P R E S S R E L E A S E

Dairy Farm International Holdings Ltd
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To: Business Editor

26th July 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
HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018

Highlights

- Consolidated sales up 6% at constant rates of exchange
- Underlying profit 2% higher
- Strong results from North Asia Health and Beauty
- Continuing decline in Southeast Asia Food
- New leadership team in place

"The first half of the year saw strong results from North Asia, driven by the Health and Beauty business in Hong Kong and Macau, but the Southeast Asian Food businesses continued to face challenges producing a weaker overall performance. While the outlook for the remainder of the year is expected to remain challenging for the Food businesses, particularly in Southeast Asia, the Group's other businesses should continue to make steady progress. Significant management and structural changes have been made to address the issues the Group faces in a number of areas, but time will be needed to deliver sustainable improvement."

Ben Keswick
Chairman

Results

	(unaudited) Six months ended 30th June		
	2018 US$m	2017 US$m restated†	Change %
Combined total sales including 100% of associates and joint ventures	**12,215**	10,448	+17
Sales	**5,929**	5,505	+8
Underlying profit attributable to shareholders*	**215**	211	+2
Profit attributable to shareholders	**225**	212	+6
	US¢	US¢	%
Underlying earnings per share*	**15.88**	15.63	+2
Basic earnings per share	**16.63**	15.68	+6
Interim dividend per share	**6.50**	6.50	-

* 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 7 to the condensed 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 accounts have been restated due to changes in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', as set out in note 1 to the condensed financial statements.

The interim dividend of US¢6.50 per share will be payable on 10th October 2018 to shareholders on the register of members at the close of business on 17th August 2018.

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DAIRY FARM INTERNATIONAL HOLDINGS LIMITED
HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018

OVERVIEW

The Group continues to face challenges on several fronts, including increasing competitive pressures and a number of underperforming businesses within the portfolio. In order to address these, Dairy Farm has consolidated its trading operations into a more centralised structure with two main trading divisions, North Asia and Southeast Asia, in addition to Home Furnishings and Maxim's, which remain as standalone divisions. Newly constituted shared functions will provide specialist support to all divisions and a strengthened and broadened leadership team has been created to meet the requirements of the business.

Performance in the first half saw higher sales achieved in all divisions, with the Group's underlying profit increasing slightly compared with the prior year.

RESULTS

Sales of US$5.9 billion for the period by the Group's subsidiaries were 8% higher than last year, or 6% higher at constant rates of exchange. Total sales, including 100% of associates and joint ventures, rose 17% to US$12.2 billion, primarily as a result of strong growth in Yonghui and Maxim's. Underlying net profit was US$215 million, 2% higher than the same period last year as were underlying earnings per share at US¢15.88.

Operating cash flow for the period was a net inflow of US$312 million, compared with US$306 million in the first half of 2017 reflecting continued improvements in working capital management. As at 30th June 2018, the Group's net debt was higher at US$670 million compared to US$599 million at 31st December 2017, principally due to continued investment in the businesses.

An unchanged interim dividend of US¢6.50 per share has been declared.

PERFORMANCE

In North Asia, overall sales within the Food businesses were ahead of prior year, but profits declined, mainly due to higher rental and labour costs in Hong Kong. The Health and Beauty business in Hong Kong and Macau delivered very strong sales and profit growth, driven by a significant increase in business from higher numbers of mainland Chinese tourists.

In Southeast Asia, challenging trading conditions continued for the Food businesses. The Group saw lower sales and profits in Singapore, Malaysia and Indonesia, while in the Philippines, sales were higher but profits lower, due to increased operating costs resulting from more store openings. Generally, these businesses have suffered from a lack of investment in infrastructure, range and competitive pricing for some time, while competition in each market has been increasing. Turning these Food businesses around and becoming more relevant to the changing demands of customers will take significant effort. Appropriate plans are now being put in place following the strategic review, but will require time to take effect.

The improving performance of the majority of the Group's Health and Beauty businesses in Southeast Asia is encouraging, with Malaysia, Indonesia and Vietnam reporting better underlying results.

The Group's convenience store operations performed well, with Hong Kong and Macau trading in line with last year. In Singapore, overall convenience store sales were slightly lower than last year due to the termination of a multi-site agreement, but profitability improved following the closure of some underperforming stores. Like-for-like sales increases and store expansion in mainland China continued to underpin growth in this sector.

In Home Furnishings, IKEA performed ahead of last year in Taiwan and Indonesia, with sales and profits growth. Hong Kong reported higher sales, helped by a contribution from the new store which opened in October last year, but associated higher operating costs resulted in a reduction in profits. Progress continues to be made on new store development in both Taiwan and Indonesia, with several sites under development. Meanwhile, e-commerce activities are showing increased results in all markets but from a small base.

