlements	–	(0.6)	(0.6)
Administration expenses	(0.9)	–	(0.9)
	7.3	(29.7)	(22.4)
	207.2	(267.3)	(60.1)
Exchange differences	(3.0)	3.6	0.6
Remeasurements			
– return on plan assets, excluding amounts included in interest income	(15.1)	–	(15.1)
– change in demographic assumptions	–	0.4	0.4
– change in financial assumptions	–	(9.4)	(9.4)
– experience losses	–	(7.8)	(7.8)
	(15.1)	(16.8)	(31.9)
Contributions from employers	18.0	–	18.0
Benefit payments	(16.1)	18.1	2.0
Transfer from/(to) other plans	0.9	(0.9)	–
At 31st December	191.9	(263.3)	(71.4)

22. Pension Plans continued

The weighted average duration of the defined benefit obligations at 31st December 2016 is 8.4 years *(2015: 8.7 years)*.

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

	2016 US$m	2015 US$m
Less than one year	**17.8**	28.3
Between one and two years	**21.1**	18.0
Between two and five years	**66.0**	63.3
Beyond five years	**580.1**	704.6
	685.0	814.2

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

	Hong Kong		**Indonesia**		**Taiwan**		**The Philippines**	
	2016 %	2015 %	**2016 %**	2015 %	**2016 %**	2015 %	**2016 %**	2015 %
Discount rate	**3.3**	3.0	**8.1**	9.1	**1.2**	2.0	**5.3**	5.1
Salary growth rate	**4.8**	5.0	**0 to 4.0**	8.0	**1.9**	1.9	**4.0**	3.0

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

		Impact on defined benefit obligations	
	Change in assumption %	**Increase in assumption US$m**	**Decrease in assumption US$m**
Discount rate	**1**	**(18.1)**	**20.6**
Salary growth rate	**1**	**19.5**	**(17.5)**

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

22. Pension Plans continued

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

	Asia Pacific US$m	Europe US$m	North America US$m	Global US$m	Total US$m
2016					
Quoted investments					
Equity instruments	20.5	–	–	–	**20.5**
Debt instruments					
– government	18.3	–	–	–	**18.3**
– corporate bonds					
• investment grade	0.5	–	–	–	**0.5**
	18.8	–	–	–	**18.8**
Investment funds	21.8	14.5	34.7	14.4	**85.4**
	61.1	14.5	34.7	14.4	**124.7**
Unquoted investments					
Investment funds	3.1	1.5	0.9	45.7	**51.2**
Total investments	64.2	16.0	35.6	60.1	**175.9**
Cash and cash equivalents					**21.2**
Benefits payable and other					**(1.9)**
					195.2

Notes to the Financial Statements

22. Pension Plans continued

	Asia Pacific US$m	Europe US$m	North America US$m	Global US$m	Total US$m
2015					
Quoted investments					
Equity instruments	24.0	–	–	–	24.0
Debt instruments					
– government	15.1	–	0.2	–	15.3
– corporate bonds					
• investment grade	0.4	–	–	–	0.4
	15.5	–	0.2	–	15.7
Investment funds	13.5	14.0	36.5	4.9	68.9
	53.0	14.0	36.7	4.9	108.6
Unquoted investments					
Debt instruments					
– government	2.2	4.9	2.1	0.5	9.7
– corporate bonds					
• investment grade	0.4	2.4	3.7	–	6.5
• non-investment grade	–	0.2	0.9	–	1.1
	0.4	2.6	4.6	–	7.6
	2.6	7.5	6.7	0.5	17.3
Investment funds	2.6	1.1	1.0	45.8	50.5
	5.2	8.6	7.7	46.3	67.8
Total investments	58.2	22.6	44.4	51.2	176.4
Cash and cash equivalents					18.2
Benefits payable and other					(2.7)
					191.9

At 31st December 2016, the Hong Kong plans had assets of US$154.5 million *(2015: US$159.9 million)*. These assets were invested 68% and 32% in quoted and unquoted instruments respectively. In 2015, the split was 58% and 42%. The high percentage of quoted instruments provides liquidity to the portfolio to fund drawdowns and benefit payments. Within the quoted equity allocation, the plan is well diversified in terms of sectors, with the top three being financials, technology and industrials with a combined fair value of US$13.8 million. In 2015, the top three sectors were also financials, technology and industrials with a combined fair value of US$16.7 million.

