Annual Report 2020

Our Goal:

"To give our customers across Asia a store they TRUST, delivering QUALITY, SERVICE and VALUE."

Dairy Farm

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.

Jardines

A member of the Jardine Matheson Group

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Corporate Information

Directors

Ben Keswick
Chairman
(stepped down as Managing Director on 15th June 2020)

John Witt
Managing Director
(appointed as Managing Director on 15th June 2020)

Ian McLeod
Group Chief Executive

Clem Constantine

Mark Greenberg
(stepped down on 31st December 2020)

George J. Ho

Adam Keswick

Simon Keswick
(stepped down on 1st January 2020)

Dr Delman Lee

Anthony Nightingale

Y.K. Pang

Jeremy Parr
(stepped down on 3rd December 2020)

Lord Sassoon, Kt
(stepped down on 9th April 2020)

Clive Schlee
(joined the Board on 6th May 2020)

Percy Weatherall

Company Secretary

Jonathan Lloyd

Registered Office

Jardine House
33-35 Reid Street
Hamilton
Bermuda

Dairy Farm Management Services Limited

Directors

John Witt
Chairman
(appointed as chairman on 15th June 2020)

Ben Keswick
(stepped down as chairman and director on 15th June 2020)

Ian McLeod
Group Chief Executive

Clem Constantine
Chief Financial Officer

Choo Peng Chee
Chief Executive Officer – North Asia & Group Convenience

Sam Kim
Chief Executive Officer – Health & Beauty and Chief Marketing & Business Development Officer

Martin Lindström
Group Director – IKEA

Michael Wu
Chairman and Managing Director, Maxim's

Graham Baker
(joined the board on 15th June 2020)

Mark Greenberg
(stepped down on 31st December 2020)

David Hsu

Anne O'Riordan

Y.K. Pang

Jeremy Parr

Corporate Secretary

Jonathan Lloyd

Dairy Farm At-a-Glance

12 Asian markets and territories

9,997 outlets

(Including associates and joint ventures.)

Highlights

- **Underlying profit of US$276 million, down 14%**
- **Substantial sales and profit growth in Grocery Retail**
- **Solid trading in Home Furnishings**
- **Health and Beauty, Convenience and Maxim's significantly impacted by COVID-19**

Results	2020 US$m	2019 US$m	Change %
Sales			
– subsidiaries	**10,269**	11,192	(8)
– including associates and joint ventures*	**28,159**	27,665	2
Underlying EBITDA†	**1,395**	1,439	(3)
Underlying profit attributable to shareholders‡	**276**	321	(14)
Net non-trading items	**(5)**	3	n/a
Profit attributable to shareholders	**271**	324	(16)
Net debt	**817**	821	–

	US¢	US¢	%
Underlying earnings per share‡	**20.38**	23.72	(14)
Basic earnings per share	**20.03**	23.93	(16)
Dividends per share	**16.50**	21.00	(21)
Net asset value per share^	**97.75**	89.39	9

Store Network#	2020	2019	Net change
Food	**5,626**	5,503	+123
– Grocery Retail	**2,294**	2,289	+5
– Convenience Stores	**3,332**	3,214	+118
Health and Beauty	**2,029**	2,110	-81
Home Furnishings	**13**	12	+1
Restaurants	**1,741**	1,753	-12
Other Retailing	**588**	634	-46
	9,997	10,012	-15

* On a 100% basis.

† Underlying EBITDA represents underlying operating profit before depreciation and amortisation.

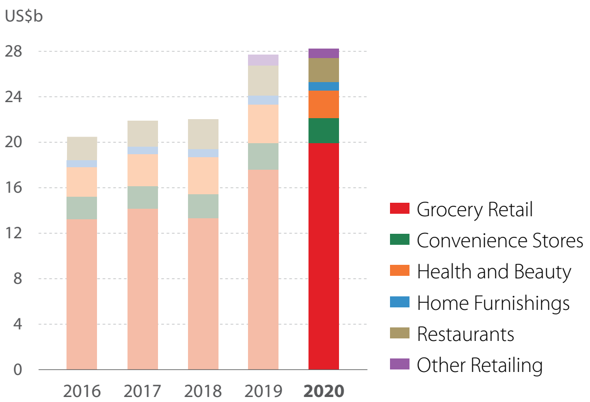
‡ The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 36 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

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

On a 100% and continuing basis.

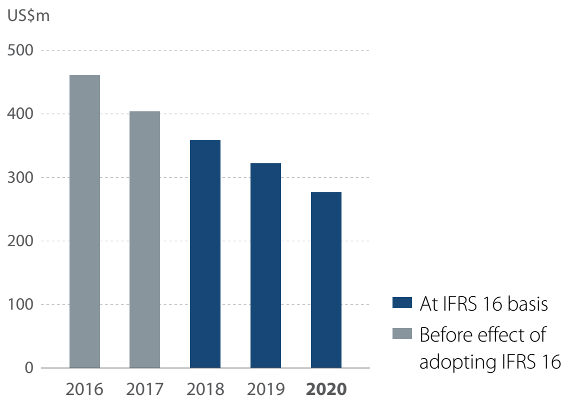
Total Sales*

US$28.2 billion



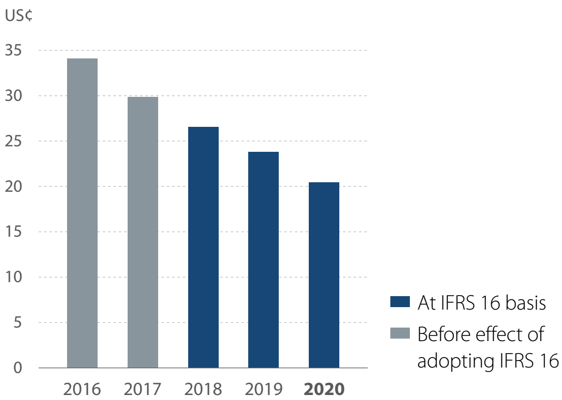
Underlying Profit Attributable to Shareholders

