Dairy Farm International Holdings Ltd
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To: Business Editor

28th February 2019
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
2018 PRELIMINARY ANNOUNCEMENT OF RESULTS

Highlights

- Sales up 4% at US$11.7 billion
- Strong Health and Beauty performance but further decline in Food
- Food business US$453 million restructuring charge following strategic review
- Multi-year transformation plan in progress under new leadership

"2018 was a pivotal year for the Dairy Farm Group with the completion of the strategic review and the development of a multi-year transformation plan to reshape the business. These changes will make the business more agile and competitive. With a more customer-focused and market-driven strategy, we will achieve long-term sustainable growth."

Ben Keswick
Chairman

Results

	Year ended 31st December		
	2018 US$m	2017 US$m restated†	Change %
Combined total sales including 100% of associates and joint ventures	**21,957**	21,827	+1
Sales	**11,749**	11,289	+4
Underlying profit attributable to shareholders*	**424**	403	+5
Net non-trading items	**(332)**	(1)	n/a
Profit attributable to shareholders	**92**	402	–77
	US¢	US¢	%
Underlying earnings per share*	**31.37**	29.77	+5
Basic earnings per share	**6.80**	29.75	–77
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 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 financial statements.

The final dividend of US¢14.50 per share will be payable on 15th May 2019, subject to approval at the Annual General Meeting to be held on 8th May 2019, to shareholders on the register of members at the close of business on 15th March 2019.

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DAIRY FARM INTERNATIONAL HOLDINGS LIMITED

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2018

OVERVIEW

2018 was a pivotal year for the Dairy Farm Group. A detailed strategic review was completed and a strong new senior leadership team was built with the right expertise to take the business forward. In addition, a multi-year transformation plan was developed to reset and reshape the business to compete more effectively.

Most store formats reported improved performance in the year, with Health and Beauty delivering particularly strong results, but there was increasing weakness in Food. The performance of the Hong Kong Food business softened over the year and the Supermarket and Hypermarket business across Southeast Asia deteriorated further. The transformation plan will realign these Food businesses to meet changing customer preferences.

OPERATING PERFORMANCE

Sales for the year by the Group's subsidiaries of US$11.7 billion were 4% ahead of 2017. Total sales of US$22.0 billion, including 100% of associates and joint ventures, were 1% higher.

Underlying operating profit from subsidiaries was US$426 million compared with US$367 million in 2017, which included business change costs of US$73 million principally relating to the exit of various underperforming stores and stock clearance in the Food business in Southeast Asia. Increased contributions from Health and Beauty, and Convenience stores, offset disappointing results from the Supermarket and Hypermarket business, while IKEA was slightly ahead. Results include significantly higher store support centre costs reflecting the increased investment in management and functional capabilities necessary to take the business forward. The contribution from associates and joint ventures was down. There was a record result from Maxim's but a decrease in Yonghui's contribution compared with the prior year. The Group's net financing charge rose, reflecting higher interest rates and additional borrowings to finance further investment in the Philippines.

Underlying profit attributable to shareholders was US$424 million compared to US$403 million in the prior year, while underlying earnings per share of US¢31.37 were up 5% from 2017.

The net non-trading charge for the year totalled US$332 million. This included a US$453 million restructuring charge for the Food business in Southeast Asia partially offset by a net gain of US$121 million principally in relation to business and property disposals.

Following the completion of a detailed strategic review, which concluded that Southeast Asia Food was not viable in its current form, impairments have been made against the goodwill and assets associated with the Giant business and the leases of the underperforming stores have been provided for as part of the business restructuring charge. Net cash costs related to the restructuring charge are expected to be less than US$50 million.

Partially offsetting the financial impact of the restructuring was a net gain of US$119 million arising from the reorganisation of Dairy Farm's interests in the Philippines and Vietnam and the sale of non-core properties. Notably in the Philippines, a gain was recognised on the sale of the Rustan Supercenters, Inc. business in exchange for an investment in Robinsons Retail group, which was partially offset by an impairment in the value of Rose Pharmacy, which Dairy Farm now fully owns. Accordingly, the profit attributable to shareholders was US$92 million for the year, compared with US$402 million in 2017.

The Group maintained strong net cash flows from operating activities of US$643 million, slightly below the US$671 million recorded in 2017. Net debt at the end of 2018 increased from US$599 million to US$744 million, reflecting the additional investments in the Philippines.

The Board is recommending an unchanged final dividend of US¢14.50 per share. This, together with the interim dividend of US¢6.50 per share, will make a total annual dividend of US¢21.00 per share.

In the Supermarket and Hypermarket business, sales were lower and profit fell significantly as trading worsened in Southeast Asia. Trading in Hong Kong also softened in the year and increasing rental and labour costs put pressure on profitability. Market competition is intensifying in all key markets, providing customers with more choice, competitive prices, and greater location convenience. These changes have impacted the business significantly and at an increasing rate.

The Convenience store business had a solid year with higher sales and profit. Enhancements to range and services have been made and the format is benefitting from the overall shift in customer habits towards convenience. Notably, the 7-Eleven business in Guangdong passed the 1,000th store milestone.

Health and Beauty had a very strong year, with sales and profit showing double-digit growth. Mannings in Hong Kong and Macau delivered exceptional results, in part benefitting from increased tourist traffic from mainland China. Guardian in Southeast Asia also made very good progress, reporting increased sales in all six of its markets.

In the Home Furnishings Division, IKEA delivered further strong sales growth in all its markets, and despite being adversely affected by currency fluctuation, rising costs of goods and pre-opening expenses for new stores, profits were slightly ahead.

Maxim's had another good year, with record sales and profit, supported by strong mooncake sales and the full year effect of the successful integration of Starbucks Singapore into the group. However, the business had a challenging year in mainland China as the growth of home food delivery services impacted certain of its restaurant formats.

Yonghui Superstores in mainland China reported strong sales growth through positive like-for-like sales and 471 new store openings. Profit was, however, impacted by the cost of a new employee incentive scheme and losses from new retail formats. In addition, Group results only benefitted from nine months of Yonghui's performance as its 2018 full year results announcement has not yet been made.

BUSINESS DEVELOPMENTS

Having completed the strategic review during the year covering all of our businesses, Dairy Farm is now at the start of a multi-year transformation programme. While the review has resulted in a restructuring charge for the Southeast Asia Food business, which has had a material impact on the Group's 2018 results, the restructuring is an essential step for repositioning businesses that have had a long and proud history of serving their customers.

The new leadership team, with the right depth and breadth of experience and functional expertise, is now largely in place. During the year, this team has focused on developing and implementing new strategies and business performance initiatives. It has also reorganised the businesses into a new streamlined and centralised structure, with regional hubs based in Hong Kong and Singapore and the addition of enhanced functional leadership in key disciplines. These changes will make the business more agile and enable it to respond to and address the changing and challenging consumer environment. Dairy Farm remains committed to being a market leader and growing the business across Asia, but in order to be successful, its formats need to be realigned to meet changing customer preferences.

CORPORATE DEVELOPMENTS

As part of the transformation there were several significant corporate developments during the year. These included the investments in Robinsons Retail and Rose Pharmacy in the Philippines.

In November, Dairy Farm entered a partnership with Robinsons Retail, the Philippines' third largest retail business, whereby Dairy Farm's Food business has become part of the Robinsons Retail with Dairy Farm now having a 20% interest in the combined business. Robinsons Retail had a strong year in 2018 and this new partnership positions the Group well to take advantage of the growing opportunities in the Philippines.

In December, Dairy Farm completed the acquisition of the remaining 51% of Rose Pharmacy from its founders, and now owns 100% of the business. This will allow Dairy Farm to drive the next phase of the development of the business.

Yonghui has been a successful investment and a good partner for Dairy Farm and I am pleased to have been appointed Chairman of the Yonghui Board with effect from 20th December 2018, which will enable a further strengthening of our relationship.

PEOPLE

In what has been another challenging year, I would like to thank all our team members for their hard work and dedication in striving to take the Group forward and deliver the trust, quality, value and service that our consumers want and expect. While there is still much work to do to rebalance the business, I am very supportive of the changes the new management is making to reset and reshape Dairy Farm for a strengthened future.

Dr George Koo and Sir Henry Keswick retired from the Board on 9th May 2018 and 31st December 2018 respectively. We would like to record our gratitude to both of them for the significant contributions they have made over many years to the Group. We were pleased to welcome Dr Delman Lee to the Board in May. On 22nd January 2019, we announced that the Group Finance Director, Neil Galloway, will step down from the Board at the end of March and leave Dairy Farm to return to the UK. His successor will be appointed in due course. We would like to thank Neil for his contribution to the Group.