The strategic asset allocation is derived from the asset-liability modeling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2015, with the revised strategic asset allocation adopted in 2015. The next ALM review is scheduled for 2018. As a Group, we believe the long-term nature of the plan liabilities and the strength of the Group supports a level of equity investment as part of the Group's long term strategy to manage the plans efficiently.

22. Pension Plans continued

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

All of the Group's plan assets are unaffected by inflation.

Life expectancy

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

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

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

The Group maintains an active and regular contribution schedule across all the plans. The contributions to all its plans in 2016 were US$22.0 million and the estimated amounts of contributions expected to be paid to all its plans in 2017 are US$21.4 million.

23. Share Capital

	2016 US$m	2015 US$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			
	2016	2015	**2016 US$m**	2015 US$m
Issued and fully paid:				
Ordinary shares of US¢5 5/9 each				
At 1st January	**1,352.2**	1,352.1	**75.1**	75.1
Issued under employee share option schemes	**–**	0.1	**–**	–
At 31st December	**1,352.2**	1,352.2	**75.1**	75.1

24. Share-based Long-term Incentive Plans

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

The LTIP was adopted by the Company on 5th March 2015. During 2016, awards were granted in the form of options with exercise prices based on the then prevailing market prices, and no free shares were granted. Prior to the adoption of the LTIP, The Dairy Farm International Share Option Plan 2005 provided selected executives with options to purchase ordinary shares in the Company.

The exercise prices of the options granted during 2016, and in prior years, were based on the average market prices for the five trading days immediately preceding the dates of grant of the options. Options normally vest on the third anniversary of the date of grant, and are exercisable for up to ten years following the date of grant.

Movements during the year:

	2016		2015	
	Weighted average exercise price US$	**Options in millions**	Weighted average exercise price US$	Options in millions
At 1st January	**9.5447**	**6.8**	9.4601	5.7
Granted	**5.9320**	**2.4**	9.6000	1.4
Exercised	**–**	**–**	8.1940	(0.3)
Lapsed	**9.8528**	**(2.0)**	–	–
At 31st December	**8.2712**	**7.2**	9.5447	6.8

The average share price during the year was US$6.69 *(2015: US$7.89)* per share.

24. Share-based Long-term Incentive Plans continued

Outstanding at 31st December:

Expiry date	Exercise price US$	Options in millions 2016	2015
2018	4.6280	**0.2**	0.2
2019	4.4640	**0.2**	0.2
2020	6.2500	**0.5**	0.5
2021	8.1940	**0.3**	0.6
2022	10.2420	**0.2**	0.6
2022	10.4925	**0.3**	0.3
2023	12.1580	**0.5**	0.9
2023	12.1300	**0.4**	0.4
2024	9.7160	**1.1**	1.7
2025	9.6000	**1.3**	1.4
2026	5.9320	**2.2**	–
Total outstanding		**7.2**	6.8
of which exercisable		**2.6**	2.8

The fair value of options granted during the year, determined using the trinomial valuation model, was US$2.3 million *(2015: US$2.4 million)*. The significant inputs into the model, based on the number of options issued, were share price of US$6.12 *(2015: US$9.58)* at the grant date, exercise price shown above, expected volatility based on the last five years of 21.91% *(2015: 23.68%)*, dividend yield of 3.33% *(2015: 2.42%)*, option life disclosed above, and annual risk-free interest rate of 1.49% *(2015: 1.55%)*. Options are assumed to be exercised at the end of the fifth year following the date of grant.

25. Share Premium and Capital Reserves

	Share premium US$m	Capital reserves US$m	Total US$m
2016			
At 1st January	31.1	30.2	**61.3**
Employee share option schemes			
– value of employee services	–	1.3	**1.3**
– share options lapsed	–	(3.2)	**(3.2)**
At 31st December	**31.1**	**28.3**	**59.4**
2015			
At 1st January	30.5	28.6	59.1
Employee share option schemes			
– value of employee services	–	2.2	2.2
Transfer	0.6	(0.6)	–
At 31st December	31.1	30.2	61.3

Notes to the Financial Statements

25. Share Premium and Capital Reserves continued

Capital reserves comprise contributed surplus of US$20.1 million *(2015: US$20.1 million)* and other reserves of US$8.2 million *(2015: US$10.1 million)*, which represent the value of employee services under the Company's share-based long-term incentive plans. The contributed surplus principally arose from the conversion of convertible preference shares in 1989 and, under the Bye-laws of the Company, is distributable.