Maxim's delivered another good performance and is continuing to expand its presence across mainland China and Southeast Asia.

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Yonghui reported strong sales growth and underlying profits from the core food business remained strong, but total profits were behind prior year due to the investment in new technology formats and the introduction of an employee incentive scheme announced earlier this year.

BUSINESS DEVELOPMENTS

Given the mixed performance of businesses within the Group, plans are now being developed to build on Dairy Farm's strengths and address the challenges it faces. Five strategic priorities have been identified: building capability, growing presence in mainland China, protecting the Group's Hong Kong business, revitalising the Southeast Asia operations and driving digital innovation. A series of programmes are underway to support these priorities across all of the Group's businesses.

In March, the Group announced that it had agreed to partner with Robinsons Retail Holdings Inc. ('RRHI'), the third largest retailer in the Philippines, to build a leading food retail business in that market. Dairy Farm will combine its Rustan Supercenters, Inc. operations with RRHI to build on the combined strengths of both businesses, creating a new platform for growth. Following completion of the transaction, Dairy Farm would own 18.25% of RRHI. The transaction, which is subject to certain regulatory approvals, is expected to be completed in the fourth quarter.

In May, Maxim's opened its first Shake Shack restaurant, an American fast casual burger-and-shake format, in Hong Kong, with encouraging initial results.

At 30th June, Dairy Farm, including associates and joint ventures, operated over 7,400 outlets across all formats, compared with 7,181 at 31st December 2017.

PEOPLE

Dr George Koo stepped down as a Director on 9th May 2018. We would like to thank him for his significant contribution to the Company over many years. We would also like to welcome Dr Delman Lee, who has joined the Board.

Several new senior executives with a wealth of retail experience from around the world have joined the Dairy Farm leadership team.

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OUTLOOK

The first half of the year saw strong results from North Asia, driven by the Health and Beauty business in Hong Kong and Macau, but the Southeast Asian Food businesses continued to face challenges producing a weaker overall performance. While the outlook for the remainder of the year is expected to remain challenging for the Food businesses, particularly in Southeast Asia, the Group's other businesses should continue to make steady progress. Significant management and structural changes have been made to address the issues the Group faces in a number of areas, but time will be needed to deliver sustainable improvement.

Ben Keswick
Chairman

Dairy Farm International Holdings Limited
Consolidated Profit and Loss Account

	(unaudited) Six months ended 30th June						Year ended 31st December		
	2018			2017			2017		
	Underlying business performance **US$m**	Non-trading items **US$m**	Total **US$m**	Underlying business performance US$m	Non-trading items US$m restated	Total US$m restated	Underlying business performance US$m	Non-trading items US$m restated	Total US$m restated
Sales *(note 2)*	**5,928.7**	**-**	**5,928.7**	5,505.3	-	5,505.3	11,288.7	-	11,288.7
Cost of sales	**(4,126.1)**	**-**	**(4,126.1)**	(3,849.5)	-	(3,849.5)	(7,856.1)	-	(7,856.1)
Gross margin	**1,802.6**	**-**	**1,802.6**	1,655.8	-	1,655.8	3,432.6	-	3,432.6
Other operating income	**94.5**	**9.1**	**103.6**	87.6	1.1	88.7	182.4	1.5	183.9
Selling and distribution costs	**(1,433.6)**	**-**	**(1,433.6)**	(1,315.9)	-	(1,315.9)	(2,714.1)	-	(2,714.1)
Administration and other operating expenses	**(245.9)**	**-**	**(245.9)**	(227.4)	-	(227.4)	(533.5)	-	(533.5)
Operating profit *(note 3)*	**217.6**	**9.1**	**226.7**	200.1	1.1	201.2	367.4	1.5	368.9
Financing charges	**(16.8)**	**-**	**(16.8)**	(13.2)	-	(13.2)	(28.0)	-	(28.0)
Financing income	**1.6**	**-**	**1.6**	0.8	-	0.8	1.7	-	1.7
Net financing charges	**(15.2)**	**-**	**(15.2)**	(12.4)	-	(12.4)	(26.3)	-	(26.3)
Share of results of associates and joint ventures *(note 4)*	**61.4**	**1.0**	**62.4**	61.3	(0.3)	61.0	143.4	(1.2)	142.2
Profit before tax	**263.8**	**10.1**	**273.9**	249.0	0.8	249.8	484.5	0.3	484.8
Tax *(note 5)*	**(52.6)**	**-**	**(52.6)**	(40.0)	(0.1)	(40.1)	(92.5)	(0.5)	(93.0)
Profit after tax	**211.2**	**10.1**	**221.3**	209.0	0.7	209.7	392.0	(0.2)	391.8
Attributable to:									
Shareholders of the Company	**214.8**	**10.1**	**224.9**	211.4	0.7	212.1	402.6	(0.2)	402.4
Non-controlling interests	**(3.6)**	**-**	**(3.6)**	(2.4)	-	(2.4)	(10.6)	-	(10.6)
	211.2	**10.1**	**221.3**	209.0	0.7	209.7	392.0	(0.2)	391.8
	US¢		**US¢**	US¢		US¢	US¢		US¢
Earnings per share *(note 6)*									
- basic	**15.88**		**16.63**	15.63		15.68	29.77		29.75
- diluted	**15.87**		**16.62**	15.62		15.67	29.76		29.74

