Dairy Farm International Holdings Ltd
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To: Business Editor

8th March 2018
For immediate release

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

DAIRY FARM INTERNATIONAL HOLDINGS LIMITED
2017 PRELIMINARY ANNOUNCEMENT OF RESULTS

Highlights

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

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

Ben Keswick
Chairman

Results

	Year ended 31st December **2017** **US$m**	2016 US$m	Change %
Combined total sales including 100% of associates and joint ventures	**21,827**	20,424	+7
Sales	**11,289**	11,201	+1
Underlying profit attributable to shareholders+	**403**	460	–13
Profit attributable to shareholders	**404**	469	–14
	US¢	US¢	%
Underlying earnings per share+	**29.77**	34.03	–13
Basic earnings per share	**29.83**	34.69	–14
Dividends per share	**21.00**	21.00	-

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

The final dividend of US¢14.50 per share will be payable on 16th May 2018, subject to approval at the Annual General Meeting to be held on 9th May 2018, to shareholders on the register of members at the close of business on 23rd March 2018.

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DAIRY FARM INTERNATIONAL HOLDINGS LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

OVERVIEW

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

OPERATING PERFORMANCE

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

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

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

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

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

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

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

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

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

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

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BUSINESS DEVELOPMENTS

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

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

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

CORPORATE DEVELOPMENTS

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

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

PEOPLE

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

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

PROSPECTS

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

Ben Keswick
Chairman

GROUP CHIEF EXECUTIVE'S REVIEW

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

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

STRATEGIC REVIEW

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

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

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

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

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

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

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

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

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

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

2017 PERFORMANCE

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

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

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

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

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

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

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

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

BUSINESS DEVELOPMENTS

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

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

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

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

BUSINESS REVIEW

FOOD

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

FOOD – SUPERMARKETS AND HYPERMARKETS

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

HONG KONG

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

MACAU

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

TAIWAN

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

INDONESIA

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

MALAYSIA

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

THE PHILIPPINES

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

SINGAPORE

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

CAMBODIA

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

FOOD – CONVENIENCE STORES

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

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HONG KONG AND MACAU

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

MAINLAND CHINA

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

SINGAPORE

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

HEALTH AND BEAUTY

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

HONG KONG AND MACAU

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

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

MAINLAND CHINA

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

SINGAPORE

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

MALAYSIA

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

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INDONESIA

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

VIETNAM

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

CAMBODIA

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

THE PHILIPPINES

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

HOME FURNISHINGS

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

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

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

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

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

RESTAURANTS

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

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

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

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

THE YEAR AHEAD

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

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

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

Ian McLeod
Group Chief Executive

Dairy Farm International Holdings Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2017

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

Dairy Farm International Holdings Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st December 2017

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

Dairy Farm International Holdings Limited
Consolidated Balance Sheet
at 31st December 2017

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

Dairy Farm International Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31st December 2017

	Attributable to shareholders of the Company					Attributable	
	Share capital **US$m**	Share premium **US$m**	Capital reserves **US$m**	Revenue and other reserves **US$m**	Total **US$m**	to non-controlling interests **US$m**	Total equity **US$m**
2017							
At 1st January	75.1	31.1	28.3	1,370.8	1,505.3	74.1	**1,579.4**
Total comprehensive income	-	-	-	532.8	532.8	(11.8)	**521.0**
Dividends paid by the Company *(note 9)*	-	-	-	(284.0)	(284.0)	-	**(284.0)**
Dividends paid to non-controlling interests	-	-	-	-	-	(0.5)	**(0.5)**
Unclaimed dividends forfeited	-	-	-	0.6	0.6	-	**0.6**
Employee share option schemes	-	-	1.6	-	1.6	-	**1.6**
Change in interests in subsidiaries	-	-	-	(66.4)	(66.4)	6.3	**(60.1)**
Change in interests in associates and joint ventures	-	-	-	0.1	0.1	-	**0.1**
Capital repayment to non-controlling interests	-	-	-	-	-	(2.4)	**(2.4)**
Transfer	-	2.0	(5.1)	3.1	-	-	**-**
At 31st December	**75.1**	**33.1**	**24.8**	**1,557.0**	**1,690.0**	**65.7**	**1,755.7**
2016							
At 1st January	75.1	31.1	30.2	1,239.4	1,375.8	79.4	1,455.2
Total comprehensive income	-	-	-	398.0	398.0	4.4	402.4
Dividends paid by the Company *(note 9)*	-	-	-	(270.4)	(270.4)	-	(270.4)
Dividends paid to non-controlling interests	-	-	-	-	-	(3.1)	(3.1)
Unclaimed dividends forfeited	-	-	-	0.6	0.6	-	0.6
Employee share option schemes	-	-	1.3	-	1.3	-	1.3
Change in interest in a subsidiary	-	-	-	-	-	(2.2)	(2.2)
Capital repayment to non-controlling interests	-	-	-	-	-	(4.4)	(4.4)
Transfer	-	-	(3.2)	3.2	-	-	-
At 31st December	75.1	31.1	28.3	1,370.8	1,505.3	74.1	1,579.4