26. Dividends

	2016 **US$m**	2015 US$m
Final dividend in respect of 2015 of US¢13.50 *(2014: US¢16.50)* per share	**182.5**	223.1
Interim dividend in respect of 2016 of US¢6.50 *(2015: US¢6.50)* per share	**87.9**	87.9
	270.4	311.0

A final dividend in respect of 2016 of US¢14.50 *(2015: US¢13.50)* per share amounting to a total of US$196.1 million *(2015: US$182.5 million)* is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2017 Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2017.

27. Non-controlling Interests

Summarized financial information on subsidiary with material non-controlling interests

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

Summarized balance sheet at 31st December:

	2016 **US$m**	2015 US$m
Current		
Assets	**226.2**	224.7
Liabilities	**(161.4)**	(188.5)
Total current net assets	**64.8**	36.2
Non-current		
Assets	**329.8**	345.0
Liabilities	**(3.2)**	(17.2)
Total non-current net assets	**326.6**	327.8
Net assets	**391.4**	364.0
Non-controlling interests	**(60.8)**	(58.5)

27. Non-controlling Interests continued

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

	2016 US$m	2015 US$m
Sales	**1,028.9**	1,082.2
Underlying profit/(loss) after tax	**3.3**	(13.6)
Non-trading items, net of tax	**5.3**	(3.5)
Profit/(loss) after tax	**8.6**	(17.1)
Other comprehensive income/(expense)	**20.2**	(52.4)
Total comprehensive income/(expense)	**28.8**	(69.5)
Total comprehensive income/(expense) allocated to non-controlling interests	**4.4**	(11.7)
Dividends paid to non-controlling interests	**–**	–

Summarized cash flows for the year ended 31st December:

	2016 US$m	2015 US$m
Cash generated from operations	**36.5**	56.3
Interest received	**0.2**	0.5
Interest paid	**(2.0)**	(2.1)
Tax paid	**(4.7)**	(5.5)
Cash flows from operating activities	**30.0**	49.2
Cash flows from investing activities	**(20.3)**	(35.2)
Cash flows from financing activities	**(7.5)**	(14.9)
Net increase/(decrease) in cash and cash equivalents	**2.2**	(0.9)
Cash and cash equivalents at 1st January	**10.7**	12.6
Effect of exchange rate changes	**0.3**	(1.0)
Cash and cash equivalents at 31st December	**13.2**	10.7

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

28. Geographical Analysis of Non-current Assets

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

	2016 US$m	2015 US$m
North Asia	**1,998.5**	1,824.6
East Asia	**801.8**	820.8
South Asia	**526.1**	531.9
At 31st December	**3,326.4**	3,177.3

29. Notes to Consolidated Cash Flow Statement

	2016 US$m	2015 US$m
(a) Depreciation and amortization		
Food	**166.3**	168.5
– Supermarkets/hypermarkets	**141.1**	143.4
– Convenience stores	**25.2**	25.1
Health and Beauty	**28.0**	27.3
Home Furnishings	**12.7**	12.6
Support office	**5.8**	3.6
	212.8	212.0
(b) Other non-cash items		
By nature:		
Profit on sale of restaurants in Cambodia	**(1.0)**	–
Loss on sale of tangible and intangible assets	**9.9**	10.0
Fair value gains on forward foreign exchange contracts not qualifying as hedges	**(0.4)**	–
(Reversal of impairment)/impairment of tangible assets	**(0.1)**	0.4
Write down of stocks	**1.2**	13.6
Reversal of write down of stocks	**(2.5)**	(1.0)
Options granted under employee share option schemes	**1.3**	2.2
	8.4	25.2
(c) (Increase)/decrease in working capital		
Increase in stocks	**(58.6)**	(7.7)
(Increase)/decrease in debtors	**(62.3)**	10.2
Increase in creditors	**23.8**	70.5
	(97.1)	73.0

29. Notes to Consolidated Cash Flow Statement continued

(d) Purchase of a subsidiary
Net cash outflow for purchase of a subsidiary in 2015 represented US$146.6 million for acquisition of a 100% interest in San Miu Supermarket Limited, which operates a supermarket chain in Macau, in March 2015.

The fair values of the identifiable assets and liabilities of this subsidiary were finalized in December 2015 as set out below. The finalized goodwill was concluded at US$181.8 million as compared to the provisional goodwill of US$185.4 million, with an adjustment to decrease the goodwill by US$3.6 million.