US$276 million



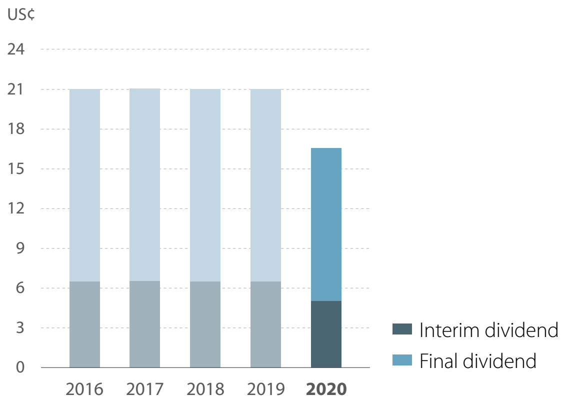
Underlying Earnings per Share

US¢20.38



Ordinary Dividends per Share

US¢16.50



Total Sales*
↑ 2%

Underlying Profit
↓ 14%

Profit Attributable to Shareholders
↓ 16%

Number of Stores*
9,997

Number of Employees*
some 220,000 people

Chairman's Statement

" 2020 was a challenging year for Dairy Farm, with the COVID-19 pandemic impacting the Group's operations and, as a result, its financial results. Continued progress in implementing the Group's transformation programme, however, helped the business adapt to the rapidly changing environment, while the diversity of the Group's businesses, coupled with the impact of ongoing efficiency improvement programmes, supported the Group's overall financial performance."

Overview

2020 was a challenging year for Dairy Farm, with the COVID-19 pandemic impacting the Group's operations and, as a result, its financial results. Continued progress in implementing the Group's transformation programme, however, helped the business adapt to the rapidly changing environment, while the diversity of the Group's businesses, coupled with the impact of ongoing efficiency improvement programmes, supported the Group's overall financial performance. A number of key initiatives gathered momentum in the year and the Group is now more effectively leveraging scale and developing an improved customer proposition across all banners and markets.

Operating performance

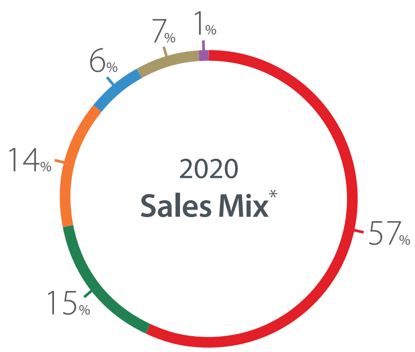
Sales of US$10.3 billion for the year by the Group's subsidiaries were 8% behind those of 2019. Total sales, including 100% of associates and joint ventures, were 2% higher at US$28.2 billion, primarily due to a higher sales contribution from Yonghui.

The Group's subsidiaries saw underlying operating profit of US$412 million, 6% behind the previous year. Strong growth in operating profit for Grocery Retail and IKEA was offset by a reduction in profit for the Health and Beauty and Convenience businesses. Among the Group's subsidiaries, disruption caused by the COVID-19 pandemic has had the greatest impact on our Health and Beauty business in Hong Kong.

Underlying profit attributable to shareholders was US$276 million, down 14% from US$321 million last year. Underlying earnings per share of US¢20.38 were also down 14%.

The Group maintained solid cash flows from operating activities, after lease payments, of US$361 million *(2019: US$498 million)*. Net debt at the end of 2020 was US$817 million, down from US$821 million at the end of last year.

The Board is recommending a final dividend of US¢11.50 per share, giving a total dividend of US¢16.50 per share for the year, a 21% reduction compared to 2019.



* Including share of associates and joint ventures.

† Based on operating profit before effect of adopting IFRS 16 and share of results of associates and joint ventures, excluding selling, general and administrative expenses and non-trading items.

Food – Grocery Retail

Total Grocery Retail sales increased by 3% to US$5.3 billion. Strong like-for-like sales growth across both North Asia and Southeast Asia was partially offset by the annualisation impact of the Group's space optimisation programme, which was executed in 2019.

Operating profit for the Group's Grocery Retail business increased significantly from US$63 million in 2019 to US$267 million in 2020, demonstrating the benefit of a diversified retail portfolio. There was strong profit growth across both North Asia and Southeast Asia, driven by benefits accrued from implementing improvement programmes, strong like-for-like sales and government subsidies. Performance in Indonesia, however, was negatively impacted by significant government restrictions on movement, which affected traffic into hypermarkets.

Food – Convenience

Disruption caused by the pandemic impacted customer traffic into our Convenience stores, resulting in a 4% reduction in sales to US$2.1 billion. Operating profit decreased by 31% to US$57 million, driven primarily by a combination of the shortfall in sales and a sales mix shift towards lower product margin categories.

Health and Beauty

Total sales for the Health and Beauty Division reduced by 35% to US$2.0 billion as the pandemic impacted customer traffic across our key markets. In North Asia, enforced border closures have led to a virtual elimination of tourism, most notably from the Chinese mainland, which has significantly impacted our Mannings business in Hong Kong and Macau. The resultant decline in sales performance was the primary cause of a significant decrease in operating profit from US$296 million in 2019 to US$66 million.

Faced with challenging trading conditions, the Group is focusing on ensuring that its customer value proposition – from the perspective of pricing, stores and channel to market - remains relevant and competitive. Price investment campaigns have been introduced across our key markets with encouraging results so far. The Group is also managing costs appropriately.

Home Furnishings

In Home Furnishings, sales for IKEA increased by 9% in the year, as new store openings and strong e-commerce growth offset pandemic related disruption. Operating profit increased by US$28 million to US$71 million, due to a combination of new store profit contribution, lower cost of goods, strong cost controls, reduced pre-opening expenses for new stores and government support.