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

Dairy Farm International Holdings Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2017

	2017 US$m	2016 US$m
Operating activities		
Operating profit *(note 4)*	**367.9**	458.8
Depreciation and amortization	**221.0**	212.8
Other non-cash items	**16.1**	8.4
Decrease/(increase) in working capital	**92.1**	(97.1)
Interest received	**1.6**	1.3
Interest and other financing charges paid	**(28.0)**	(22.0)
Tax paid	**(84.3)**	(85.3)
	586.4	476.9
Dividends from associates and joint ventures	**84.9**	66.0
Cash flows from operating activities	**671.3**	542.9
Investing activities		
Purchase of associates and joint ventures *(note 10(a))*	**(5.8)**	(197.0)
Purchase of intangible assets	**(60.9)**	(32.1)
Purchase of tangible assets	**(218.4)**	(212.5)
Sale of convenience stores in Indonesia and restaurants in Cambodia	**-**	5.1
Sale of properties *(note 10(b))*	**3.2**	7.2
Sale of tangible assets	**1.3**	1.3
Cash flows from investing activities	**(280.6)**	(428.0)
Financing activities		
Change in interests in subsidiaries *(note 10(c))*	**(60.1)**	(2.2)
Capital repayment to non-controlling interests	**(2.4)**	(4.4)
Drawdown of borrowings	**851.0**	1,769.7
Repayment of borrowings	**(1,014.2)**	(1,660.6)
Net increase in other short-term borrowings	**122.3**	128.5
Dividends paid by the Company *(note 9)*	**(284.0)**	(270.4)
Dividends paid to non-controlling interests	**(0.5)**	(3.1)
Cash flows from financing activities	**(387.9)**	(42.5)
Net increase in cash and cash equivalents	**2.8**	72.4
Cash and cash equivalents at 1st January	**322.6**	256.7
Effect of exchange rate changes	**9.1**	(6.5)
Cash and cash equivalents at 31st December *(note 10(d))*	**334.5**	322.6

Dairy Farm International Holdings Limited
Notes

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information contained in this announcement has been based on the audited results for the year ended 31st December 2017 which have been prepared in conformity with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board.

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

2. SALES

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

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

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

3. OTHER OPERATING INCOME

	2017 US$m	2016 US$m
Concession and service income	**145.4**	139.8
Rental income from properties	**27.9**	27.8
Profit on sale of properties	**0.5**	3.0
Net closure costs reversal for convenience stores in Indonesia	**-**	2.2
Profit on sale of restaurants in Cambodia	**-**	1.0
Net foreign exchange gains and others	**9.1**	4.2
	182.9	178.0

4. OPERATING PROFIT

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

4. OPERATING PROFIT *(continued)*

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

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

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

5. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

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

Share of results of associates and joint ventures in 2017 included the share of a net gain of US$0.8 million on the disposal of an investment by Yonghui Superstores Co., Ltd (‘Yonghui’), while in 2016, it included the share of a net gain of US$3.7 million on the disposal of interest in an associate by Yonghui *(note 8)*.