Dairy Farm International Holdings Limited
Consolidated Statement of Comprehensive Income

		(unaudited) Six months ended 30th June	Year ended 31st December
	2018	2017	2017
	US$m	US$m	US$m
		restated	restated
Profit for the period	**221.3**	209.7	391.8
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	**(0.1)**	(2.5)	19.2
Tax relating to items that will not be reclassified	**0.1**	0.6	(2.6)
	-	(1.9)	16.6
Share of other comprehensive (expense)/ income of associates and joint ventures	**-**	(0.1)	5.4
	-	(2.0)	22.0
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
- net (loss)/gain arising during the period	**(41.3)**	26.5	38.0
- transfer to profit and loss	**1.0**	-	-
	(40.3)	26.5	38.0
Cash flow hedges			
- net gain/(loss) arising during the period	**5.6**	(2.3)	(1.8)
- transfer to profit and loss	**0.8**	0.3	0.2
	6.4	(2.0)	(1.6)
Tax relating to items that may be reclassified	**(1.2)**	0.4	0.3
Share of other comprehensive (expense)/ income of associates and joint ventures	**(28.8)**	26.1	70.5
	(63.9)	51.0	107.2
Other comprehensive (expense)/income for the period, net of tax	**(63.9)**	49.0	129.2
Total comprehensive income for the period	**157.4**	258.7	521.0
Attributable to:			
Shareholders of the Company	**164.5**	260.6	532.8
Non-controlling interests	**(7.1)**	(1.9)	(11.8)
	157.4	258.7	521.0

Dairy Farm International Holdings Limited
Consolidated Balance Sheet

		(unaudited) At 30th June	At 31st December
	2018	2017	2017
	US$m	US$m	US$m
Net operating assets			
Intangible assets	**788.3**	793.2	814.7
Tangible assets	**1,119.5**	1,115.1	1,184.2
Associates and joint ventures	**1,611.8**	1,496.9	1,601.0
Other investments	**54.8**	6.4	6.9
Non-current debtors	**168.3**	159.6	162.6
Deferred tax assets	**28.2**	27.5	26.4
Non-current assets	**3,770.9**	3,598.7	3,795.8
Stocks	**920.6**	967.5	950.0
Current debtors	**342.2**	267.3	350.7
Current tax assets	**27.4**	22.9	27.1
Bank balances and other liquid funds	**330.2**	299.1	332.4
	1,620.4	1,556.8	1,660.2
Assets classified as held for sale	**4.8**	2.7	11.2
Current assets	**1,625.2**	1,559.5	1,671.4
Current creditors	**(2,355.5)**	(2,253.8)	(2,469.5)
Current borrowings	**(829.7)**	(471.8)	(412.7)
Current tax liabilities	**(104.7)**	(74.1)	(71.6)
Current provisions	**(41.3)**	(14.5)	(52.5)
	(3,331.2)	(2,814.2)	(3,006.3)
Liabilities directly associated with assets classified as held for sale	**-**	-	(6.2)
Current liabilities	**(3,331.2)**	(2,814.2)	(3,012.5)
Net current liabilities	**(1,706.0)**	(1,254.7)	(1,341.1)
Long-term borrowings	**(170.8)**	(512.2)	(522.0)
Deferred tax liabilities	**(61.7)**	(56.2)	(62.7)
Pension liabilities	**(34.7)**	(54.8)	(34.2)
Non-current creditors	**(42.4)**	(43.6)	(42.7)
Non-current provisions	**(36.6)**	(33.3)	(37.4)
Non-current liabilities	**(346.2)**	(700.1)	(699.0)
	1,718.7	1,643.9	1,755.7

(Consolidated Balance Sheet continued on page 9)

Dairy Farm International Holdings Limited
Consolidated Balance Sheet *(continued)*

	2018 US$m	(unaudited) At 30th June 2017 US$m	At 31st December 2017 US$m
Total equity			
Share capital	**75.1**	75.1	75.1
Share premium and capital reserves	**59.6**	61.3	57.9
Revenue and other reserves	**1,525.4**	1,435.8	1,557.0
Shareholders' funds	**1,660.1**	1,572.2	1,690.0
Non-controlling interests	**58.6**	71.7	65.7
	1,718.7	1,643.9	1,755.7