PROSPECTS

With a more customer-focused and market-driven strategy we will stay competitive, improve performance, and achieve long-term sustainable growth. While the Group faces significant challenges in the short-term as we reset and reshape the Food business as part of the multi-year transformation plan, the Group's other businesses and key associates are performing well and have strong market positions.

Ben Keswick
Chairman

GROUP CHIEF EXECUTIVE'S REVIEW

I have now had the privilege of being CEO of this iconic Group of businesses for a full year and, in that time, I have been impressed by the dedication of our people, the strength and leadership of our market positions and the scale and reach of our banners and brands.

Overall our businesses delivered a stable trading performance in 2018, despite tough market conditions, underpinned by an exceptional Health and Beauty performance, particularly in Hong Kong, and solid performances from our Convenience and IKEA businesses. Our Convenience store format expanded its presence in mainland China to over 1,000 stores during the year and IKEA saw increasing benefits from a growing e-commerce business, which now has sales equivalent to an 11th store. Strong Beauty category promotions of our Health and Beauty businesses, alongside the introduction of more mobile payment options in stores, further improved customers' shopping experience and helped drive sales.

The Group's investment in key strategic partnerships also continued to deliver good returns, with Yonghui, Maxim's, and the recently added Robinsons, each enjoying sales growth and profit expansion in their core operations during the year. Underlying profit growth in Yonghui still remains strong and the business will benefit further from the partial sell down of their investment in the Yunchuang Technology business, which was announced in December 2018.

However, the positive performances in our stronger trading divisions and strategic partnerships were not enough to offset the growing weakness in Food. Performance of North Asia Food softened over the year and, while the food performance of our upscale stores has improved, the prolonged weakness in our Supermarket and Hypermarket business across Southeast Asia eroded performance further.

Our Supermarket and Hypermarket business requires immediate and significant course correction, to realign to changing consumer expectations from a trusted, quality retailer. Like many other retailers, we face significant challenges as the food industry adapts to changing customer behaviour. Customers now want access to products through a multitude of channels, in different formats, ranges and locations and we are paying the price for historically being slow in responding to changing consumer dynamics and underinvesting in business infrastructure; something we urgently are addressing.

STRATEGIC REVIEW

Following the Strategic Review undertaken shortly after my arrival, we began the urgent work required to assess and address the significant issues faced by the Group, especially those within our Food business, to support the changing demands of the customers. While the Strategic Review also highlighted opportunities to improve performance in other parts of the Group, the Food business is clearly the one requiring the greatest level of focus and short-term action.

It is very clear that the level of change necessary to deliver the required improvements will take at least five years to deliver in a sustainable way. There are few 'quick fixes' and no 'silver bullets'. Continuous improvement against a deliverable, long-term strategic and operational plan is needed. We now have this plan in place, with three distinct phases: Building a Solid Foundation; Delivering Consistently Well; and Driving the Dairy Farm Difference.

We are currently taking action in phase one of this plan, to reset, reshape and transform Dairy Farm's business to improve performance and profitability. The first important action has been to bring in the right leadership talent who have the capability and determination to deliver significant and meaningful transformational change. During the year we have successfully recruited a new leadership team (of the ten members of the team, seven are new to the business and two are leaders with revised responsibilities), who have begun to instil the right functional discipline, efficiency and business capabilities to deliver against a challenging turnaround plan. I am confident that this team has the depth and breadth of expertise needed to address the historical business underperformance and ensure we are successful in improving and strengthening our business for the long term.

The new team is aligned on our strategic objectives and has already commenced implementing change programmes to make sustainable and long-term improvements, not only to what we offer our customers, but also to how we operate and how we organise ourselves more effectively to deliver against the challenges we face.

As we carried out the Strategic Review, it became clear that we were organised and deployed as multiple business units by banner, country, format or all of the above. While allowing for locally based decision-making, our way of working was to act as a series of small businesses, without shared learning, quality functional specialism, or the consistency of scale and expertise one might expect from one of Asia's largest retailers. Our businesses have now been centralised into two core trading Divisions, covering North Asia and Southeast Asia. This reorganisation has allowed us to collectively benefit as a Group from scale leverage, newly appointed functional specialism and, most importantly, strong regional leadership.

As new leaders have joined, we have begun to address key areas where we have fallen behind, most notably in store format development and digital expansion. As an example, having used stronger consumer insights and intelligence to analyse our customer offering and product selection, we have decided no longer to build Hypermarkets. While some of these stores remain successful and continue to show growth, it is clear that this format has struggled to deliver effective returns across the Food Retail industry in Southeast Asia and needs to be reshaped. We are now introducing pilot stores, redefining space allocation and trialling new innovations in our formats, to place greater emphasis on Fresh food, demographic range optimisation and, where relevant, even repurposing the space altogether. One Hypermarket in Indonesia is being repurposed as an IKEA in 2019 with the prospect of this conversion offering an opportunity to accelerate the expansion of IKEA in that market, while also addressing an underperforming Food store.

While we have strengthened our digital capability to better respond to expanding opportunities in e-commerce, we are starting from a very low base and are playing catch up.

There has been considerable effort placed on developing our people capability, improving operating standards, reviewing supply chain efficiencies and establishing the regional trading hubs in the very early stages of the multi-year plan. These initial steps provide us with confidence that we can continue to develop the businesses that are performing and deliver the enhancements necessary in the underperforming areas of Dairy Farm to build a better business for the future. But these changes are not insignificant and a transformation of this scale will be challenging and will take time to deliver. One of the key benefits of a portfolio business is that as some businesses or assets need particular attention to address challenges, there is the reassurance that others with momentum will continue to perform.

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We are only in phase one of our transformation, but I believe we are now facing into and addressing a series of challenges to transform our business to better respond to the needs of present and future customers, not merely repeating habits or assumptions based in the past.

2018 was a year where we began taking a series of material actions to correct the course of our business. Inevitably, there are significant adjustment costs associated with this but, in the longer term, these essential changes will not only deliver the quality, service, value and, most importantly, trust our customers expect, but will provide the Group with the greatest opportunity to deliver improving and sustainable returns over time.

FIVE STRATEGIC IMPERATIVES

While organisation design and efficiency improvement are important factors in operational success, we also recognise that as a business we need to review our strategic position to compete in a changing global retail environment. In order for us to achieve our transformation we have identified five strategic priorities that will enable us to effect the changes necessary to allow the business to build a platform for future growth. The Strategic priorities are: Grow in China; Maintain Strength in Hong Kong; Revitalise Southeast Asia; Build Capability; and Drive Digital Innovation.

Grow in China: China is one of the largest and fastest growing consumer markets in the world, and one where convenience, health and brand trust represent encouraging market potential for our businesses there. While we have been represented in China for over 25 years with 7-Eleven and 14 years with Mannings, our scale of growth has not fulfilled its potential. With both businesses centred in Guangdong province, which is home to 100 million people, we should be able to pool resources and grow these businesses more successfully. Our Strategic Review identified opportunities to revise our approach and by more effective definition of range, space, store size and location, we believe there are opportunities for both businesses to achieve stronger growth in scale in the coming years. We have developed a strong and growing relationship with Yonghui, who continue to impress, and we anticipate further shared learning and idea generation between the two businesses going forward. We also continue to develop relationships with China's technology companies, with a series of trials taking place to better understand the changes in customer expectations as regards the use of technology in this market and beyond.

Maintain Strength in Hong Kong: We are in the fortunate position that, within our home market of Hong Kong, we have a series of very strong brands with a track record of effective performance. Each of Wellcome, Mannings, 7-Eleven and IKEA have high brand presence, strong brand awareness with consumers and importantly, high degrees of brand trust. We have the further benefit of our long-standing relationship with Maxim's, which continues to be a thriving business with effective presence in each area of the market and a growing portfolio of renowned international brands such as Starbucks, Genki Sushi, The Cheesecake Factory and the recently added Shake Shack, which has exceeded all performance expectations. Mannings had an exceptional year in 2018, but Wellcome's performance disappointed. While the underlying business remains strong, substantial cost rises, particularly on rents, have had a material effect on year-on-year profitability. As a result of the Strategic Review, we will reconsider our approach to opening new space, where we open it, and seek to deliver greater range clarity by demographic across the Wellcome portfolio of retail brands.