Associates

The contribution from 50%-owned Maxim's declined to US$36 million, from US$82 million in the prior year, as the pandemic, government-imposed restrictions on movement and social distancing measures caused a significant reduction to customer visits to restaurants, as well as leading to some temporary closures.

The Group's share of underlying results in Yonghui grew from US$23 million in 2019 to US$29 million in 2020, primarily due to strong sales growth. Dairy Farm's share of underlying results in Robinsons Retail fell by 5% to US$14 million. The financial performance of Robinsons Retail in the year was impacted by government restrictions on movement due to the pandemic, particularly with respect to its discretionary formats.

Transformation

During the year, the Group's transformation gathered momentum with the completion of a number of key initiatives.

Dairy Farm is accelerating the pace of its digital change to adapt to the rapidly changing environment.

The launch of Yuu Rewards in July 2020 represented a critical milestone in driving Dairy Farm's modernisation and digital transformation. Yuu will support a more customer-centric approach across all the Dairy Farm banners and drive an enhanced level of customer engagement.

There has also been continuing investment in e-commerce, especially in the Group's Home Furnishings and Health and Beauty businesses, and the Group is treating this area as a strategic priority. The Group is also investing significantly in existing legacy IT systems to improve the digitisation of in-store operations.

During the year, the Group also launched Meadows, its new Own Brand offering across Hong Kong, Singapore and Malaysia. Over 600 items have already been launched across banners and markets at lower prices. The future growth of Own Brand will allow the Group to leverage scale and gain competitive advantage.

A number of price investment campaigns were introduced across key banners in the year to enhance our customer value proposition across our regions. In Singapore, the Group's price reinvestment campaign coincided with the relaunch of the Giant banner with a major rebrand and space reallocation in refreshed or refitted stores. Initial performance has been encouraging.

Business developments

The Group divested Wellcome Taiwan during the year. In October, Dairy Farm deepened its strategic partnership with Philippines-listed multi-format retail group, Robinsons Retail, by combining its interests in the wholly-owned subsidiary Rose Pharmacy through a sale to Robinsons Retail's subsidiary Southstar Drug.

As at 31st December 2020, Dairy Farm, including associates and joint ventures, operated 9,997 stores across all formats, compared with 10,012 stores at 31st December 2019 on a continuing basis.

People

Our businesses are operating in extraordinary circumstances and our people are facing huge challenges. We would like to express our deep gratitude for the continuing dedication and resolve of our team members in putting our customers first during these difficult times.

The Group made significant investments in the year to address the challenges of COVID-19 and support employees, customers and the community. These costs were offset by support received from governments in several of our key markets, which has helped maintain employment in a number of our businesses.

We were pleased to welcome Clive Schlee as a Non-Executive Director of the Company with effect from 6th May 2020. He brings many years of valuable experience within FMCG businesses. John Witt succeeded me as Managing Director on 15th June 2020. I will continue as Chairman.

Jeremy Parr and Mark Greenberg stepped down as Directors of the Company on 3rd December and 31st December 2020 respectively. We would like to thank them both for their contribution to the Board during their tenure.

Prospects

We remain confident in the Group's ability to continue to adapt and thrive and achieve long-term sustainable growth, with good progress being made in implementing the Group's customer-focused and market-driven strategy. We expect challenging conditions to continue in the coming year, however, it is too early to predict what the impact of the pandemic will be on the Group's performance in 2021.

Ben Keswick
Chairman
11th March 2021

Group Chief Executive's Review

" 2020 has been an unprecedented and challenging year for Dairy Farm. The Group has had to constantly adapt the management of its operations against a backdrop of varying levels of community infection rates and rapidly evolving customer behaviours... Despite these challenges, the Group's transformation plan executed over the past three years has supported our ability to adapt to the ever-changing environment. In addition, the diversity of the Group's business mix from the perspective of both direct and indirectly managed businesses, formats and geographies has provided effective insulation from unprecedented trading conditions."

Introduction

2020 has been an unprecedented and challenging year for Dairy Farm. The Group has had to constantly adapt the management of its operations against a backdrop of varying levels of community infection rates and rapidly evolving customer behaviours. This was done in the context of different and changing approaches to managing the pandemic by governments in the regions where we operate, as well as the need to invest in and ensure our team members' safety and well-being.

Despite these challenges, the Group's transformation plan executed over the past three years has supported our ability to adapt to the ever-changing environment. In addition, the diversity of the Group's business mix from the perspective of both direct and indirectly managed businesses, formats and geographies has provided effective insulation from unprecedented trading conditions.

Underlying operating profit for the Group's subsidiaries reduced by 6% in the year, with strong profit growth in Grocery Retail and Home Furnishings offset by reduced profitability in Convenience Stores and Health and Beauty. The contribution from key associates decreased materially, primarily due to lower profitability from Maxim's (where we own 50%), which was significantly impacted by disruption caused by COVID-19. Total underlying net profit for the Group reduced by 14% to US$276 million.

Five strategic imperatives

1) Growth in China

7-Eleven South China opened over 200 additional new stores during the year despite the challenges of movement restrictions. China's extremely tight lockdown regime significantly impacted foot traffic in the early part of the year, with up to 500 stores having to close for prolonged periods. Subsequently, when movement restrictions became less severe, regulations prohibiting the sale of Ready-to-Eat products impacted sales recovery. Despite the challenges posed by trading conditions, strong execution of product innovation and promotions led to a significant improvement in sales in the second half of the year. During the year, 7-Eleven South China began a project to transform its legacy IT systems with a new end-to-end agile IT solution, to support both an improved customer shopping experience and its future growth ambitions.