Dairy Farm International Holdings Limited
Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company					Attributable to non-controlling interests	Total equity
	Share capital **US$m**	Share premium **US$m**	Capital reserves **US$m**	Revenue and other reserves **US$m**	Total **US$m**	**US$m**	**US$m**
Six months ended 30th June 2018 (unaudited)							
At 1st January 2018	75.1	33.1	24.8	1,557.0	1,690.0	65.7	**1,755.7**
Total comprehensive income	-	-	-	164.5	164.5	(7.1)	**157.4**
Dividends paid by the Company *(note 8)*	-	-	-	(196.1)	(196.1)	-	**(196.1)**
Employee share option schemes	-	-	1.7	-	1.7	-	**1.7**
Transfer	-	0.6	(0.6)	-	-	-	**-**
At 30th June 2018	**75.1**	**33.7**	**25.9**	**1,525.4**	**1,660.1**	**58.6**	**1,718.7**
Six months ended 30th June 2017 (unaudited)							
At 1st January 2017	75.1	31.1	28.3	1,370.8	1,505.3	74.1	1,579.4
Total comprehensive income	-	-	-	260.6	260.6	(1.9)	258.7
Dividends paid by the Company *(note 8)*	-	-	-	(196.1)	(196.1)	-	(196.1)
Dividends paid to non-controlling interests	-	-	-	-	-	(0.5)	(0.5)
Unclaimed dividends forfeited	-	-	-	0.5	0.5	-	0.5
Employee share option schemes	-	-	1.9	-	1.9	-	1.9
Transfer	-	1.4	(1.4)	-	-	-	-
At 30th June 2017	75.1	32.5	28.8	1,435.8	1,572.2	71.7	1,643.9

(Consolidated Statement of Changes in Equity continued on page 11)

Dairy Farm International Holdings Limited
Consolidated Statement of Changes in Equity *(continued)*

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

Total comprehensive income for the six months ended 30th June 2018 included in revenue reserves comprises profit attributable to shareholders of the Company of US$224.9 million *(2017: US$212.1 million)*.

Total comprehensive income for the year ended 31st December 2017 included in revenue reserves comprises profit attributable to shareholders of the Company of US$402.4 million.

Dairy Farm International Holdings Limited
Consolidated Cash Flow Statement

	2018 US$m	(unaudited) Six months ended 30th June 2017 US$m restated	Year ended 31st December 2017 US$m restated
Operating activities			
Operating profit *(note 3)*	**226.7**	201.2	368.9
Depreciation and amortisation	**116.5**	107.1	221.0
Other non-cash items	**0.6**	6.2	15.1
(Increase)/decrease in working capital	**(18.4)**	(24.5)	92.1
Interest received	**1.2**	0.8	1.6
Interest and other financing charges paid	**(14.4)**	(13.1)	(28.0)
Tax paid	**(23.1)**	(28.9)	(84.3)
	289.1	248.8	586.4
Dividends from associates and joint ventures	**23.0**	56.8	84.9
Cash flows from operating activities	**312.1**	305.6	671.3
Investing activities			
Purchase of associates and joint ventures	**(0.1)**	(4.9)	(5.8)
Purchase of intangible assets	**(8.8)**	(32.0)	(60.9)
Purchase of tangible assets	**(128.7)**	(118.3)	(218.4)
Purchase of other investments	**(47.2)**	-	-
Sale of a subsidiary *(note 10(a))*	**4.2**	-	-
Sale of properties *(note 10(b))*	**-**	1.5	3.2
Sale of tangible assets	**1.0**	0.4	1.3
Cash flows from investing activities	**(179.6)**	(153.3)	(280.6)
Financing activities			
Change in interests in subsidiaries	**-**	-	(60.1)
Capital repayment to non-controlling interests	**-**	-	(2.4)
Drawdown of borrowings	**416.9**	325.6	851.0
Repayment of borrowings	**(389.1)**	(430.4)	(1,014.2)
Net increase in other short-term borrowings	**36.6**	113.6	122.3
Dividends paid by the Company *(note 8)*	**(196.1)**	(196.1)	(284.0)
Dividends paid to non-controlling interests	**-**	(0.5)	(0.5)
Cash flows from financing activities	**(131.7)**	(187.8)	(387.9)
Net increase/(decrease) in cash and cash equivalents	**0.8**	(35.5)	2.8
Cash and cash equivalents at beginning of period	**334.5**	322.6	322.6
Effect of exchange rate changes	**(7.6)**	3.1	9.1
Cash and cash equivalents at end of period *(note 10(c))*	**327.7**	290.2	334.5

Dairy Farm International Holdings Limited
Notes to Condensed Financial Statements

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and on a going concern basis. The condensed financial statements have not been audited or reviewed by the Group's auditors pursuant to the UK Auditing Practices Board guidance on the review of interim financial information.