IKEA benefitted from a full year of operation by a fourth store opened in the last quarter of 2017, which cemented our leading position within the home furnishings market in Hong Kong. While we have faced some cost offsets with currency fluctuations on cost of goods and new startup costs, we are very confident about our underlying position for IKEA and its growth potential not only in Hong Kong but also in the other markets where we operate the franchise. We will also drive further innovation with a planned relaunch of e-commerce and building on the recent experience of a pop-up Christmas store in Hong Kong.

Revitalise Southeast Asia: As mentioned, we have some serious problems in our Food business that require radical solutions and actions. This will necessitate a fundamental re-engineering of our Food offer and our customer proposition plus significant rationalisation of space and of our General Merchandise offer, converting Hypermarkets to large food format stores over time.

In Southeast Asia our core issue rests within our Giant brand and particularly Hypermarkets in Malaysia, Indonesia and Singapore. We have significantly underinvested in these Hypermarkets in the past and they now need a course correction to reshape and resize our offering, to ensure it is fit for purpose to meet the demands of modern-day consumers and keep pace with the rising middle class. We have already begun the process of redesigning our proposition in Fresh and Grocery and we have pilot propositions already on the ground. Our Malaysian pilot is a redefined Hypermarket where we have halved the general merchandise range size and achieved double-digit sales growth. We are also putting more emphasis on Fresh Food, investing in value on Grocery and streamlining General Merchandise and Apparel to optimise our range and space by category. In another pilot conversion, General Merchandise has been reduced by a third while Fresh space has been increased by over 70%. While it remains very early days for the pilots being developed in each key market of Indonesia, Malaysia and Singapore, we have been encouraged by their early performance. The predominant challenges rest within mass market Hypermarkets and Supermarkets where locations have been lacking in investment for years, or were simply built in the wrong place, or the competitive landscape has changed. These fundamental retail errors are now being addressed head on. Encouragingly, our upscale stores within these markets are showing signs of recovery as we raise operating standards of quality, freshness, availability and even hygiene. That said, the challenge that we face in right-sizing our Food business in Southeast Asia is substantial and will take considerable time to achieve.

Our Guardian Health and Beauty business remains a significant opportunity for us in Southeast Asia. Countries which were demonstrating trading difficulties a couple of years ago are beginning to grow, if not thrive, under new leadership and we will more aggressively invest in the expansion and format development of our Health and Beauty business in the region.

We remain committed to being market leaders and growing our business across Asia, but to be successful we must now realign our formats to make them fit for purpose and to support the needs and preferences of the consumers we serve. By repurposing and remodelling our stores, we will build a stronger Food business, and the early progress we have made gives us confidence that we can breathe new life into it. It is, without doubt, a significant challenge but I look forward to sharing our progress in the years ahead.

Build Capability: Since the start of 2018 we have almost completely changed the leadership team. We now have a group of people with strong track records in the Retail and Consumer industries leading this business. This significant increase in experience and capability is absolutely key to the success of our work ahead. Embedding their knowledge and expertise right across the Group is now the priority. With around 200 years of Retail and Consumer experience collectively across the leadership team we now have the ability to drive the considerable changes necessary to not only improve Dairy Farm's performance, but to transform the business to a modern-day retailer focused on delivering what customers want, where and how they want it.

We have also built strength in depth, with over 30 new senior management appointments across the Group beyond the leadership team itself, adding further experience and energy to the transformation effort.

Drive Digital Innovation: Retail is seeing rapid change and Dairy Farm has been slow in responding to the pace of Digital change. We have significantly underinvested in Digital (people and technology) and as a result are behind the curve. In 2018 we began to change this. Two new positions have been created; Chief Digital Officer and Chief Technology Officer. Both were appointed in the fourth quarter of 2018 and have decades of relevant experience. They have already begun to review all our current ad-hoc programmes and initiatives, to reset and reshape our Group approach to a badly needed IT infrastructure upgrade and accelerate our core SAP system rollout, as well as carrying out a review of our digital priorities within each business and region. We have made some improvements in developing our digital offer, with numerous initiatives and pilot schemes now in place, as well as developing partnerships with key Chinese technology companies. The reality, though, is that our digital capability is in its infancy; something we believe is vital that we change.

LEVERAGING SCALE

The key objective of our transformation is to leverage our expertise and scale more effectively across our countries and banners. This will be achieved by operating more effectively as one company. The structure change which has established two trading Divisions for Dairy Farm now allows us the opportunity to drive a much stronger and more consistent approach across the company. While we fully recognise that there needs to be localisation of offer and customer proposition at both a banner and a country level, we also believe there are significant opportunities for us to drive efficiency and lower costs through a more cohesive approach towards leveraging synergy and scale. One good example of this is in Own Brand development.

Our approach to Own Brand development has been variable, non-strategic and has lacked cohesion. While several Own Brand products have performed reasonably well, there has been no clear direction on how Own Brand should be positioned within each market and within each store brand. Equally, because of the way we have been operating under a devolved structure, there has been a disparate approach to development, positioning and priorities across countries, with no emphasis placed on leveraging sourcing through total business scale. This position is equally true in Food and Health and Beauty and across both North Asia and Southeast Asia.

As part of the multi-year plan there will be a radical repositioning of our Own Brand portfolio, establishing clear brand and quality range architecture across our business. To deliver a better value proposition in competitive retail markets, successful delivery of a strong Own Brand portfolio will be a key strategic development for us and with the reorganisation into Regional hubs delivering fewer better quality decision points, we have a much better chance of delivering successfully.

In addition to Own Brand, we also see significant opportunities to improve consistency and lower costs in other areas such as Procurement, Category Management, People Development, Store Productivity, Supply Chain Optimisation and Business Process Re-engineering.

A series of pilot improvement programmes have already been developed which are designed to increase customer focus and improve competitiveness. Given the transformation journey has only recently begun, this work is at an early stage and will take considerable time and effort to embed such change in a sustainable way within the stores and within the business more broadly, but all this work is designed to transform Dairy Farm and reshape the company for a strong, sustainable future.

2018 PERFORMANCE

Overall sales in the Food business declined by 1% to US$8.0 billion, with underlying operating profit of US$126 million, 43% lower than 2017.

The challenges for Supermarkets and Hypermarkets are worsening, and while this is being felt across all our markets, it is being felt most acutely in Southeast Asia. Sales in Hong Kong were ahead of last year, but profit was behind as operating costs, particularly rental and labour costs, continued to increase. Sales and profit were also lower in Taiwan. Giant Supermarkets and Hypermarkets results were poor across our key markets in Southeast Asia, with lower sales and profits in Singapore, Malaysia and Indonesia. Our Food business in the Philippines enjoyed significant growth, driven by strong like-for-like sales and several new store openings. The business became part of the Robinsons Retail group in November.

The Convenience format, by contrast, had a good year with sales and operating profits ahead of last year. In Hong Kong and Macau, Ready-to-Eat food continued to boost sales. In mainland China we expanded beyond 1,000 stores. In Singapore there was a slight decline in total sales following the closure of some stores related to the end of a franchise arrangement.

Our Health and Beauty businesses had an exceptional year. Overall sales grew 17% to US$3.0 billion, driven primarily by Mannings in Hong Kong and Macau, which were well placed to take advantage of a significant increase in tourist arrivals from mainland China. The Guardian businesses in Southeast Asia also performed well. This drove a 59% underlying operating profit increase to US$334 million. In addition, Rose Pharmacy is now 100% owned by Dairy Farm, increasing our ability to drive the business forward in the Philippines.

In our Home Furnishings Division, sales were up 10% to US$721 million, supported by the full year effect of the new IKEA store in Hong Kong, plus the increasing contribution from e-commerce. Underlying operating profit was flat on prior year at US$68 million with increased cost of goods, exacerbated by currency fluctuations and the additional costs of the new store in Hong Kong as it develops to maturity.

The Restaurants Division delivered another year of excellent results. Once again, the popularity of Maxim's mooncakes supported double-digit sales and profit growth. In addition, Maxim's benefitted from the full year effect of the integration of Starbucks Singapore, which has gone very well and is already delivering additional efficiency improvements. During the year Maxim's helped introduce more international brands to new Asian markets, with the opening of the first Shake Shack in Hong Kong and Genki Sushi in Malaysia.

Yonghui delivered strong sales growth in the year, driven largely by store openings while also having positive like-for-like sales. While underlying profit growth from retail operations was solid, profit was affected by the cost of a new employee share incentive scheme, and the impact of losses from the Yunchuang digital business which was partially divested at the end of the year. In addition, Group results benefitted from only nine months of Yonghui's performance as its 2018 full year results announcement has not yet been made.