	2015 US$m
Intangible assets	4.3
Tangible assets	4.6
Non-current debtors	0.7
Current assets	25.4
Current liabilities	(28.8)
Fair value of identifiable net assets acquired	6.2
Goodwill	181.8
Total consideration	188.0
Adjustment for deferred consideration	(25.0)
Cash and cash equivalents at the date of acquisition	(16.4)
Net cash outflow	146.6

The goodwill was attributable to its leading market position and retail network in Macau. None of the goodwill is expected to be deductible for tax purposes.

(e) Purchases of associates and joint ventures in 2016 mainly related to the Group's further investment in Yonghui, a Shanghai-listed hypermarket and supermarket operator in mainland China, amounting to US$190.2 million and capital injection of US$4.3 million in Rose Pharmacy, Inc. ('Rose') which operates a health and beauty business in the Philippines and US$2.5 million in the business in Vietnam.

Purchases in 2015 mainly related to the Group's acquisition of a 19.99% interest in Yonghui amounting to US$912.0 million and capital injection of US$3.9 million to the business in Vietnam and US$2.5 million in Rose.

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

Sale in 2015 included sale of a property in Taiwan for a cash consideration of US$1.7 million.

Notes to the Financial Statements

29. Notes to Consolidated Cash Flow Statement continued

(g) Change in interests in subsidiaries
In November 2016, the Group acquired an additional 0.52% interest in PT Hero for a total consideration of US$2.2 million, whereas in 2015, an additional 2.86% interest was acquired for US$18.5 million.

In February 2015, the Group completed the sale of 30% of the ordinary share capital in GCH Retail (Malaysia) Sdn. Bhd. ('GCH Malaysia'), the Group's hypermarket and supermarket operator in Malaysia, to Circular Assets Sdn. Bhd., a wholly-owned subsidiary of Syarikat Pesaka Antah Sdn. Bhd., for net proceeds of US$34.2 million, to maintain compliance with the 'Guidelines on Foreign Participation in the Distributive Trade Services' issued by the Ministry of Domestic Trade, Co-operatives and Consumerism of Malaysia. The sale represented a 15% economic interest in GCH Malaysia.

(h) Net increase in other short-term borrowings
From 2015, the Group has implemented a global liquidity cash pooling facility, which enhances daily cash flow management. The movements in other short-term borrowings represent the aggregated net drawdown and repayment movement under this facility.

(i) Analysis of balances of cash and cash equivalents

	2016 **US$m**	2015 US$m
Bank balances and other liquid funds *(note 17)*	**323.8**	258.5
Bank overdrafts *(note 20)*	**(1.2)**	(1.8)
	322.6	256.7

30. Derivative Financial Instruments

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

	2016		2015	
	Positive fair value US$m	**Negative fair value US$m**	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– forward foreign exchange contracts	**0.4**	**0.6**	0.5	0.1
– interest rate swaps	**2.2**	**–**	–	–
	2.6	**0.6**	0.5	0.1
Non-qualifying as hedges				
– forward foreign exchange contracts	**0.4**	**–**	–	–
	0.4	**–**	–	–

Forward foreign exchange contracts
The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2016 were US$548.8 million *(2015: US$35.5 million)*.

30. Derivative Financial Instruments continued

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2016 were US$200.0 million *(2015: nil)* and the fixed interest rates relating to interest rate swaps vary from 0.9% to 1.0% per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rate of 1.0% per annum.

31. Commitments

	2016 US$m	2015 US$m
Capital commitments		
Authorized not contracted	**223.1**	151.3
Contracted not provided		
– joint ventures	**12.2**	4.8
– other	**62.8**	22.2
	298.1	178.3

At 31st December 2015, the Group had an investment commitment of RMB1.29 billion (approximately US$198.9 million) to further invest in Yonghui. The transaction was completed in August 2016 at a consideration of US$190.2 million with the Group's interest in Yonghui remaining at 19.99%.

	2016 US$m	2015 US$m
Operating lease commitments		
Total commitments under operating leases		
– due within one year	**764.3**	722.5
– due between one and two years	**545.0**	502.3
– due between two and three years	**265.2**	298.8
– due between three and four years	**136.6**	145.4
– due between four and five years	**101.8**	99.1
– due beyond five years	**225.5**	287.9
	2,038.4	2,056.0

Total future sublease payments receivable relating to the above operating leases amounted to US$41.4 million *(2015: US$41.5 million)*.