Mannings China's sales performance was impacted significantly in the first quarter as restrictions on movement led to reduced traffic. However, the business reported improving like-for-like sales trends throughout 2020. Mannings China continues to execute its space optimisation plan with greater focus around the Greater Bay Area, where Mannings has stronger brand awareness and can leverage the existing scale of 7-Eleven. E-commerce growth continues to be strong, with penetration now over double digits.

Yonghui delivered strong sales growth in the first half of 2020, driven by good like-for-like sales growth and robust e-commerce growth. Profitability also increased significantly over this period. Tighter family disposable income as well as more intense competition, however, did contribute to a slowdown in sales performance in the third quarter of the year.

2) Maintaining strength in Hong Kong

Wellcome Hong Kong reported double-digit like-for-like sales growth in 2020, driven by a trend towards eating-at-home, greater focus on fresh quality, strong in-store execution and enhanced pricing. Profitability increased significantly due to a combination of strong sales growth and the benefits accrued from the improvement programmes which have been implemented as part of the Group's multi-year transformation.

However, disruption caused by the pandemic has adversely impacted performance for other banners in Hong Kong, particularly Mannings and 7-Eleven. The virtual elimination of tourist traffic through border closures has had a significant impact on Mannings' sales and profitability, and the business has focused strongly on investment in value to maximise appeal to the Hong Kong customers. Performance has been encouraging so far, with the price initiative underpinning relative improvement in both volume and profitability. 7-Eleven's performance was also adversely impacted by reduced local foot traffic, particularly in MTR locations following business and government advice to encourage employees to work from home.

IKEA's Hong Kong sales performance was also impacted by COVID-19 in the first quarter. However, IKEA reported improving sales performance over the course of the year, driven by both strong e-commerce growth and improving offline sales growth.

- Grocery Retail
- Convenience Stores
- Health and Beauty
- Home Furnishings
- Restaurants
- Other Retailing
- Store Support Centre and Shared Services

* Including 100% of associates and joint ventures

A key area of focus has been and will continue to be driving value for customers across Hong Kong. In addition to Mannings' price reinvestment campaign launched in June, Wellcome launched its own *Lower Price Locked* campaign in the second half, with encouraging sales to date. The successful launch of Meadows Own Brand products, supported by a combination of international sourcing credentials, competitive shelf price, strong product quality and packaging, will continue to strengthen the Group's customer value proposition in Hong Kong.

In July, the Group launched the Yuu Rewards programme, Hong Kong's biggest rewards club. The programme links more than ten household brand names, including affiliate partners such as Hang Seng Bank and other businesses in the wider Jardine Matheson Group such as Pizza Hut and KFC, across over 2,000 locations in Hong Kong. For the first time, a CRM programme is allowing Dairy Farm to leverage the scale of all its banners in Hong Kong. The programme is both an important pillar supporting digital transformation within Dairy Farm and a means of maintaining Dairy Farm's strength in Hong Kong.

3) Revitalising Southeast Asia

Profitability in the Group's Southeast Asian Grocery Retail business improved significantly in the year, due to a combination of the initiatives implemented as part of the Group's multi-year transformation programme and strong like-for-like sales growth.

Despite delays caused by COVID-19 lockdown restrictions, the team successfully relaunched all Giant Singapore stores in 2020. This programme involved detailed research, combined with in-depth sales and merchandise analysis, a detailed plan to reapportion space, and investment in new equipment where required. All stores have now either been refreshed or refitted with a major brand facelift and space reallocation. There has also been a significant shift in emphasis onto Own Brand within Giant stores, and results have been encouraging. The repositioning of the Giant brand has been underpinned by a programme to re-establish price trust and to invest in lower prices on hundreds of frequently purchased items across fresh, grocery and chilled categories. Strong marketing execution was also implemented to support the brand repositioning. Whilst still early, these steps have led to an improved sales performance, with underlying like-for-like sales growing at their strongest rate since 2013.

Performance of our upscale Grocery Retail stores continues to show good progress. Improvements in range, availability and freshness are supporting improved sales performance. In addition, our new concept pilot stores, with much stronger emphasis on fresh food, international products, organic, health and wellness ranges, have performed very strongly. New concept stores have now been introduced in Malaysia and Singapore, in addition to those introduced in Hong Kong.

Our Guardian Health and Beauty business remains a significant growth opportunity for the Group. However, like-for-like sales performance and profitability have been impacted by government restrictions on movement in each of the markets in which we operate. Despite the challenging environment, the team continues to focus on improving key areas of the business, including product range, value, store and sales channel development. Guardian Singapore relaunched its e-commerce platform in February, which supported around 40% growth in the year. In addition, new shop-in-shop concepts were executed in over 50 Giant stores in 2020. Guardian Malaysia reported triple-digit e-commerce growth in the year. Across our key geographies in Southeast Asia, localised versions of price reinvestment campaigns were also launched to enhance Guardian's customer offering. New health and beauty concept stores have also been developed and will be rolled out in a disciplined manner in 2021. Within Guardian Health and Beauty, growth in Own Brand is an area of focus, with the team working on a number of initiatives to create scale and differentiation. In 2020, one highlight in this area was the Group's new partnership with CP All to roll out Guardian products into around 12,000 7-Eleven stores across Thailand.

Robinsons Retail continued to successfully integrate Rustan Supercenters in 2020. However, its financial performance was impacted by restrictions on movement caused by COVID-19, particularly with respect to its discretionary retail businesses. In October, Dairy Farm deepened its partnership with Robinsons Retail by combining its interests in Rose Pharmacy with Robinsons Retail's subsidiary Southstar Drug. The combination creates a leading pharmacy chain in the Philippines. The combined business will support greater competitiveness, create synergies and allow both Dairy Farm and Robinsons Retail to leverage scale.