There are no changes to the accounting policies as described in the 2017 annual financial statements except for the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1st January 2018 as set out below.

The other amendments, which are effective in 2018 and relevant to the Group's operations, do not have a significant effect on the Group's accounting policies.

The Group has not early adopted any standard, interpretation or amendment that have been issued but not yet effective.

<u>IFRS 9 'Financial Instruments'</u>
Under IFRS 9, the gains and losses arising from changes in fair value of the Group's investments in equity securities, previously classified as available-for-sale, will be recognised in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments are classified as non-trading items, and do not have any impact on the Group's underlying profit attributable to shareholders and shareholders' funds. The new hedge accounting rules, which align the accounting for hedging instruments closely with the Group's risk management practices, and the new forward-looking expected credit loss model replacing the incurred loss impairment model, have no significant impact to the Group.

<u>IFRS 15 'Revenue from Contracts with Customers'</u>
IFRS 15 establishes a comprehensive framework for the recognition of revenue. It replaces IAS 11 'Construction Contracts', and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in the framework is that revenue is recognised when control of a good or service transfers to a customer. There is no significant impact on the new standard to the Group.

Changes to accounting policies on adoption of IFRS 9 and IFRS 15 have been applied retrospectively and the comparative financial statements have been restated.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

The effects of adopting IFRS 9 and IFRS 15

(a) On the consolidated profit and loss account for the six months ended 30th June 2017

	Increase/(decrease) US$m
Other operating income	0.5
Share of results of associates and joint ventures	(1.0)
Tax	(0.1)
Profit after tax	(0.6)
Attributable to:	
Shareholders of the Company*	(0.6)
Non-controlling interests	-
	(0.6)
* Further analysed as:	
Underlying profit attributable to shareholders	-
Non-trading items	(0.6)
Profit attributable to shareholders	(0.6)
	US¢
Basic underlying earnings per share	-
Diluted underlying earnings per share	-
Basic earnings per share	(0.05)
Diluted earnings per share	(0.05)

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

(b) On the consolidated statement of comprehensive income for the six months ended 30th June 2017

	Increase/(decrease) US$m
Profit for the period	(0.6)
Other comprehensive income	
Items that may be reclassified subsequently to profit or loss:	
Revaluation of other investments at fair value through other comprehensive income - net gain arising during the period	(0.5)
Tax relating to items that may be reclassified	0.1
Share of other comprehensive income of associates and joint ventures	1.0
Other comprehensive income for the period, net of tax	0.6
Total comprehensive income for the period	-
Attributable to:	
Shareholders of the Company	-
Non-controlling interests	-
	-

(c) On the consolidated balance sheet

There is no impact on the consolidated balance sheet.

(d) Changes in principal accounting policies on adoption of IFRS 9 and IFRS 15

Investments

The Group's investments are measured at fair value through profit and loss. The classification is based on the management's business model and their contractual cash flows characteristics.

Equity investments are measured at fair value with fair value gains and losses recognised in profit and loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

(d) Changes in principal accounting policies on adoption of IFRS 9 and IFRS 15 *(continued)*

Debtors

All debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be material. The impairment measurement is subject to whether there has been a significant increase in credit risk. For trade debtors, the Group applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised 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.

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 fair value gains or losses on equity investments which are fair value through profit and loss; 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.

Sales recognition

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 recognised at the point of sale, when the control of the asset is transferred to the customers, and is recorded at the net amount received from customers.

2. SALES

	Including associates and joint ventures		Subsidiaries	
	Six months ended 30th June			
	2018 US$m	2017 US$m	**2018 US$m**	2017 US$m
Analysis by operating segment:				
Food	**9,140.0**	7,849.4	**4,101.4**	3,972.7
- Supermarkets/hypermarkets	**8,110.6**	6,878.1	**3,072.0**	3,001.4
- Convenience stores	**1,029.4**	971.3	**1,029.4**	971.3
Health and Beauty	**1,574.3**	1,320.8	**1,480.8**	1,229.0
Home Furnishings	**346.5**	303.6	**346.5**	303.6
Restaurants	**1,153.9**	974.1	**-**	-
	12,214.7	10,447.9	**5,928.7**	5,505.3

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 (including the Group's associate, Yonghui, a leading supermarket/hypermarket retailer in mainland China). Health and Beauty comprises the health and beauty businesses. Home Furnishings is the Group's IKEA businesses. Restaurants is the Group's catering associate, Maxim's, a leading Hong Kong restaurant chain.