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

Notes to the Financial Statements

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

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

Under the terms of a Management Services Agreement, the Group paid a management fee of US$2.3 million *(2015: US$2.1 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 2016 *(2015: US$0.5 million)* to JML.

The Group rents properties from Hongkong Land Holdings Limited ('HKL'), a subsidiary of JMH. The gross annual rentals paid by the Group to HKL in 2016 were US$2.8 million *(2015: US$2.5 million)*. The Group's 50%-owned associate, Maxim's, also paid gross annual rentals of US$11.2 million *(2015: US$10.4 million)* to HKL in 2016.

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 2016 were US$2.1 million *(2015: US$2.3 million)*.

The Group sources information technology infrastructure and related services from Jardine OneSolution ('JOS'), a subsidiary of JMH. The total fees paid by the Group to JOS in 2016 amounted to US$9.5 million *(2015: US$11.2 million)*.

The Group also obtains repairs and maintenance services from Jardine Engineering Corporation ('JEC'), a subsidiary of JMH. The total fees paid by the Group to JEC in 2016 amounted to US$5.6 million *(2015: US$3.6 million)*.

Maxim's supplies ready-to-eat products at arm's length to certain subsidiaries of the Group. In 2016, these amounted to US$27.6 million *(2015: US$26.0 million)*.

In addition, Gammon Construction ('GC'), a joint venture of JMH, was engaged by Maxim's to provide construction and renovation works in 2016. The total fees paid by Maxim's to GC amounted to US$24.4 million *(2015: US$20.2 million)* during the year.

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

Balances with group companies of JMH at 31st December 2016 and 2015 are immaterial, unsecured, and have no fixed terms of repayment.

Details of Director's remuneration (being key management personnel compensation) are shown on page 111 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

34. Summarized Balance Sheet of the Company

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

	2016	2015
	US$m	US$m
Subsidiaries, at cost less provision	**930.1**	1,183.5
Current assets	**0.1**	0.1
Current liabilities	**(1.8)**	(1.8)
Net operating assets	**928.4**	1,181.8
Share capital *(note 23)*	**75.1**	75.1
Share premium and capital reserves *(note 25)*	**59.4**	61.3
Revenue and other reserves	**793.9**	1,045.4
Shareholders' funds	**928.4**	1,181.8

35. Principal Subsidiaries

The Group's principal subsidiaries at 31st December 2016 are set out below:

Company name	Country of incorporation	Nature of business	**Attributable interests 2016 %**	Attributable interests 2015 %	**Proportion of ordinary shares and voting powers at 31st December 2016 held by the Group %**	**Proportion of ordinary shares and voting powers at 31st December 2016 held by non-controlling interests %**
Dairy Farm Management Limited*	Bermuda	Holding	**100**	100	**100**	**–**
Dairy Farm Management Services Limited*	Bermuda	Group management	**100**	100	**100**	**–**
DFI Treasury Limited*	British Virgin Islands	Treasury	**100**	100	**100**	**–**
DFI (China) Commercial Investment Holding Company Ltd	Mainland China	Investment holding	**100**	–	**100**	**–**
Guangdong Sai Yi Convenience Stores Limited	Mainland China	Convenience stores	**65**	65	**65**	**35**
Mannings Guangdong Retail Company Limited	Mainland China	Health and beauty stores	**100**	100	**100**	**–**
The Dairy Farm Company, Limited	Hong Kong	Investment holding, supermarkets, convenience, health and beauty and home furnishings stores	**100**	100	**100**	**–**