TRANSFORMING DAIRY FARM FOOD

In recognition of the challenges facing our Southeast Asia Food business, we have taken decisive action to reset this business, which has a significant one-off financial impact on our reported 2018 results. We have written down the goodwill associated with the Giant business across the region, impaired underperforming assets, booked onerous lease provisions related to underperforming stores, written off poor quality stocks, and incurred various related business correction costs in relation to resetting and reshaping this business, allowing us to build for the future and draw a line under the weakness of the past. In aggregate, we have incurred a non-trading after-tax and non-controlling interests charge of US$453 million to reset our Southeast Asian Food business. It is worth noting that the majority of this relates to non-cash items with net cash costs expected to be less than US$50 million. This is clearly a significant decision, but it is necessary if we are to move forward, clear of legacy issues that will otherwise continue to constitute a drag on future financial performance.

In addition to the above, we have recognised a number of additional non-trading items in 2018. We realised a gain from the exchange of our Food business in the Philippines for a share in Robinsons Retail and the exit of our Giant operation in Vietnam. We also realised an impairment of goodwill relating to Rose Pharmacy in the Philippines while taking full ownership of this business, which we believe better places us to invest to support sustainable performance improvement in the future. Elsewhere, we made gains on the sale of several Food properties which we did not believe were strategic assets to own.

Together with the costs of resetting the Southeast Asian Food business and some other smaller items, we have accordingly recognised non-trading items to the 2018 results of US$332 million, as set out below.

Non-trading items	**2018 US$m**
Goodwill impairment	(102)
Impairment of other assets	(173)
Onerous lease provisions	(83)
Business correction costs	(95)
Total Food Business Restructuring charge	(453)
Net gain arising from the reorganisation of interests in the Philippines and Vietnam	91
Other non-trading items	30
Total non-trading items (after tax and non-controlling interests)	(332)

BUSINESS REVIEW

FOOD

Food (excluding Yonghui) reported US$8.0 billion in sales, 1% lower than last year in constant currency. Operating profit decreased 43% to US$126 million, driven by deteriorating performance from the Supermarket and Hypermarket businesses in both North and Southeast Asia. In contrast, the Convenience format performed well.

FOOD – SUPERMARKETS AND HYPERMARKETS

Sales of US$5.9 billion from our Supermarkets and Hypermarkets were 2% lower than last year in constant currency, while operating profit fell by 75% to US$34 million. Like-for-like sales were generally weak or negative, other than in the Philippines where we saw good growth.

HONG KONG

Sales saw a moderate rise, consolidating market share gains made in recent years. Costs, particularly rentals, continued to escalate, leading to a reduction in operating profit overall. With the outlook for the property market remaining challenging for retailers, our property strategy is under review to minimise the impact of future rent increases. This will mean much more rigourous decision making in selecting new stores. The nascent e-commerce business recorded double-digit growth and upgrades continued to be made to our in-store shopping experience, such as the introduction of self-checkout counters across many of our stores.

However, there is significant additional work to be done to meet customer expectations for a digital retail experience.

MACAU

San Miu in Macau performed well in 2018. Both sales and profit were ahead of last year despite higher store expenses and increasing competition. Two new stores were opened during the year, supported by an investment in a new dry distribution centre which commenced operations in 2017. Own Brand participation continued to increase and the upscale range was further improved.

TAIWAN

A mixture of weak market sentiment, conservative consumer spending and fierce competition led to a reduction in sales for Wellcome Taiwan. Profit was further impacted by price deflation in fresh food and supply shortages of imported fruits. Moving forward, the business is set to focus on strengthening operating fundamentals for future growth.

INDONESIA

Overall sales of our food businesses in Indonesia decreased this year, driven by continued weakness in Giant's Hypermarkets and Supermarkets with negative like-for-like sales and the closure of underperforming stores. In contrast Hero Supermarkets saw increasingly positive trends with modest sales increases. Losses worsened compared to last year and turnaround plan is now being implemented to address declining customer count and profitability with several stores being used to pilot changes. Improvements can already be seen in on-shelf availability and fresh food quality and there is now clearer communication in store. There is also a review of space allocation within stores. These initiatives are delivering encouraging initial results where they have been implemented.

MALAYSIA

The business environment remained extremely challenging for our Hypermarkets and Supermarkets in Malaysia. Poor market sentiment persists and smaller minimarkets are growing to threaten the traditional formats. As a result, sales were lower than last year and losses increased further due to lower sales, weaker margins and higher store expenses. Significant work will be required to reset and reshape our core Giant Supermarket and Hypermarket operations if they are to return to profitability. As with Indonesia, there is a review of all our stores, space and stock allocation within them, the relevance of our customer offer in terms of both range and pricing, with a focus on improving the core fresh food and grocery proposition. The pilot stores in which these consequent changes have been implemented are delivering encouraging results. Notwithstanding the challenges in Giant, our upscale food business, principally under the Cold Storage brand, and minimart trial stores achieved better performance, with promising sales increases. However, it will take time and significant effort to reinvent our business model, to deliver profitable new and reimagined retail destinations that better meet customer needs.

THE PHILIPPINES

Sales and profit of our Philippines Food business were slightly behind the prior year, in part related to operating costs of several new stores. In November, the Food business in the Philippines was exchanged for a stake in Robinson's Retail Holdings, Inc., the third largest retailer in the country. With the investment completed, Robinsons and Dairy Farm will work together to ensure that both groups benefit from each other's scale, knowledge and expertise. Alongside the investment Dairy Farm has two seats on the Robinsons Board. This development will allow us a stronger opportunity to participate in the development of this 100 million people consumer market.

SINGAPORE

Sales were slightly below prior year driven by negative like-for-like sales and some store closures. Profit was significantly lower due to lower margins and rising costs. Competition from e-commerce platforms and independent discount retailers continued to inhibit market growth, particularly for the traditional Supermarket and Hypermarket format. Customer footfall improved, however, in Cold Storage stores where we have acted to reset our range and made targeted investments intended to improve our customer relevance and price perception. As with our food operations in Malaysia and Indonesia we are piloting new ideas and plan to implement successful initiatives more widely across the business. Short-term improvements have been made to our current e-commerce offer, while longer term plans to build this customer channel in a more impactful and relevant way are under development.

CAMBODIA

Sales increased as we opened more stores, though like-for-like was flat as competition toughened. The first three Lucky Express stores were opened during the year and initial results were promising.

FOOD – CONVENIENCE STORES

Convenience reported US$2.1 billion in sales, an increase of 4% over last year in constant currency. Operating profit increased by 9% to US$92 million.

HONG KONG AND MACAU

Both sales and profit of 7-Eleven Hong Kong were ahead of last year, with ready-to-eat remaining a key driver. Own Brand achieved strong performance and is expected to further leverage on its growth. The store network grew slightly with more sites secured in key locations. Digital and other services were continuously added to keep up with changes in the marketplace, while several new payment methods were added to meet customer demand. In Macau, 7-Eleven saw solid improvement in sales and profit. Tobacco sales returned to normal level after the display ban in January. Furthermore, a new skin care assortment targeted at tourist stores helped to boost Health and Beauty category sales.

MAINLAND CHINA

While profit was in line with prior year, sales increased with store expansion. During this year, the 1,000th store milestone was crossed and the business expanded into three new cities in west Guangdong. On top of existing delivery promotions with Meituan and mobile payment promotions, facial recognition self-checkout machines were launched in 50 stores alongside a WeChat-based loyalty program which has already proved popular. A new distribution centre in Shenzhen is under planning to meet increasing expansion plans.

SINGAPORE

Overall sales fell slightly but like-for-like sales grew positively, which, together with cost savings initiatives in overheads and operations, drove improved profit. New products and Own Brand initiatives continued to support growth in the drinks, snacks and beauty categories. To keep up with customer aspirations, digital technology was leveraged in payment, top-ups and marketing. New parcel collection services are also in progress to improve customer traffic and incremental service income.

- more -

HEALTH AND BEAUTY

Health and Beauty achieved US$3.2 billion in total sales, an increase of 16% in constant currency, while operating profit increased 59% with better performance across major markets.

HONG KONG AND MACAU

Mannings in Hong Kong and Macau recorded an exceptional performance in 2018. An increase in local spending along with a strong rebound in the number of tourist visitors in both markets propelled sales and profit. The Beauty Care and Baby categories continued to be key revenue drivers while Own Brand products gained more popularity. Scan-and-Go functionality via mobile was introduced to all stores and self-checkout trials were carried out, further improving the shopping experience.