4) Building capability

The Group has balanced internal promotions with the introduction of external capability, and the change in leadership within the organisation has brought depth of experience and thinking to Dairy Farm. It has also led to a cultural shift within the Group in terms of our ways of working. In turn, this has supported the resilience of the business and our ability to adapt to rapidly evolving challenges posed by the pandemic, including different and changing approaches by governments in each of the regions in which we operate. Decisive action was taken to ensure joint co-ordination of: resourcing to support fluctuations in trading hours; inventory procurement to ensure stability of supply; supply of health and hygiene products for all team members; and clear, regular, consistent communications updates to all team members. One outcome of strong execution in this area has been that Dairy Farm has been at the forefront of ensuring our people's safety.

As we move to the next phase of our transformation, we are seeking to nurture talent from within through the development of our own graduate recruitment programmes and through close co-operation with the wider Jardine Matheson Group.

Our focus on building capability has not been limited to management positions above store level. We have also invested in our systems and processes to enhance our team members' skills on the shop floor in an agile manner. In 2020, we rolled out a new software system to train team members through mobile devices, which enables easy access to training on the shop floor and on the job. Now accessible to over 50,000 team members across the Group, the system also enabled the training of 22,000 team members within three weeks to support the successful and smooth rollout of the Yuu Rewards programme.

5) Driving digital innovation

Dairy Farm is accelerating the pace of its digital change to adapt to the rapidly changing environment.

The Yuu Rewards programme launched in July has been highly successful and total membership has now reached over three million. In 2020, the Yuu Rewards app was the most downloaded app on the Apple appstore in Hong Kong. Over 50 billion points have been earned, highlighting a high level of member engagement. We believe this is just the beginning, and we are excited to begin a deeper and more meaningful dialogue with our customers.

It has been well documented that the spread of the pandemic has led to a global surge in e-commerce growth. Strong online sales growth has supported our Home Furnishings business, with e-commerce penetration over 10% in 2020. We have also invested in infrastructure supporting e-commerce for Health and Beauty in Mannings businesses in both Hong Kong and the Chinese mainland, as well as cross-border e-commerce and Guardian in Southeast Asia. An all-new Marketplace app was also launched in 2020, with enhanced service capability to support fulfilment. E-commerce has been an area where Dairy Farm has historically lagged. However, the Group is now treating this area as a strategic priority.

In addition to growing e-commerce, the Group is investing significantly to enhance existing legacy IT systems to improve the digitisation of in-store operations. As an example, 7-Eleven South China began a project to upgrade its legacy IT systems with a new end-to-end agile IT solution to support both an improved customer shopping experience and its future growth ambitions in 2020. In Cambodia, Lucky stores have also begun introducing new IT systems to support their future store development plans, with a new point-of-sale system implemented in December across the entire store network.

Leveraging scale

The key objective of our transformation is to leverage our expertise and scale more effectively across our countries and banners by operating more effectively as one Group. While we fully recognise that there needs to be a localisation of the offer and proposition at both banner and country levels, 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.

Improvement programmes have remained a key area of focus in 2020. We are continuing to make progress in improving efficiency and utilising economies of scale to lower costs in areas such as Procurement, Category Management, People Development, Store Productivity, Supply Chain Optimisation and Business Process Re-engineering. Some examples of our progress this year include:

- Continued improvement in upstream fresh food procurement, with 60% of fresh produce volumes now jointly sourced across all Dairy Farm food businesses.

- Completion of a thorough and detailed work measurement study across banners and stores to understand precisely how long it takes team members to perform tasks, which will support future opportunities to enhance and improve roster planning.

- The consolidation of facilities management which has paved the way to the effective implementation of best practice energy controls, yielding energy cost savings of over US$8 million in 2020.

We continue to see further opportunities for enhanced efficiencies in 2021.

The Group has continued to make strong progress with respect to a more consistent Own Brand approach. Following its soft launch at the end of 2019, the Meadows brand was launched across our Grocery Retail banners in Hong Kong, Singapore and Malaysia. The number of SKUs in the range has now expanded to over 600, and where appropriate we have introduced Own Brand in other banners such as 7-Eleven and Mannings. A combination of international sourcing credentials, cost price, shelf price, quality, packaging, in-store presentation and marketing, together with a high degree of store team launch engagement, has enabled a high profile and successful full launch in 2020. Since launch, customer feedback has been very positive with strong customer recall and high quality and value perception. Sales performance has been very encouraging, and in the space of 12 months:

- Meadows potato chips are the number one brand in their category.

- Meadows nuts are the number one nut brand across the Hong Kong market.

- Meadows is now the overall number one brand in Dairy Farm supermarkets.

We remain very optimistic about the future prospects of Meadows and look forward to sharing exciting developments.

Caring for team members and supporting our community

A key priority of the leadership team is to ensure the safety and well-being of our team members throughout this pandemic. While lockdowns, social distancing and stay at home orders have been in place, our businesses across the regions have generally been regarded as essential services and remained open. Our team members are therefore placing themselves at risk every day and the Group continues investing significantly in a number of initiatives to ensure the health, safety and well-being of each team member.

Recognising the hardship faced by all members of the community during these challenging times, we responded by providing increased support to the communities that we serve. Some examples include Wellcome's significant 'Give Back' programme which involves the distribution of over two million cash and meal vouchers to the most in need groups in Hong Kong; Mannings' partnership with the Hong Kong Hospital Authority to provide medication collection services to local residents to reduce the risk of infection from hospital visits; and company matching of Yuu Rewards points donated by customers. In addition, we have introduced price investment programmes across our banners and geographies to drive value for customers.

In total, the Group has made over US$50 million of direct investments in supporting the health, safety and well-being of our team members as well as in supporting our communities as a result of COVID-19 in 2020. The Group will continue to invest to support our team members and community given the gravity of the impact of the pandemic.

I would also like to express my deep gratitude for the continuing dedication and resolve of team members in putting customers first during these difficult times.