Notes to the Financial Statements

35. Principal Subsidiaries continued

Company name	Country of incorporation	Nature of business	Attributable interests 2016 %	Attributable interests 2015 %	Proportion of ordinary shares and voting powers at 31st December 2016 held by the Group %	Proportion of ordinary shares and voting powers at 31st December 2016 held by non-controlling interests %
Wellcome Company Limited	Hong Kong	Property and food processing	**100**	100	**100**	**–**
San Miu Supermarket Limited	Macau	Supermarkets	**100**	100	**100**	**–**
Wellcome Taiwan Company Limited	Taiwan	Supermarkets	**100**	100	**100**	**–**
DFI Home Furnishings Taiwan Limited	Taiwan	Home furnishings stores	**100**	100	**100**	**–**
GCH Retail (Malaysia) Sdn. Bhd.	Malaysia	Supermarkets and hypermarkets	**85**	85	**70**	**30**
Guardian Health & Beauty Sdn. Bhd.	Malaysia	Health and beauty stores	**100**	100	**100**	**–**
PT Hero Supermarket Tbk	Indonesia	Supermarkets, hypermarkets, health and beauty and home furnishings stores	**84**	84	**84**	**16**
Giant TMC (B) Sdn. Bhd.	Brunei	Hypermarket and health and beauty stores	**100**	100	**100**	**–**
Cold Storage Singapore (1983) Pte Limited	Singapore	Supermarkets, hypermarkets, convenience and health and beauty stores	**100**	100	**100**	**–**
DFI Lucky Private Limited	Cambodia	Supermarkets and health and beauty stores	**70**	70	**70**	**30**
Rustan Supercenters, Inc.	The Philippines	Supermarkets and hypermarkets	**66**	66	**66**	**34**

All subsidiaries are included in the consolidation.

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

* Directly held by the Company.

Independent Auditors' Report

To the members of Dairy Farm International Holdings Limited

Report on the consolidated financial statements

Our opinion

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

- present fairly, in all material respects, the financial position of the Group as at 31st December 2016 and its financial performance and its cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') and The Companies Act 1981 (Bermuda).

What have we audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated Balance Sheet as at 31st December 2016;
- the Consolidated Profit and Loss Account and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law in Bermuda and IFRSs as issued by the International Accounting Standards Board ('IASB').

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Responsibilities Statement set out on page 108, the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and The Companies Act 1981 (Bermuda).

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 Companies Act 1981 (Bermuda) 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, including without limitation under any contractual obligations of the Company, save where expressly agreed by our prior consent in writing.

Independent Auditors' Report

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants
London
United Kingdom
2nd March 2017

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

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

Five Year Summary

	2016 US$m	2015 US$m	2014 US$m	2013 US$m	2012 US$m
Profit and loss*					
Sales	**11,200.7**	11,137.3	11,008.3	10,357.4	9,800.6
Sales including associates and joint ventures	**20,423.6**	17,907.0	13,102.8	12,431.7	11,540.5
Profit attributable to shareholders	**469.0**	424.4	509.1	500.9	446.5
Underlying profit attributable to shareholders	**460.2**	428.1	500.1	480.1	443.8
Underlying earnings per share *(US¢)*	**34.03**	31.66	36.98	35.52	32.86
Basic earnings per share *(US¢)*	**34.69**	31.39	37.65	37.05	33.07
Dividends per share *(US¢)*	**21.00**	20.00	23.00	23.00	23.00
Balance sheet*					
Total assets	**5,128.9**	4,820.9	4,316.3	3,963.5	3,850.7
Total liabilities	**(3,549.5)**	(3,365.7)	(2,793.8)	(2,586.1)	(2,611.5)
Net operating assets	**1,579.4**	1,455.2	1,522.5	1,377.4	1,239.2
Shareholders' funds	**1,505.3**	1,375.8	1,428.7	1,281.0	1,193.2
Non-controlling interests	**74.1**	79.4	93.8	96.4	46.0
Total equity	**1,579.4**	1,455.2	1,522.5	1,377.4	1,239.2
Net (debt)/cash	**(640.8)**	(481.7)	474.8	637.6	520.8
Net asset value per share *(US¢)*	**111.32**	101.75	105.66	94.74	88.35
Cash flow					
Cash flows from operating activities	**542.9**	699.8	675.9	682.9	697.7
Cash flows from investing activities	**(428.0)**	(1,365.4)	(432.5)	(285.0)	(496.0)
Cash flows before financing activities	**114.9**	(665.6)	243.4	397.9	201.7
Cash flow per share from operating activities *(US¢)*	**40.15**	51.75	49.99	50.52	51.67

* Figures prior to 2013 have been restated due to a change in accounting policy upon adoption of IAS 19 (amended 2011) 'Employee Benefits'.

Responsibility Statement

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

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

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

For and on behalf of the Board

Graham Allan
Neil Galloway
Directors

2nd March 2017

Corporate Governance

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

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

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

The Management of the Group

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

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

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

The Board

The Company currently has a Board of 16 Directors. Their names and brief biographies appear on pages 43 and 44 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The Board composition and operation helps to provide the Company with the necessary stability as it seeks to grow its business.