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

	Including associates and joint ventures		Subsidiaries	
	Six months ended 30th June			
	2018 US$m	2017 US$m	**2018 US$m**	2017 US$m
Analysis by geographical area:				
North Asia	**9,747.7**	8,146.4	**3,645.2**	3,308.1
Southeast Asia	**2,467.0**	2,301.5	**2,283.5**	2,197.2
	12,214.7	10,447.9	**5,928.7**	5,505.3

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

3. OPERATING PROFIT

	Six months ended 30th June	
	2018	2017
	US$m	US$m
		restated
Analysis by operating segment:		
Food	**69.6**	105.7
- Supermarkets/hypermarkets	**33.2**	71.3
- Convenience stores	**36.4**	34.4
Health and Beauty	**154.0**	88.6
Home Furnishings	**33.9**	33.4
	257.5	227.7
Store support centre	**(39.9)**	(27.6)
	217.6	200.1
Non-trading items:		
- fair value gain on equity investments	**0.6**	0.5
- profit on sale of a subsidiary	**8.5**	-
- profit on sale of a property	**-**	0.6
	226.7	201.2

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

	Six months ended 30th June	
	2018	2017
	US$m	US$m
		restated
Analysis by geographical area:		
North Asia	**248.3**	198.7
Southeast Asia	**9.2**	29.0
	257.5	227.7
Store support centre	**(39.9)**	(27.6)
	217.6	200.1

4. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	Six months ended 30th June	
	2018	2017
	US$m	US$m
		restated
Analysis by operating segment:		
Food - Supermarkets/hypermarkets	**27.1**	30.1
Health and Beauty	**(2.0)**	(3.2)
Restaurants	**37.3**	34.1
	62.4	61.0

Share of results of associates and joint ventures included the share of fair value gain of US$1.0 million *(2017: loss of US$0.9 million)* on the equity investments of Yonghui Superstores Co., Ltd ('Yonghui') in 2018 and the share of a net gain of US$0.6 million on the disposal of an investment by Yonghui in 2017 *(note 7)*.

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

5. TAX

	Six months ended 30th June	
	2018	2017
	US$m	US$m
		restated
Tax charged to profit and loss is analysed as follows:		
Current tax	**(56.4)**	(38.1)
Deferred tax	**3.8**	(2.0)
	(52.6)	(40.1)
Tax relating to components of other comprehensive (expense)/income is analysed as follows:		
Remeasurements of defined benefit plans	**0.1**	0.6
Cash flow hedges	**(1.2)**	0.4
	(1.1)	1.0

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$17.2 million *(2017: US$15.8 million)* is included in share of results of associates and joint ventures.

6. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US$224.9 million *(2017: US$212.1 million)*, and on the weighted average number of 1,352.6 million *(2017: 1,352.4 million)* shares in issue during the period.

Diluted earnings per share are calculated on profit attributable to shareholders of US$224.9 million *(2017: US$212.1 million)*, and on the weighted average number of 1,353.3 million *(2017: 1,353.1 million)* shares in issue after adjusting for 0.7 million *(2017: 0.7 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 period.

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:

	Six months ended 30th June					
	2018			2017		
	US$m	Basic earnings per share **US¢**	Diluted earnings per share **US¢**	US$m restated	Basic earnings per share US¢	Diluted earnings per share US¢ restated
Profit attributable to shareholders	**224.9**	**16.63**	**16.62**	212.1	15.68	15.67
Non-trading items *(note 7)*	**(10.1)**			(0.7)		
Underlying profit attributable to shareholders	**214.8**	**15.88**	**15.87**	211.4	15.63	15.62

7. 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 fair value gains or losses on equity investments which are fair value through profit and loss; 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:

	Six months ended 30th June	
	2018	2017
	US$m	US$m
		restated
Fair value gain on equity investments	**0.6**	0.4
Profit on sale of a subsidiary	**8.5**	-
Profit on sale of a property	**-**	0.6
Share of Yonghui's fair value gain/(loss) on equity investments	**1.0**	(0.9)
Share of net gain from disposal of an investment by Yonghui	**-**	0.6
	10.1	0.7

8. DIVIDENDS

	Six months ended 30th June	
	2018	2017
	US$m	US$m
Final dividend in respect of 2017 of US¢14.50 *(2016: US¢14.50)* per share	**196.1**	196.1

An interim dividend in respect of 2018 of US¢6.50 *(2017: US¢6.50)* per share amounting to a total of US$87.9 million *(2017: US$87.9 million)* is declared by the Board, and will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2018.

9. FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying amounts of financial assets and financial liabilities at 30th June 2018 and 31st December 2017 are as follows:

	Fair value of hedging instruments US$m	Fair value through profit and loss US$m	Financial assets at amortised cost US$m	Other financial liabilities US$m	Total carrying amounts US$m
At 30th June 2018					
Financial assets measured at fair value					
Other investments					
- equity investments	-	54.8	-	-	**54.8**
Derivative financial instruments	6.9	-	-	-	**6.9**
	6.9	**54.8**	**-**	**-**	**61.7**
Financial assets not measured at fair value					
Debtors	-	-	116.3	-	**116.3**
Bank balances	-	-	330.2	-	**330.2**
	-	**-**	**446.5**	**-**	**446.5**
Financial liabilities measured at fair value					
Derivative financial instruments	-	-	-	-	**-**
	-	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value					
Borrowings	-	-	-	(1,000.5)	**(1,000.5)**
Trade and other payables excluding non-financial liabilities	-	-	-	(2,396.1)	**(2,396.1)**
	-	**-**	**-**	**(3,396.6)**	**(3,396.6)**

9. FINANCIAL INSTRUMENTS *(continued)*

Financial instruments by category *(continued)*

	Fair value of hedging instruments US$m	Fair value through profit and loss US$m	Financial assets at amortised cost US$m	Other financial liabilities US$m	Total carrying amounts US$m
At 31st December 2017					
Financial assets measured at fair value					
Other investments					
- equity investments	-	6.9	-	-	6.9
Derivative financial instruments	2.7	0.7	-	-	3.4
	2.7	7.6	-	-	10.3
Financial assets not measured at fair value					
Debtors	-	-	161.3	-	161.3
Bank balances	-	-	332.4	-	332.4
	-	-	493.7	-	493.7
Financial liabilities measured at fair value					
Derivative financial instruments	(2.3)	-	-	-	(2.3)
	(2.3)	-	-	-	(2.3)
Financial liabilities not measured at fair value					
Borrowings	-	-	-	(934.7)	(934.7)
Trade and other payables excluding non-financial liabilities	-	-	-	(2,508.0)	(2,508.0)
	-	-	-	(3,442.7)	(3,442.7)

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

9. FINANCIAL INSTRUMENTS *(continued)*

Fair value estimation

(i) Financial instruments that are measured at fair value

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')

The fair values of listed investments are 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 derivative financial instruments are determined using rates quoted by the Group's bankers at the balance sheet date. The rates for interest rate swaps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

The fair values of unlisted investments mainly include club debentures, are determined using prices quoted by brokers at the balance sheet date.

(c) Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')

The fair values of other unlisted investments are determined using valuation techniques by reference to observable current market transactions or the market prices of the underlying investments with certain degree of entity specific estimates, or determined with reference to the underlying cash flow from the investments, discounted using a risk-adjusted discount rate.

There were no changes in valuation techniques during the six months ended 30th June 2018 and the year ended 31st December 2017.

9. FINANCIAL INSTRUMENTS *(continued)*

Fair value estimation *(continued)*

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

The tables below analyse financial instruments carried at fair value at 30th June 2018 and 31st December 2017, by the levels in the fair value measurement hierarchy.

	Quoted prices in active markets **US$m**	Observable current market transactions **US$m**	Total **US$m**
At 30th June 2018			
Assets			
Other investments			
- equity investments	47.2	7.6	**54.8**
Derivative financial instruments at fair value			
- through other comprehensive expense	-	6.9	**6.9**
	47.2	**14.5**	**61.7**
Liabilities			
Derivative financial instruments at fair value			
- through other comprehensive expense	-	-	**-**
	-	**-**	**-**

9. FINANCIAL INSTRUMENTS *(continued)*

Fair value estimation *(continued)*

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

	Observable current market transactions US$m
At 31st December 2017	
Assets	
Other investments	
- equity investments	6.9
Derivative financial instruments at fair value	
- through other comprehensive income	2.7
- through profit and loss	0.7
	10.3
Liabilities	
Derivative financial instruments at fair value	
- through other comprehensive income	(2.3)
	(2.3)

There were no transfers between the two categories during the six months ended 30th June 2018 and year ended 31st December 2017.

(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.

10. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Sale of a subsidiary

	Six months ended 30th June **2018** **US$m**
Intangible assets	**1.7**
Tangible assets	**0.1**
Current assets	**3.3**
Current liabilities	**(5.8)**
Net liabilities disposed of	**(0.7)**
Release of exchange reserve	**1.0**
Profit on disposal	**8.5**
Net sale proceeds	**8.8**
Deferred consideration	**(2.0)**
Cash and cash equivalents of the subsidiary disposed of	**(2.6)**
Net cash inflow	**4.2**

Sale of a subsidiary for the six months ended 30th June 2018 represented the Group's disposal of its 100% interest in Asia Investment and Supermarket Trading Company Limited, operating a hypermarket in Vietnam, to a third party in February 2018.