MAINLAND CHINA

It has been a transition year for Mannings China. Sales were slightly ahead of last year, mainly thanks to imported product ranges. However, profit declined due to rising store expenses and unplanned closures of several stores. The e-commerce business, including Own Brand online as well as domestic and cross-border e-commerce, made good progress. With optimised range structure, improved Mannings position and continuous innovations such as virtual walls and facial recognition, we will continue to build capability in the market and strengthen our position.

SINGAPORE

Despite the generally challenging retail market driven by the growth of e-commerce and imported products, sales and profit were broadly in line with prior year. With a focus on providing new and exclusive ranges at good value, Own Brand products became increasingly popular with our customers.

MALAYSIA

Following several challenging years, in 2018 Guardian Malaysia delivered healthy growth in both sales and profit. Along with a favourable external environment given the election sentiment and tax holiday, ‘Beauty Days’ promotions and store reinvention drove a strong performance. Our Beauty category remained a star performer. Building on the positive results, we expect to increase new store openings and undertake refurbishment of the existing estate to capture further market opportunities.

- more -

INDONESIA

Despite increasing competition, our Indonesian Health and Beauty business achieved increasing sales and profit improvement, with healthy higher customer footfall driving like-for-like sales growth. Marketing initiatives such as 'Beauty Days' proved successful and delivered significant sales uplift. Own Brand penetration remained strong, and there were further improvements in range selections.

VIETNAM

In Vietnam, sales increased, driven by new store openings and the strong performance of our Beauty ranges. As a relatively new business in Vietnam, we continued to develop our brand proposition to better serve the Health and Beauty needs of our customers.

CAMBODIA

Guardian reported good sales performance with strong like-for-like growth. However, losses increased as we invested in new store expansion.

THE PHILIPPINES

While sales at Rose Pharmacy showed modest improvement, this was offset by the increase of operating expenses, resulting in a slight fall in profit. A continuous focus on cost saving measures is expected to help boost performance. Own Brand products, especially health care items, continued to prove popular in the market. In December, Dairy Farm completed the acquisition of the remaining 51% interest in Rose Pharmacy and now owns the company outright, which will give greater opportunity for accelerating growth.

HOME FURNISHINGS

IKEA achieved record sales of US$721 million in 2018, up 11% in constant currency, while operating profit was in line with last year at US$68 million, despite cost increases, in part related to investments in new store expansion.

HONG KONG, TAIWAN AND INDONESIA

IKEA achieved record sales again in 2018, bolstered by the full year effect of the new store opened in Hong Kong in the fourth quarter of 2017, together with strong like-for-like performances in Taiwan and Indonesia. While there was a strong profit increase in both Taiwan and Indonesia, lower profits in Hong Kong left overall profits in line with last year for the Division. Encouragingly there has been strong growth in IKEA's e-commerce channels in all markets and a significant revamp of the e-commerce site has been launched in Indonesia and will follow in Hong Kong and Taiwan during 2019 which is expected to improve this channel's adoption by customers significantly.

This year IKEA announced commitments to inspire and enable sustainable living. This includes reducing the total IKEA climate footprint by an average of 70% per product, using only renewable or recycled materials by 2030 and removing all single-use plastic products from the IKEA range globally by 2020. To meet these challenges, IKEA is investing more resources to develop new materials and a truly recyclable IKEA range.

Progress continues to be made on new site development. A new store has been announced in Macau with plans to open in 2020. In Taiwan, significant progress has been made on the fit out of the new store in southern Taipei, which is expected to open in 2019, as well as the construction of a new store in Taoyuan by 2021. In Indonesia, we have made progress on the construction of the second store in Jakarta Garden City and secured the site for a third store in Bandung with planned openings in 2021. We have also identified an opportunity to convert an existing Giant Hypermarket in Indonesia to a smaller format IKEA store during 2019. In the meantime, we have been establishing pop-up stores in Hong Kong and Taiwan for the first time to provide festival inspiration.

We will continue to strengthen our affordability position by investing in prices to further drive sales and volume growth, and increase our focus on market specific products to enhance local customer appeal. We are also developing shopping experiences beyond 'cash & carry' to meet the needs of today's customers, experimenting with different store formats and distribution set ups.

RESTAURANTS

Maxim's reported another record year, with US$2.6 billion in total sales, an increase of 16% over last year in constant currency, while profit increased by 13%. The business had a particularly strong performance in both its branded products division, with record mooncake sales, and Starbucks benefitting from a full year of operating in Singapore.

In Hong Kong, Maxim's achieved record high sales and strong profit growth. Maxim's mooncakes grew even more popular with the introduction of an online sales platform. The Japanese Chain Restaurants division had an impressive sales increase, driven by the conversion of Genki Sushi stores to 'Kousoku' lines with a 'sushi bullet train' which will continue over the next two years. The first Shake Shack was opened in May with overwhelming public reception supported by the effective use of social media, and a second store was opened in December.

A Starbucks Hong Kong Flagship was opened and 'Mobile Order & Payment' has been particularly successful across all stores. Moreover, Maxim's is also responding to the popularity of Taiwanese tea with its Cha Long brand, launching six stores during the year.

In Macau, Maxim's signed lease terms with the Airport Authority to operate Quick Serving Restaurants and Starbucks in Macau Airport, commencing in 2019. More international brands are also expected to be introduced to the market from the year onwards.

In mainland China, expansion continued including the addition of a new Cantonese restaurant in Nanjing and The Cheesecake Factory in Beijing. The first Shake Shack in China will open in Shanghai in early 2019. However, performance in China during the year was very challenging with the growth in food delivery services impacting profitability on the back of changing consumer behaviour.

In Singapore, Maxim's benefitted from the full year financial impact of integrating Starbucks and Genki Sushi into the business. Profitability improved further since the acquisition through refining operational efficiencies and efforts to reduce ineffective marketing tactics. The business further extended its footprint in Malaysia by opening the first Genki Sushi store in Kuala Lumpur in November.

YEAR AHEAD

Looking to the year ahead, there is much work to do and many challenges to face, but I see distinct and clear opportunities. There is a comprehensive strategic, fundamental multi-year transformation plan in place, designed to move Dairy Farm, and all its potential, into a new era of retail. Its successful execution will require considerable time, effort, resolve and determination, but we have significant opportunities to pursue.

We believe we will emerge a better, more profitable and sustainable business, with the right balance and mix in our retail portfolio, capable of withstanding the significant industry change we will continue to experience, and deliver retail propositions that are valued, relevant and trusted by our customers across Asia.

This scale of change will not be possible without the talent, determination and commitment of our people. Having travelled extensively during the year to meet Team Members in Support Centres, Distribution Centres and stores from 100,000 square feet to 1,000 square feet, I am even more encouraged about the desire of our teams to do the best they can to deliver the change necessary. I would like to thank them for their commitment to serving our customers.

I also want to express my thanks to those customers, and take a moment to reaffirm our commitment to giving you stores you can trust to deliver the quality, service and value you deserve.

Ian McLeod
Group Chief Executive

Dairy Farm International Holdings Limited
Consolidated Profit and Loss Account
for the year ended 31st December 2018

	2018 Underlying business performance **US$m**	**2018** Non-trading items **US$m**	**2018** Total **US$m**	2017 Underlying business performance US$m	2017 Non-trading items US$m restated	2017 Total US$m restated
Sales *(note 2)*	**11,749.3**	**-**	**11,749.3**	11,288.7	-	11,288.7
Cost of sales	**(8,100.5)**	**-**	**(8,100.5)**	(7,856.1)	-	(7,856.1)
Gross margin	**3,648.8**	**-**	**3,648.8**	3,432.6	-	3,432.6
Other operating income *(note 3)*	**194.9**	**181.2**	**376.1**	182.4	1.5	183.9
Selling and distribution costs	**(2,876.7)**	**-**	**(2,876.7)**	(2,714.1)	-	(2,714.1)
Administration and other operating expenses	**(540.8)**	**(528.5)**	**(1,069.3)**	(533.5)	-	(533.5)
Operating profit *(note 4)*	**426.2**	**(347.3)**	**78.9**	367.4	1.5	368.9
Financing charges	**(37.8)**	**-**	**(37.8)**	(28.0)	-	(28.0)
Financing income	**5.1**	**-**	**5.1**	1.7	-	1.7
Net financing charges	**(32.7)**	**-**	**(32.7)**	(26.3)	-	(26.3)
Share of results of associates and joint ventures *(note 5)*	**131.6**	**1.2**	**132.8**	143.4	(1.2)	142.2
Profit before tax	**525.1**	**(346.1)**	**179.0**	484.5	0.3	484.8
Tax *(note 6)*	**(98.6)**	**(2.8)**	**(101.4)**	(92.5)	(0.5)	(93.0)
Profit after tax	**426.5**	**(348.9)**	**77.6**	392.0	(0.2)	391.8
Attributable to:						
Shareholders of the Company	**424.3**	**(332.3)**	**92.0**	402.6	(0.2)	402.4
Non-controlling interests	**2.2**	**(16.6)**	**(14.4)**	(10.6)	-	(10.6)
	426.5	**(348.9)**	**77.6**	392.0	(0.2)	391.8
	US¢		**US¢**	US¢		US¢
Earnings per share *(note 7)*						
- basic	**31.37**		**6.80**	29.77		29.75
- diluted	**31.36**		**6.80**	29.76		29.74