The Board continued

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

The Board is scheduled to hold four meetings in 2017 and ad hoc procedures are adopted to deal with urgent matters. In 2016 one meeting was held in Bermuda and three were held in Asia. The Board receives high quality, up to date information for each of its meetings. In addition, certain Directors of the Company who do not serve on the board of DFMS and who are based outside Asia regularly visit Asia and Bermuda to discuss the Group's business, as well as to participate in the four strategic reviews that precede the regular Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration at Board meetings.

Directors' Appointment, Retirement, Remuneration and Service Contracts

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

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

On 31st March 2016, James Riley stepped down as a Director. John Witt and Y.K. Pang joined the Board on 1st April 2016 and 1st August 2016, respectively.

In accordance with Bye-law 85, Neil Galloway, Sir Henry Keswick, Simon Keswick and Dr George C.G. Koo retire by rotation at this year's Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Y.K. Pang will also retire and, being eligible, offers himself for re-election. Neil Galloway has a service contract with a subsidiary of the Company that has a notice period of six months. None of the other Directors proposed for re-election has a service contract with the Company or its subsidiaries.

Lord Leach of Fairford, who had been a Director of the Company since 1987, passed away on 12th June 2016.

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

Directors' Appointment, Retirement, Remuneration and Service Contracts continued

Recommendations and decisions on remuneration and other benefits payable or made available to executive Directors result from consultations between the Chairman and other Directors as he considers appropriate. Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Group Finance Director, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. A motion to increase the Directors' fees to US$60,000 each per annum and the fee for the Chairman and Managing Director to US$85,000 per annum with effect from 1st January 2017 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2016, the Directors received from the Group US$6.6 million *(2015: US$6.5 million)* in Directors' fees and employee benefits, being US$0.8 million *(2015: US$0.8 million)* in Directors' fees, US$4.6 million *(2015: US$4.7 million)* in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US$0.3 million *(2015: US$0.2 million)* in post-employment benefits and US$0.9 million *(2015: US$0.8 million)* in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

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

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

Audit Committee

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

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

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

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

Corporate Governance

Risk Management and Internal Control

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

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

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

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

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

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

The principal risks and uncertainties facing the Company are set out on pages 116 and 117.

Directors' Responsibilities in respect of the Financial Statements

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

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct, which is modelled on the Jardine Matheson group's code of conduct. The Code of Conduct requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The Code of Conduct prohibits the giving or receiving of illicit payments, and requires 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.

Directors' Share Interests

The Directors of the Company in office on 2nd March 2017 had interests (within the meaning of the EU Market Abuse Regulation ('MAR'), which applies to the Company as it is listed on the London Stock Exchange) as set out below in the ordinary share capital of the Company. These interests include those notified to the Company in respect of the Directors' closely associated persons (as that term is used under MAR).

Graham Allan	162,000
George J. Ho	1,818,804
Michael Kok	282,888
Dr George C.G. Koo	100,329
Anthony Nightingale	34,183
Percy Weatherall	200,000

In addition, Graham Allan and Neil Galloway held options in respect of 2,450,000 and 500,000 ordinary shares, respectively, issued pursuant to the Company's share-based long-term incentive plans.

Substantial Shareholders

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

The Company has been informed of the following holdings of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic Holdings Limited ('Jardine Strategic') and its subsidiary undertakings are directly and indirectly interested in 1,049,589,171 ordinary shares carrying 77.61% of the voting rights and, by virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares; and (ii) Commonwealth Bank of Australia and its controlled undertakings are directly and indirectly interested in 88,076,236 ordinary shares carrying 6.51% 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 2nd March 2017.

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

Corporate Governance

Governance Principles

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

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

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

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

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

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

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

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

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 33 to the financial statements on page 102.

Securities Purchase Arrangements

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

Takeover Code

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

Annual General Meeting

The 2017 Annual General Meeting will be held at Rosewood Tucker's Point, Bermuda on 3rd May 2017. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. A corporate website is maintained containing a wide range of information of interest to investors at www.dairyfarmgroup.com.

Power to Amend Bye-laws

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

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 112 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

Economic Risk

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

Commercial Risk and Financial Risk

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

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

The Group's businesses operate in areas that are highly competitive, and failure to compete effectively in terms of price, product specification or levels of service or to adapt to changing consumer behaviours, including new shopping channels and formats, can have an adverse effect on earnings. Significant pressure from such competition may 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 42 and note 2 to the financial statements on pages 62 to 67.