(b) Sale of properties

Sale of properties in 2017 included the sale of land in Malaysia for a total cash consideration of US$1.5 million.

(c) Analysis of balances of cash and cash equivalents

	At 30th June **2018** **US$m**	2017 US$m
Bank balances and other liquid funds	**330.2**	299.1
Bank overdrafts	**(2.5)**	(8.9)
	327.7	290.2

11. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Total capital commitments at 30th June 2018 and 31st December 2017 amounted to US$328.9 million and US$338.7 million, respectively.

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 condensed 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$1.1 million *(2017: US$1.1 million)* for the first six months of 2018 to Jardine Matheson Limited ('JML'), a wholly-owned subsidiary of JMH, based on 0.5% of the Group's profit attributable to shareholders in consideration for certain management consultancy services provided by JML. The Group also paid directors' fees of US$0.4 million *(2017: US$0.3 million)* to JML for the same period in 2018.

The Group rents properties from Hongkong Land Holdings Limited ('HKL'), a subsidiary of JMH. The gross rentals paid by the Group to HKL for the first six months of 2018 were US$1.6 million *(2017: US$1.4 million)*. The Group's 50%-owned associate, Maxim's Caterers Limited ('Maxim's'), also paid gross rentals of US$6.1 million *(2017: US$5.9 million)* to HKL for the first six months of 2018.

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 for the first six months of 2018 were US$1.0 million *(2017: US$1.0 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 for the first six months of 2018 amounted to US$5.6 million *(2017: US$4.6 million)*. Maxim's also paid total fees of US$2.0 million *(2017: US$1.8 million)* to JTH for the same period in 2018.

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 for the first six months of 2018 amounted to US$3.1 million *(2017: US$3.7 million)*.

Maxim's supplies ready-to-eat products at arm's length to certain subsidiaries of the Group. For the first six months of 2018, these amounted to US$13.8 million *(2017: US$11.4 million)*.

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12. RELATED PARTY TRANSACTIONS *(continued)*

In addition, Gammon Construction, a joint venture of JMH, was engaged by Maxim's to provide construction and renovation works amounting to US$0.4 million *(2017: US$4.8 million)* for the first six months of 2018.

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 first six months of the current financial 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 following have been identified previously as the areas of principal risk and uncertainty facing the Company, and they remain relevant in the second half of the year.

- Economic Risk
- Commercial Risk and Financial Risk
- Concessions, Franchises and Key Contracts
- Regulatory and Political Risk
- Terrorism, Pandemic and Natural Disasters
- Technology Risk

For greater detail, please refer to pages 117 and 118 of the Company's Annual Report for 2017, a copy of which is available on the Company's website www.dairyfarmgroup.com.

Dairy Farm International Holdings Limited
Responsibility Statement

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

a. the condensed financial statements have been prepared in accordance with IAS 34; and

b. the interim management report includes a fair review of all information required to be disclosed by the Disclosure Guidance and Transparency Rules 4.2.7 and 4.2.8 issued by the Financial Conduct Authority in the United Kingdom.

For and on behalf of the Board

Ian McLeod
Neil Galloway

Directors

The interim dividend of US¢6.50 per share will be payable on 10th October 2018 to shareholders on the register of members at the close of business on 17th August 2018. The shares will be quoted ex-dividend on the Singapore Exchange and the London Stock Exchange on 15th and 16th August 2018, respectively. The share registers will be closed from 20th to 24th August 2018, inclusive.

Shareholders will receive their cash dividends in United States Dollars, unless they are registered on the Jersey branch register, in which case they will have the option to elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2018 interim dividend by notifying the United Kingdom transfer agent in writing by 21st September 2018. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 26th September 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 17th August 2018, must submit the relevant documents to M & C Services Private Limited, the Singapore branch registrar, by no later than 5.00 p.m. (local time) on 16th August 2018.

Dairy Farm

Dairy Farm is a leading pan-Asian retailer. At 30th June 2018, the Group and its associates and joint ventures operated over 7,400 outlets and employed over 200,000 people. The Group had total annual sales in 2017 exceeding US$21 billion.

The Group provides quality and value to Asian consumers by offering leading brands, a compelling retail experience and great service; all delivered 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:

<u>Food</u>

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

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

<u>Health and Beauty</u>

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

<u>Home Furnishings</u>

- IKEA in Hong Kong, Indonesia, Macau and Taiwan.

<u>Restaurants</u>

- Maxim's in Cambodia, mainland China, Hong Kong, Macau, Singapore, Thailand and Vietnam (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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As permitted by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in the United Kingdom, the Company will not be posting a printed version of the Half-Yearly Results announcement to shareholders. The Half-Yearly Results announcement will remain available on the Company's website, www.dairyfarmgroup.com, together with other Group announcements.