Dairy Farm International Holdings Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st December 2018

	2018 US$m	2017 US$m restated
Profit for the year	**77.6**	391.8
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	**(12.0)**	19.2
Tax relating to items that will not be reclassified	**2.2**	(2.6)
	(9.8)	16.6
Share of other comprehensive income of associates and joint ventures	**0.9**	5.4
	(8.9)	22.0
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
- net (loss)/gain arising during the year	**(99.0)**	108.6
- transfer to profit and loss	**46.7**	-
	(52.3)	108.6
Cash flow hedges		
- net gain/(loss) arising during the year	**3.1**	(1.8)
- transfer to profit and loss	**1.8**	0.2
	4.9	(1.6)
Tax relating to items that may be reclassified	**(1.0)**	0.2
	(48.4)	107.2
Other comprehensive (expense)/income for the year, net of tax	**(57.3)**	129.2
Total comprehensive income for the year	**20.3**	521.0
Attributable to:		
Shareholders of the Company	**38.4**	532.8
Non-controlling interests	**(18.1)**	(11.8)
	20.3	521.0

Dairy Farm International Holdings Limited
Consolidated Balance Sheet
at 31st December 2018

	2018 US$m	2017 US$m
Net operating assets		
Intangible assets	**666.7**	814.7
Tangible assets	**848.0**	1,184.2
Associates and joint ventures	**2,066.9**	1,601.0
Other investments	**7.4**	6.9
Non-current debtors	**160.3**	162.6
Deferred tax assets	**23.8**	26.4
Non-current assets	**3,773.1**	3,795.8
Stocks	**913.1**	950.0
Current debtors	**372.0**	350.7
Current tax assets	**35.2**	27.1
Cash and bank balances	**296.2**	332.4
	1,616.5	1,660.2
Assets classified as held for sale	**-**	11.2
Current assets	**1,616.5**	1,671.4
Current creditors	**(2,398.6)**	(2,469.5)
Current borrowings	**(1,025.7)**	(412.7)
Current tax liabilities	**(84.3)**	(71.6)
Current provisions	**(104.1)**	(52.5)
	(3,612.7)	(3,006.3)
Liabilities directly associated with assets classified as held for sale	**-**	(6.2)
Current liabilities	**(3,612.7)**	(3,012.5)
Net current liabilities	**(1,996.2)**	(1,341.1)
Long-term borrowings	**(14.5)**	(522.0)
Deferred tax liabilities	**(58.6)**	(62.7)
Pension liabilities	**(47.6)**	(34.2)
Non-current creditors	**(39.7)**	(42.7)
Non-current provisions	**(125.6)**	(37.4)
Non-current liabilities	**(286.0)**	(699.0)
	1,490.9	1,755.7
Total equity		
Share capital	**75.1**	75.1
Share premium and capital reserves	**58.3**	57.9
Revenue and other reserves	**1,313.6**	1,557.0
Shareholders' funds	**1,447.0**	1,690.0
Non-controlling interests	**43.9**	65.7
	1,490.9	1,755.7

Dairy Farm International Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31st December 2018

	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**
2018							
At 1st January	75.1	33.1	24.8	1,557.0	1,690.0	65.7	**1,755.7**
Total comprehensive income	-	-	-	38.4	38.4	(18.1)	**20.3**
Dividends paid by the Company *(note 9)*	-	-	-	(284.0)	(284.0)	-	**(284.0)**
Dividends paid to non-controlling interests	-	-	-	-	-	(0.2)	**(0.2)**
Unclaimed dividends forfeited	-	-	-	0.4	0.4	-	**0.4**
Share-based long-term incentive plans	-	-	0.4	-	0.4	-	**0.4**
Change in interests in subsidiaries	-	-	-	-	-	(3.5)	**(3.5)**
Change in interests in associates and joint ventures	-	-	-	1.8	1.8	-	**1.8**
Transfer	-	0.8	(0.8)	-	-	-	**-**
At 31st December	**75.1**	**33.9**	**24.4**	**1,313.6**	**1,447.0**	**43.9**	**1,490.9**
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
Share-based long-term incentive plans	-	-	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

Revenue and other reserves comprised revenue reserves of US$1,657.1 million *(2017: US$1,855.7 million)*, hedging reserves of US$4.3 million *(2017: US$0.4 million)* and exchange reserves of US$347.8 million loss *(2017: US$299.1 million loss)*.

Dairy Farm International Holdings Limited
Consolidated Cash Flow Statement
for the year ended 31st December 2018

	2018 US$m	2017 US$m restated
Operating activities		
Operating profit *(note 4)*	**78.9**	368.9
Depreciation and amortisation	**229.1**	221.0
Other non-cash items	**386.7**	15.1
(Increase)/decrease in working capital	**(19.1)**	92.1
Interest received	**3.9**	1.6
Interest and other financing charges paid	**(34.3)**	(28.0)
Tax paid	**(96.0)**	(84.3)
	549.2	586.4
Dividends from associates and joint ventures	**94.2**	84.9
Cash flows from operating activities	**643.4**	671.3
Investing activities		
Purchase of a subsidiary *(note 10(a))*	**(54.6)**	-
Purchase of associates and joint ventures *(note 10(b))*	**(223.1)**	(5.8)
Purchase of intangible assets	**(33.2)**	(60.9)
Purchase of tangible assets	**(222.9)**	(218.4)
Sale of subsidiaries *(note 10(c))*	**(1.6)**	-
Sale of properties *(note 10(d))*	**32.6**	3.2
Sale of tangible assets	**1.9**	1.3
Cash flows from investing activities	**(500.9)**	(280.6)
Financing activities		
Change in interests in subsidiaries *(note 10(e))*	**(3.5)**	(60.1)
Capital repayment to non-controlling interests	**-**	(2.4)
Drawdown of borrowings	**998.2**	851.0
Repayment of borrowings	**(963.6)**	(1,014.2)
Net increase in other short-term borrowings	**67.1**	122.3
Dividends paid by the Company *(note 9)*	**(284.0)**	(284.0)
Dividends paid to non-controlling interests	**(0.2)**	(0.5)
Cash flows from financing activities	**(186.0)**	(387.9)
Net (decrease)/increase in cash and cash equivalents	**(43.5)**	2.8
Cash and cash equivalents at 1st January	**334.5**	322.6
Effect of exchange rate changes	**(6.5)**	9.1
Cash and cash equivalents at 31st December *(note 10(f))*	**284.5**	334.5

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 2018 which have been prepared in conformity with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board.

The Group has adopted the following new accounting standards in 2018. 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.

IFRS 9 'Financial Instruments'
Under IFRS 9, the gains and losses arising from changes in fair value of the Group's equity investments, previously classified as available-for-sale, have been 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.