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

6. TAX

	2017 **US$m**	2016 US$m
Tax charged to profit and loss is analyzed as follows:		
Current tax	**(86.9)**	(82.0)
Deferred tax	**(6.0)**	(3.1)
	(92.9)	(85.1)
Tax relating to components of other comprehensive income/(expense) is analyzed as follows:		
Remeasurements of defined benefit plans	**(2.6)**	(4.4)
Revaluation of other investments	**(0.2)**	0.2
Cash flow hedges	**0.3**	(0.3)
	(2.5)	(4.5)

Tax on profit has been calculated at rates of taxation prevailing in the territories in which the Group operates. Share of tax charge of associates and joint ventures of US$32.0 million *(2016: US$29.4 million)* is included in share of results of associates and joint ventures.

7. EARNINGS PER SHARE

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

Diluted earnings per share are calculated on profit attributable to shareholders of US$403.5 million *(2016: US$469.0 million)*, and on the weighted average number of 1,353.0 million *(2016: 1,352.5 million)* shares in issue after adjusting for 0.6 million *(2016: 0.3 million)* 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.

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

	2017			2016		
	US$m	Basic earnings per share **US¢**	Diluted earnings per share **US¢**	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders	**403.5**	**29.83**	**29.82**	469.0	34.69	34.68
Non-trading items *(note 8)*	**(0.9)**			(8.8)		
Underlying profit attributable to shareholders	**402.6**	**29.77**	**29.76**	460.2	34.03	34.02

8. NON-TRADING ITEMS

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

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

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

9. DIVIDENDS

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

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

10. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

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

(b) Sale of properties

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

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

(c) Change in interests in subsidiaries

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

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

(d) Analysis of balances of cash and cash equivalents

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

11. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Total capital commitments at 31st December 2017 amounted to US$338.7 million *(2016: US$298.1 million).*

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.

12. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

Dairy Farm International Holdings Limited
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 will be set out in more detail in the Corporate Governance section of the Company's 2017 Annual Report (the 'Report'). The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

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

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

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

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

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

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

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

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

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

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

- more -

Dairy Farm International Holdings Limited
Responsibility Statement

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

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

b. the sections of the Company's 2017 Annual Report, including the Chairman's Statement, Group Chief Executive's Review, Business Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

Ian McLeod
Neil Galloway

Directors

The final dividend of US¢14.50 per share will be payable on 16th May 2018, subject to approval at the Annual General Meeting to be held on 9th May 2018, to shareholders on the register of members at the close of business on 23rd March 2018. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 21st and 22nd March 2018, respectively. The share registers will be closed from 26th to 30th March 2018, inclusive.

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

Shareholders holding their shares through CREST in the United Kingdom will receive their cash dividends in sterling only as calculated above. 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.

Shareholders on the Singapore branch register who wish to deposit their shares into the CDP system by the dividend record date, being 23rd March 2018, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, no later than 5.00 p.m. (local time) on 22nd March 2018.

Dairy Farm

Dairy Farm is a leading pan-Asian retailer. At 31st December 2017, the Group and its associates and joint ventures operated over 7,100 outlets and employed some 200,000 people. It had total annual sales in 2017 exceeding US$21 billion.

The Group aims to provide quality and value to Asian consumers by offering leading brands, a compelling retail experience and great service; all provided through a strong store network supported by efficient supply chains.

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

Food

- Supermarkets/Hypermarkets – Wellcome in Hong Kong, Taiwan and the Philippines; Yonghui in mainland China; Cold Storage in Singapore and Malaysia; Giant in Malaysia, Indonesia, Singapore and Brunei; Hero in Indonesia; and Rustan's and Shopwise in the Philippines

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

Health and Beauty

- Mannings in Greater China; Guardian in Malaysia, Indonesia, Singapore, Vietnam, Brunei and Cambodia; and Rose Pharmacy in the Philippines

Home Furnishings

- IKEA in Hong Kong, Macau, Taiwan and Indonesia

Restaurants

- Maxim's in Hong Kong, mainland China, Macau, Singapore, Vietnam, Cambodia and Thailand (directly and via various joint ventures or franchises)

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.

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For further information, please contact:

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2017 can be accessed through the Internet at www.dairyfarmgroup.com.