Year ahead

Undoubtedly, 2020 was a challenging year. The extent and duration of the impact of the pandemic in 2021 remains unclear, and this year is likely to remain challenging. Despite the short-term impact from the pandemic, however, our team members remain motivated, determined and resolute in the continued execution of the Dairy Farm multi-year transformation plan. We are halfway through that plan and there is much still to do. Despite all adverse external influences, the transformation plan remains on track. While financial results do not yet reflect the efforts made to date, we are confident that the actions being taken remain the right ones and the Company is in a far better shape now to face the challenges of the market going forward.

I would like to thank my Leadership Team, their teams and every team member in our stores who have worked tirelessly for Dairy Farm over the last three years to get us this far. Our store teams do deserve a special mention. In every country where lockdowns were put in place and populations were encouraged and even mandated to stay home for their safety, our store and supply chain teams turned up to do their jobs in genuinely dangerous circumstances. I could not be more grateful for their support.

Ian McLeod
Group Chief Executive
11th March 2021

Sustainable Transformation at Dairy Farm

Dairy Farm Group is undergoing a significant multi-year transformation to address a series of business challenges and in so doing ensure that each business is improved to provide it with the best opportunity to serve customers in highly competitive markets. We are also aware that as a large company operating in many countries, we have a responsibility to recognise the increasing needs of the communities we serve and look for ways in which we can make contributions to help them. We want to help both our customers and our team members (People), we want to help improve our supply chain by reducing food waste, lowering plastic usage and sourcing ethically (Products). We want to improve energy efficiency, recognising growing concerns over climate change (Planet) and we wish to strengthen partnerships with like-minded organisations who also wish to make a sustainable difference.

We would be the first to accept that all organisations can do more in the area of corporate and social responsibility, and we are no exception. We are building greater focus on where we can begin to make a difference and demonstrate measured progress over time. Below are some examples of the early progress we believe we are making:

People

Helping customers, their communities and our team members

We are greatly appreciative of the service our team members provide to our customers on the front-line day in and day out, therefore making them feel safe is our number one priority. We have invested heavily in providing over 440,000 pieces of personal protective equipment (masks, hand sanitisers and goggles) for our team members to ensure they are protected and feel safe when serving customers amidst the pandemic.

In a year like no other, we prioritised helping our communities. We were the first retailer in Hong Kong, Malaysia and Indonesia to implement priority shopping hours in our supermarkets for the most vulnerable members of our communities, ensuring they can shop safely, secure in the knowledge that we are putting their health and wellbeing first. Mannings Hong Kong was also the first Hong Kong retailer to take on a community pharmacy role. We launched a medication collection service in our Mannings stores, thereby reducing hospital footfall and the associated risk of infection.

With demand increasing significantly at the start of the COVID-19 pandemic, we needed to quickly bring additional help onboard to better serve our customers. Based on these needs, we saw an opportunity in Singapore to support other affected industries by offering recruitment opportunities to their teams. We first started the initiative with Fairmont Singapore, then the Food Drinks Allied Workers' Union (FDAWU) came onboard in support of our efforts and expanded the outreach to more hotel partners, such as the Four Seasons and other international hotel chains. Through this initiative, we provided support to those in the tourism and hospitality industry who have been impacted by COVID-19. We also donated care packs to those in need within our communities.

We place huge significance on access to education for all, which meant stepping up when the pandemic forced school closures in Indonesia. Hero Group partnered with Human Initiative to launch online learning centres, equipping underprivileged students with smartphones, computer laptops and free internet access so they can thrive academically without obstacles.

Preparing care packs for local communities.

Meat-free IKEA 'Plant Balls' – a more sustainable choice.

Products

Sourcing more sustainable choices for our customers

We are determined to allow customers to make sustainable choices, and we have been leveraging our partnerships to source products that treat animals in a humane and dignified manner.

Part of our 'Products' focus is paying attention to animal welfare and we have been working closely with Humane Society International (HSI) to make a change. Together with HSI, we are working to drive long-term change in the supply chain. As part of this, we will be launching a new value range of cage-free eggs under our Meadows Brand in Hong Kong and Singapore in 2021, whilst introducing cage-free eggs into all ten of our IKEA restaurants in 2021 in Hong Kong and Taiwan.

Our IKEA meatballs are enjoyed around the world, and we listened to our customers to provide them with a more sustainable version of a well-loved classic. Launched in October 2020, the IKEA 'Plant Balls' still deliver the great taste and texture of the IKEA meatballs whilst being responsible for just 4% of its predecessors climate footprint. In this way, we are proud to continue innovating in this field and giving our customers the choice to make more environmentally friendly decisions.

We do not just focus on life on land. We look to source seafood sustainably, making a concerted effort to protect threatened species and promote products which are MSC, ASC and BAP certified.

Our customers also rely on us to provide them with fresh and high-quality products, and we want to ensure we provide that constantly. Our 'Fresher for Customers' programme improves the shopping experience for our customers by managing inventory better to improve freshness and at the same time minimise waste. Through this programme, we have reduced food waste by nearly 10,000 tonnes in the last two years across our markets.

Donating food offers a further opportunity to minimise food waste in our stores, whilst having a positive effect on the welfare of those in need within our communities. For example in Malaysia, Giant collaborated with The Lost Food Project to ensure food is not wasted but delivered to those who need it most. In total, the partnership saw RM50,000 worth of food supplies donated through 26 charity organisations across Klang Valley and Negeri Sembilan. PT Hero partnered with Taman Safari Indonesia to donate fresh produce to animals in conservation. With COVID-19 putting an intense strain on business for zoos and aquariums, this partnership demonstrates a forward-thinking scheme to meet two distinct needs with one fantastic solution.