Concessions, Franchises and Key Contracts

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

Regulatory and Political Risk

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

Terrorism, Pandemic and Natural Disasters

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

All Group businesses would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of the 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.

Technology Risk

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

Shareholder Information

Financial Calendar

2016 full-year results announced	2nd March 2017
Shares quoted ex-dividend on the Singapore Exchange	15th March 2017
Shares quoted ex-dividend on the London Stock Exchange	16th March 2017
Share registers closed	20th to 24th March 2017
Annual General Meeting to be held	3rd May 2017
2016 final dividend payable	11th May 2017
2017 half-year results to be announced	3rd August 2017*
Shares quoted ex-dividend on the Singapore Exchange	23rd August 2017*
Shares quoted ex-dividend on the London Stock Exchange	24th August 2017*
Share registers to be closed	28th August to 1st September 2017*
2017 interim dividend payable	19th October 2017*

* Subject to change

Dividends

Shareholders will receive their cash dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2016 final dividend by notifying the United Kingdom transfer agent in writing by 21st April 2017. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 26th April 2017. Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in sterling only. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive their cash dividends in United States dollars unless they elect, through CDP, to receive Singapore dollars.

Registrars and Transfer Agent

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

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

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

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

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

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

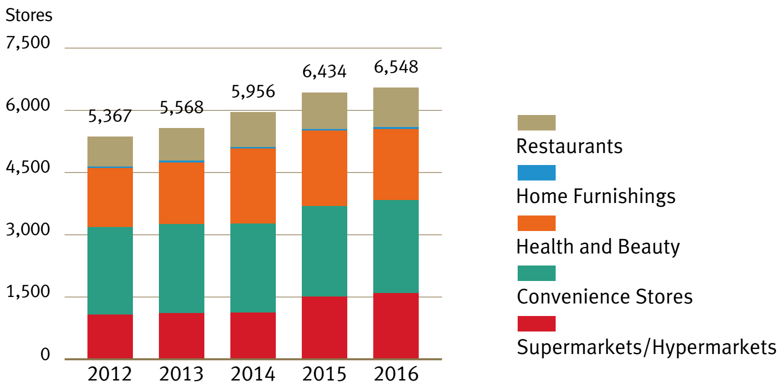
Retail Outlets Summary

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

* Maxim's entered into a cakes and bakery joint venture in Thailand in late 2016.

2015	Food			Health and Beauty	Home Furnishings	Restaurants	Total	Net addition
	Supermarkets	Hypermarkets	Convenience Stores					
Hong Kong	319	–	933	365	3	705	2,325	38
Macau	15	–	47	17	–	11	90	20
Mainland China	99	283	747	230	–	179	1,538	474
Singapore	110	8	458	136	–	–	712	(49)
Indonesia	154	53	–	318	1	–	526	(44)
Malaysia	76	79	–	434	–	–	589	7
Brunei	–	1	–	21	–	–	22	(1)
Taiwan	247	–	–	–	5	–	252	(3)
The Philippines	43	13	–	250	–	–	306	14
Vietnam	–	1	–	38	–	18	57	19
Cambodia	10	–	–	6	–	1	17	3
Total	1,073	438	2,185	1,815	9	914	6,434	478
Net change over 2014	97	282	40	15	–	44	478	

Store Network



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

Management and Offices

Leadership Team

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

Corporate Office

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Website : www.dairyfarmgroup.com

Brunei

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

Cambodia

DFI Lucky Private Ltd
#01, Street 55P
Sangkat Tuek Thla
Khan Sen Sok
Phnom Penh
Tel: (855 23) 885 722
Website: www.dfilucky.com

Hong Kong and Macau

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5/F Devon House
Taikoo Place
979 King's Road
Quarry Bay
Tel : (852) 2299 3888
Fax: (852) 2299 2888

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

Indonesia

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

Mainland China

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

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

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

Malaysia

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

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

The Philippines

Rustan Supercenters, Inc.
4/F to 6/F Morning Star Center
347 Sen. Gil Puyat Avenue
Makati City 1200
Tel : (63 2) 899 1055
Fax: (63 2) 899 6341
Website: www.shopwise.com.ph
www.rustansfresh.com

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

Singapore

Cold Storage Singapore (1983) Pte Ltd
21 Tampines North Drive 2
#03-01
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