IFRS 15 'Revenue from Contracts with Customers'
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 of the new standard on 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 year ended 31st December 2017

	Increase/(decrease) US$m
Other operating income	1.0
Share of results of associates and joint ventures	(2.0)
Tax	(0.1)
Profit after tax	(1.1)
Attributable to:	
Shareholders of the Company*	(1.1)
Non-controlling interests	-
	(1.1)
* Further analysed as:	
Underlying profit attributable to shareholders	-
Non-trading items	
- fair value gain on equity investments	0.9
- share of Yonghui's fair value loss on equity investment	(1.8)
- share of net gain from disposal of an investment by Yonghui	(0.2)
Profit attributable to shareholders	(1.1)
	US¢
Basic underlying earnings per share	-
Diluted underlying earnings per share	-
Basic earnings per share	(0.08)
Diluted earnings per share	(0.08)

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

The effects of adopting IFRS 9 and IFRS 15 *(continued)*

(b) On the consolidated statement of comprehensive income for the year ended 31st December 2017

	Increase/(decrease) US$m
Profit for the year	(1.1)
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 year	(1.0)
Tax relating to items that may be reclassified	0.1
Share of other comprehensive income of associates and joint ventures	2.0
Other comprehensive income for the year, net of tax	1.1
Total comprehensive income for the year	-
Attributable to:	
Shareholders of the Company	-
Non-controlling interests	-
	-

(c) On the consolidated balance sheet at 31st December 2017

There is no impact on the consolidated balance sheet upon the adoption of IFRS 9 and IFRS 15.

(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 flow characteristics.

Equity investments are measured at fair value with fair value gains and losses recognised in profit and loss. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit and loss.

Investments are classified as non-current assets. All purchases and sale 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)*

The effects of adopting IFRS 9 and IFRS 15 *(continued)*

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

Non-trading items
Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains and 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 customers, is recorded at the net amount received from customers.

2. SALES

	Including associates and joint ventures		Subsidiaries	
	2018 US$m	2017 US$m	**2018 US$m**	2017 US$m
Analysis by operating segment:				
Food	**15,424.7**	16,148.7	**7,992.2**	8,038.3
- Supermarkets/hypermarkets	**13,320.6**	14,128.7	**5,888.1**	6,018.3
- Convenience stores	**2,104.1**	2,020.0	**2,104.1**	2,020.0
Health and Beauty	**3,225.7**	2,787.2	**3,035.8**	2,597.4
Home Furnishings	**721.3**	653.0	**721.3**	653.0
Restaurants	**2,585.5**	2,238.1	**-**	-
	21,957.2	21,827.0	**11,749.3**	11,288.7

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.

Sales and share of results of Yonghui represent only nine months from January to September 2018 based on their latest published announcement *(2017: full year results)*. The share of Yonghui's results for October to December 2018 will be accounted for in the year ending 31st December 2019 *(note 5)*.

Robinsons Retail Holdings, Inc. ('RRHI'), the Group's newly acquired associate, has not announced its 2018 full year results yet. Sales and share of results of RRHI from the date of acquisition of its 20% interest to 31st December 2018 will be accounted for in the year ending 31st December 2019 *(note 5)*.

2. SALES *(continued)*

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

	Including associates and joint ventures		Subsidiaries	
	2018 **US$m**	2017 US$m	**2018** **US$m**	2017 US$m
Analysis by geographical area:				
North Asia	**17,254.1**	17,153.6	**7,422.4**	6,870.9
Southeast Asia	**4,703.1**	4,673.4	**4,326.9**	4,417.8
	21,957.2	21,827.0	**11,749.3**	11,288.7

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. OTHER OPERATING INCOME

	2018 **US$m**	2017 US$m
Concession and service income	**159.9**	145.4
Rental income from properties	**27.7**	27.9
Profit on sale of businesses and properties	**180.7**	0.5
Fair value gain on equity investments	**0.5**	1.0
Net foreign exchange gains and others	**7.3**	9.1
	376.1	183.9

4. OPERATING PROFIT

	2018 US$m	2017 US$m
Analysis by operating segment:		
Food	**126.5**	220.0
- Supermarkets/hypermarkets	**34.1**	135.1
- Convenience stores	**92.4**	84.9
Health and Beauty	**334.3**	209.9
Home Furnishings	**68.4**	68.0
	529.2	497.9
Store support centre	**(103.0)**	(57.7)
	426.2	440.2
Business change costs	**-**	(72.8)
Underlying operating profit	**426.2**	367.4
Non-trading items:		
- business restructuring costs	**(467.3)**	-
- profit on sale of businesses and properties	**180.7**	0.5
- loss on reclassification of a joint venture as a subsidiary	**(61.2)**	-
- fair value gain on equity investments	**0.5**	1.0
	78.9	368.9

In 2017, following management's decision to exit various stores and stock categories in the Food businesses in Southeast Asia, a charge of US$61.1 million was recognised in the profit and loss. In addition, a restructuring cost of US$11.7 million for the Group was also recognised in the profit and loss.

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

	2018 US$m	2017 US$m
Analysis by geographical area:		
North Asia	**528.0**	457.7
Southeast Asia	**1.2**	40.2
	529.2	497.9
Store support centre	**(103.0)**	(57.7)
	426.2	440.2
Business change costs	**-**	(72.8)
Underlying operating profit	**426.2**	367.4

5. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	2018* **US$m**	2017 US$m
Analysis by operating segment:		
Food - Supermarkets/hypermarkets	**30.1**	52.0
Health and Beauty	**(4.4)**	(5.0)
Restaurants	**107.1**	95.2
	132.8	142.2

Share of results of associates and joint ventures included the following from non-trading items:

	2018 **US$m**	2017 US$m
Share of Yonghui's fair value gain/(loss) on equity investments	**1.2**	(1.8)
Share of net gain from disposal of an investment by Yonghui	**-**	0.6
	1.2	(1.2)

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

* Includes Yonghui's nine months results from January to September 2018 *(2017: full year results)* while the 20% interest of RRHI's results from the date of acquisition to 31st December 2018 will be accounted for in the year ending 31st December 2019 as the 2018 full year results were not yet announced *(note 2)*.

6. TAX

	2018 US$m	2017 US$m
Tax charged to profit and loss is analysed as follows:		
Current tax	**(102.1)**	(86.9)
Deferred tax	**0.7**	(6.1)
	(101.4)	(93.0)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	**2.2**	(2.6)
Cash flow hedges	**(1.0)**	0.2
	1.2	(2.4)

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$34.7 million *(2017: US$32.0 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$92.0 million *(2017: US$402.4 million)*, and on the weighted average number of 1,352.6 million *(2017: 1,352.4 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$92.0 million *(2017: US$402.4 million)*, and on the weighted average number of 1,353.4 million *(2017: 1,353.0 million)* shares in issue after adjusting for 0.8 million *(2017: 0.6 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:

	2018			2017		
	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	**92.0**	**6.80**	**6.80**	402.4	29.75	29.74
Non-trading items *(note 8)*	**332.3**			0.2		
Underlying profit attributable to shareholders	**424.3**	**31.37**	**31.36**	402.6	29.77	29.76

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 fair value gains and 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 in operating profit and profit attributable to shareholders is set out below:

	Operating profit		Profit attributable to shareholders	
	2018 US$m	2017 US$m	**2018 US$m**	2017 US$m
Business restructuring costs				
- impairment of intangible assets	**(102.1)**	-	**(102.1)**	-
- impairment of tangible assets	**(186.0)**	-	**(173.1)**	-
- onerous lease provisions	**(83.1)**	-	**(83.1)**	-
- business correction provisions	**(96.1)**	-	**(95.2)**	-
	(467.3)	-	**(453.5)**	-
Profit on sale of businesses	**152.5**	-	**152.5**	-
Loss on reclassification of a joint venture as a subsidiary	**(61.2)**	-	**(61.2)**	-
Profit on sale of properties	**28.2**	0.5	**28.2**	0.1
Others	**0.5**	1.0	**1.7**	(0.3)
	120.0	1.5	**121.2**	(0.2)
	(347.3)	1.5	**(332.3)**	(0.2)

Following the completion of a detailed strategic review undertaken since late 2017, it was concluded that the Group's Southeast Asia Food business was not viable in the current form. Impairments against certain goodwill and assets, provisions in relation to onerous leases on underperforming stores and other associated business correction provisions have been recorded. Business correction provisions included expected future payments to landlords, tenants and employees.

Profit on sale of businesses included profit on disposal of 100% interest in Rustan Supercenters, Inc. ('RSCI') amounting to US$143.8 million and US$8.7 million related to Asia Investment and Supermarket Trading Company Limited ('AISTC') *(note 10 (c))*.

8. NON-TRADING ITEMS *(continued)*

The Group reorganised its business in the Philippines by exchanging its 100% interest in RSCI with RRHI, the third largest retailer in the Philippines, listed on the Philippines Stock Exchange, for a 12.15% interest in the enlarged share capital of RRHI at a non-cash consideration of US$336.2 million. This together with a further 6.1% interest acquisition in the enlarged share capital from the existing controlling shareholders, and certain on-market purchases, gave the Group a total shareholding of 20% in RRHI at 31st December 2018, arriving at a total consideration of US$556.2 million *(note 10 (b))*.