In Singapore, the installation of a food waste management machine, known as an ecoDigester, enables the conversion of organic waste into water for washing. In Hong Kong, our collaboration with O·Park allows us to divert organic waste for conversion into biogas and compost. Moreover, Giant are currently trialling a new composting method with our NGO partner in Indonesia, where larvae decompose food waste into organic fertiliser. We endeavour to roll out similar sustainable technologies in other markets and work towards developing a circular economy within our operations.

Planet

Climate change and environmental waste are a concern for everyone

Taking responsibility for our plastic consumption has been an important initiative over the past year. In Hong Kong, alongside our involvement with the Drink Without Waste initiative, we installed Reverse Vending Machines in our stores to kick off our pilot programme. In six months, our machines saved over 50,000 plastic bottles from going to landfill. This ensures that more plastic bottles are recycled properly whilst making it easier for the public to participate in environmentally friendly practices.

In other plastic reduction efforts, we have reviewed tray thickness in our Hong Kong Fresh Food Centre, reducing plastic usage by 14% without compromising on food hygiene. We have sought to reduce plastic usage in stores, resulting in a 24% reduction from the previous year.

50,000 plastic bottles were saved from going to landfill via the Reverse Vending Machine trial programme.

In Taiwan, IKEA launched the very first 'circular leasing' business model in partnership with Taipei 101. Taipei 101 leases furniture from IKEA on a three-year contract, after this ends IKEA Taiwan will take back all the furniture, refurbish the items and resell them to new customers. This project minimises waste and maximises the lifespan and uses of our earth's natural resources.

We protect our environment:

nearly **10,000** ***tonnes*** of ***food waste reduced*** or diverted from landfill

8 ***million kg*** of ***CO_2 emissions reduced***

24% ***reduced*** in ***unnecessary plastic*** in stores

50,000 ***plastic bottles recycled***

Our eco-friendly IKEA Taoyuan store opened last year has many sustainable installations, including LOW-E insulating glass windows for reducing energy consumption associated with air conditioning. The building also features a total of 802 solar panels on its roof, supplying energy equivalent to the amount used by nearly 70 households per year. Similarly, the IKEA Qingpu store was awarded the 'Taiwan EEWH Green Building Gold Certificate' due to the installation of 802 EV panels and 4 wind turbines on its roof. Thanks to these additions, the building generates 10% of its total electricity usage in renewable energy.

Over the past year, we have instigated encouraging reductions in our energy consumption. For example, we have introduced energy awareness campaigns in our stores and installed speed doors in our Fresh Food Centre to improve temperature control. Overall, we reduced our energy consumption in Hong Kong, Singapore and Malaysia by 16 million kWh, equal to reducing our CO_2 emissions by over 8 million kg.

Partnerships

Working with like-minded partners to create a bigger impact

In Hong Kong, we launched a HK$120 million 'Heartfelt Give-Back' programme, including the donation of 1 million cash vouchers and 1 million meal vouchers to those most in need. We collaborated with over 250 charity partners who helped identify 250,000 beneficiaries for the voucher donations. The programme also consists of a donation of up to HK$5 million by matching donations that our customers make through our 'Yuu Give-Back' programme – a voluntary donation feature released as part of the Yuu app launch.

Running since 2009, the 'Surplus Bread Donation Programme' made Maxim's Group the first bakery chain in Hong Kong to donate surplus bread to charity groups. Maxim's Cakes and Arome Bakery work with over 90 charitable organisations to donate surplus bread, amounting to a total 5.35 million pieces of bread donated at the end of 2020.

In summary, as a large company, we recognise we also have a responsibility to take our corporate and social responsibility seriously. Through our People, Products, Planet and Partnerships approach, we want to make a positive difference.

Team members distributing care packs to frontline workers who serve our communities.

We enabled our team members across all 12 of our markets ***to support our communities as much as we can.***

We support our communities:

US $50 million
Cash

1,925,000
Meals

440,000
Masks and hand sanitisers

80,000
Daily necessity care packs

35,000
Cups of tea and coffee

Our efforts did not go unnoticed:

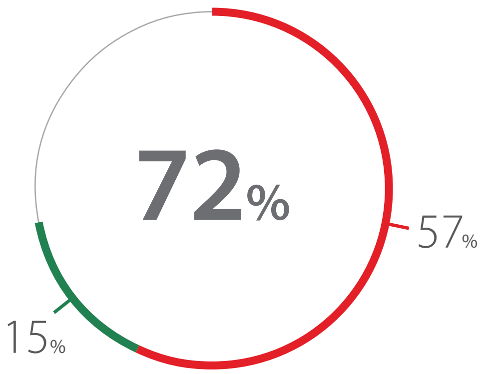
- *Caring Company Scheme Award –* Anti-epidemic Campaign Recognition *'Outstanding Partnership'* in Hong Kong
- *Top CSR Awards 2020* from TOP Business Magazine and Indonesia CSR Society
- *Indonesia's Best Corporate Sustainability Initiative 2020* for category *'The Best Circular Economy (Special Award)'*
- *Taiwan EEWH Green Building Gold Certificate* for IKEA Qingpu store


happy to serve you

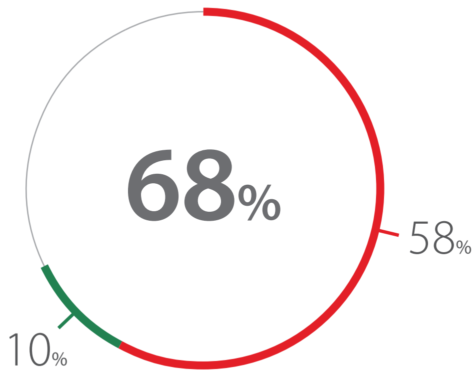
Food

Operating profit for Grocery Retail increased significantly, underpinned by strong sales performance and cost benefits from our improvement programmes. Convenience sales were impacted by disruption caused by the COVID-19 pandemic, which significantly impacted traffic into stores.