The profit on disposal of 100% interest in RSCI is shown below:

	2018 US$m
Consideration received in the form of 12.15% interest in RRHI	**336.2**
Less:	
- net assets disposed of	**(149.4)**
- release of exchange reserves	**(31.0)**
- transaction costs	**(12.0)**
Profit on sale of business	**143.8**

In addition, the Group acquired the remaining 51% interest in Rose Pharmacy, Inc. ('Rose Pharmacy') from its joint venture partner in December 2018 and Rose Pharmacy became a wholly-owned subsidiary *(note 10(a))*. Upon the completion of the remaining interest acquisition in Rose Pharmacy, goodwill amounting to US$97.5 million was recognised, followed by goodwill impairment amounting to US$15.3 million. The loss on reclassification of a joint venture as a subsidiary is summarised as follows:

	2018 US$m
Fair value of previously held investment in a joint venture	**42.0**
Less:	
- carrying value of investment disposed of	**(73.1)**
- release of exchange reserves	**(14.7)**
- transaction costs	**(0.1)**
	(45.9)
Impairment of goodwill	**(15.3)**
Loss on reclassification of a joint venture as a subsidiary	**(61.2)**

9. DIVIDENDS

	2018 **US$m**	2017 US$m
Final dividend in respect of 2017 of US¢14.50 *(2016: US¢14.50)* per share	**196.1**	196.1
Interim dividend in respect of 2018 of US¢6.50 *(2017: US¢6.50)* per share	**87.9**	87.9
	284.0	284.0

A final dividend in respect of 2018 of US¢14.50 *(2017: US¢14.50)* per share amounting to a total of US$196.1 million *(2017: US$196.1 million)* is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2019 Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2019.

10. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Purchase of a subsidiary

	2018 US$m
Intangible assets	**5.9**
Tangible assets	**4.1**
Non-current debtors	**1.5**
Deferred tax assets	**1.5**
Current assets	**46.7**
Current liabilities	**(52.3)**
Non-current liabilities	**(4.1)**
Fair value of identifiable net assets acquired	**3.3**
Adjustment for fair value of previously held investment in a joint venture	**(42.0)**
	(38.7)
Goodwill	**97.5**
Consideration paid	**58.8**
Cash and cash equivalents at the date of acquisition	**(4.2)**
Net cash outflow	**54.6**

For the subsidiary acquired during 2018, the fair values of the identifiable assets and liabilities at the acquisition date are provisional and will be finalised within one year after the acquisition date.

Net cash outflow for purchase of a subsidiary during the year represented US$54.6 million for acquisition of the remaining 51% interest in Rose Pharmacy, which operates health and beauty stores chain in the Philippines in December 2018. Following the acquisition, Rose Pharmacy became a wholly-owned subsidiary of the Group *(note 8)*.

The goodwill arising from the acquisition amounted to US$97.5 million was attributable to the retail network and its market position in the Philippines. None of the goodwill is expected to be deductible for tax purposes.

There was no contribution from the subsidiary acquired to the Group's sales and profit after tax since the acquisition took place at end of December 2018. Had the acquisition occurred on 1st January 2018, consolidated sales and profit after tax for the year ended 31st December 2018 would have been US$11,910.2 million and US$68.1 million, respectively.

(b) Purchase of associates and joint ventures in 2018 mainly related to the acquisition of 7.85% interest in RRHI at a total consideration of US$220.0 million *(note 8)* and a capital injection of US$3.1 million in the Group's business in Vietnam.

Purchase 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.

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

(c) Sale of subsidiaries

	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 reserves	**1.0**
Profit on disposal	**8.7**
Net sale proceeds	**9.0**
Cash and cash equivalents of the subsidiary disposed of	**(2.6)**
Net cash inflow	**6.4**

In February 2018, the Group disposed of its 100% interest in AISTC, operating a hypermarket in Vietnam to a third party, for net cash inflow of US$6.4 million.

In November 2018, the Group completed the exchange of its interest in RSCI with RRHI with no cash consideration received *(note 8)*. The disposed cash and cash equivalents of RSCI and the associated transaction costs leading to a net cash outflow of US$8.0 million, together with the net cash inflow from the disposal of AISTC, it brought to a total net cash outflow of US$1.6 million.

(d) Sale of properties

Sale of properties in 2018 included disposal of 14 properties in Singapore for a total consideration of US$32.6 million.

Sales in 2017 comprised sale of land in Malaysia and a property in Taiwan for a total cash consideration of US$3.2 million.

(e) Change in interests in subsidiaries

In October 2018, the Group acquired an additional 1.29% interest in PT Hero Supermarket Tbk (‘PT Hero’) for a total consideration of US$3.5 million.

In 2017, the Group acquired a further 34% interest in RSCI for a total consideration of US$59.9 million and an additional 0.06% interest in PT Hero for US$0.2 million.

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

(f) Analysis of balances of cash and cash equivalents

	2018 **US$m**	2017 US$m
Cash and bank balances	**296.2**	332.4
Bank overdrafts	**(11.7)**	(1.1)
Cash and bank balances included in assets held for sale	**-**	3.2
	284.5	334.5

11. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Total capital commitments at 31st December 2018 amounted to US$408.5 million *(2017: US$338.7 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$0.4 million *(2017: US$2.0 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 2018 *(2017: 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 2018 were US$3.4 million *(2017: US$3.0 million)*. The Group's 50%-owned associate, Maxim's Caterers Limited ('Maxim's'), also paid gross annual rentals of US$13.7 million *(2017: US$11.8 million)* to HKL in 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 in 2018 were US$1.9 million *(2017: US$2.0 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 in 2018 amounted to US$10.5 million *(2017: US$9.9 million)*. Maxim's also paid total fees of US$6.4 million *(2017: US$3.5 million)* to JTH 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 in 2018 amounted to US$7.2 million *(2017: US$9.3 million)*.

Maxim's supplies ready-to-eat products at arm's length to certain subsidiaries of the Group. In 2018, these amounted to US$33.6 million *(2017: US$30.5 million)*.

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

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

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 2018 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 such developments might have on the Group's joint venture partners, associates, franchisors, bankers, suppliers or customers. These developments could include recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices, the cost of raw materials or finished products. Such developments might increase operating costs, reduce revenues, lower asset values or result in some or all of the Group's businesses being unable to meet 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 them. Risks can be 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 and these are subject to market risks. This is especially the case where projects take time to come to fruition and achieve the desired returns.

The Group's businesses operate in areas that are highly competitive, and failure to compete effectively, whether 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.

It is essential for the products and services provided by the Group's businesses to meet appropriate quality and safety standards and there is an associated risk if they do not, including the risk of damage to brand equity or reputation, which 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 regimes in the territories in which they operate. Changes in such regimes, in relation to matters such as foreign ownership of assets and businesses, exchange controls, licensing, imports, planning controls, emission regulations, tax rules and employment legislation, could have the potential to impact the operations and profitability of the Group's businesses.

Changes in the political environment in the territories where the Group operates could adversely affect the Group's businesses.

Terrorism, Pandemic and Natural Disasters
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 effect on the Group's businesses of generally reduced economic activity in response to the threat, or an actual act, of terrorism.

The Group businesses could be impacted by a global or regional pandemic which seriously affected economic activity or the ability of 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.

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 2018 Annual Report, including the Chairman's Statement, Group Chief Executive's Review, Business Review and the 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 15th May 2019, subject to approval at the Annual General Meeting to be held on 8th May 2019, to shareholders on the register of members at the close of business on 15th March 2019. The shares will be quoted ex-dividend on 14th March 2019, and the share registers will be closed from 18th to 22nd March 2019, 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 final dividend by notifying the United Kingdom transfer agent in writing by 18th April 2019. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd May 2019.

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 15th March 2019, 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 14th March 2019.

Dairy Farm

Dairy Farm is a leading pan-Asian retailer. At 31st December 2018, the Group and its associates and joint ventures operated over 9,700 outlets and employed over 230,000 people. The Group had total annual sales in 2018 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:

Food

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

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

Health and Beauty

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

Home Furnishings

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

Restaurants

- Maxim's in Cambodia, mainland China, Hong Kong, Macau, Malaysia, 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.

- end -

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Full text of the Preliminary Announcement of Results and the Preliminary Financial Statements for the year ended 31st December 2018 can be accessed through the Internet at www.dairyfarmgroup.com.