Group Sales*



Group Profit†



Grocery Retail   Convenience Stores

* Including share of associates and joint ventures.

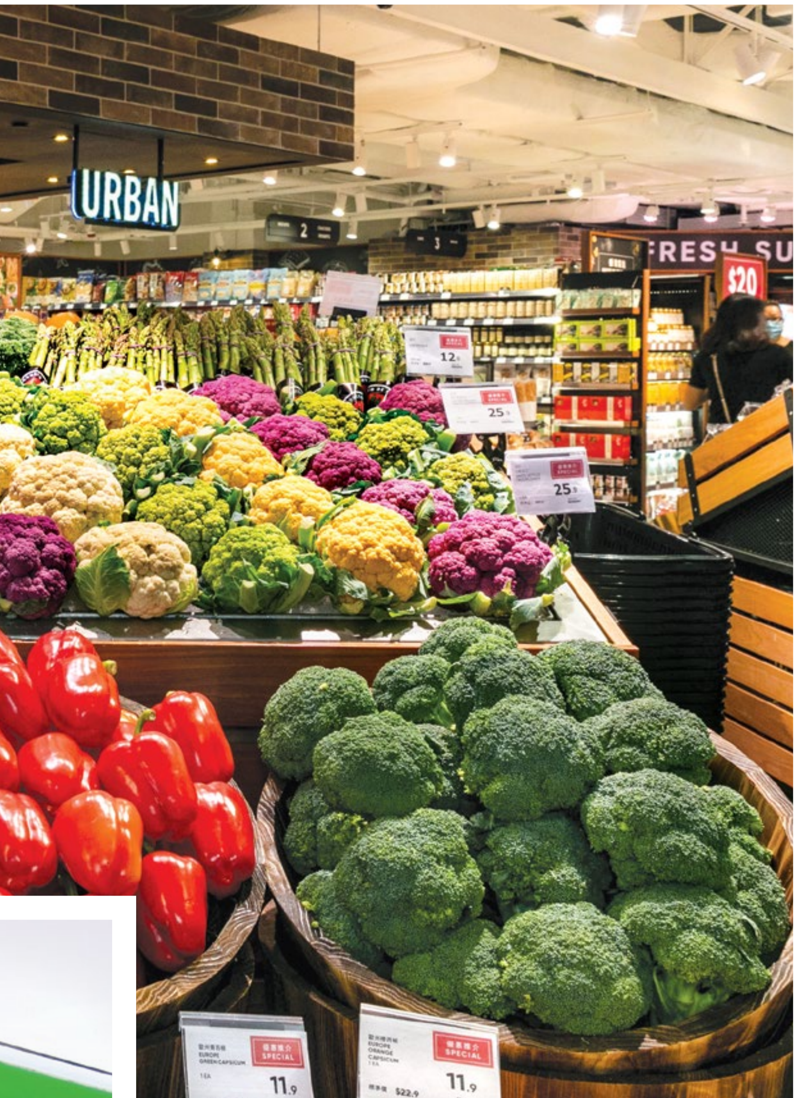
† Based on operating profit before effect of adopting IFRS 16 and share of results of associates and joint ventures, excluding selling, general and administrative expenses and non-trading items.

US$ **22.1** billion
Total Sales‡

US$ **324** million
Operating Profit

5,626 stores
Store Network‡

‡ Including 100% of associates and joint ventures.



Grocery Retail

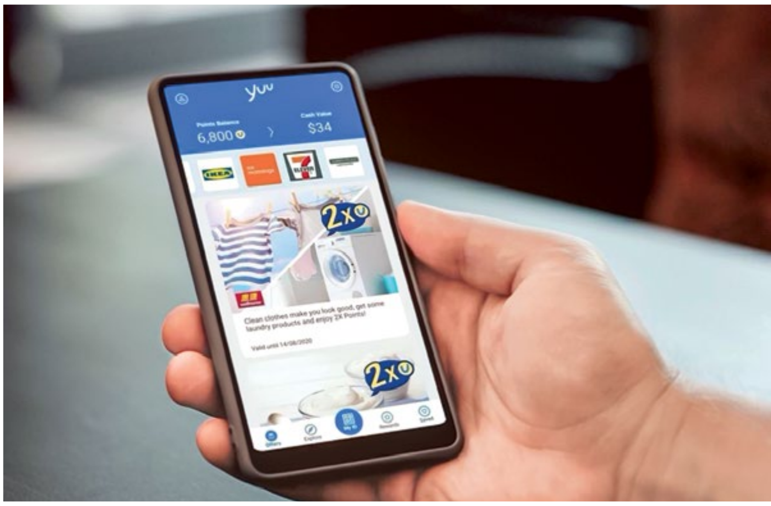
Dairy Farm's Grocery Retail business has been serving our customers for over 70 years. Today we lead the industry in Asia, offering the freshest produce, excellent service and great value through a range of iconic brands.

Total Grocery Retail sales increased by 3% to US$5.3 billion. This performance was driven by strong double-digit like-for-like sales growth, partially offset by the annualisation impact of the Group's space optimisation programme, which was executed in 2019. The strong like-for-like sales performance was driven by a combination of a shift in customer behaviour towards eating-at-home and operational improvements to our range, quality and pricing. Operating profit increased from US$63 million to US$267 million, primarily driven by strong sales performance and cost benefits from our improvement programmes.

Sales in Hong Kong and Macau were significantly ahead of the prior year, with strong double-digit like-for-like sales growth. Reported profitability was supported by strong sales growth, the ongoing execution of improvement programmes as well as government subsidies.

Our price reinvestment campaign in Taiwan, as well as changing customer behaviours, supported strong sales growth for Wellcome Taiwan. During the year, the Group announced that it had entered into an agreement with Carrefour for them to acquire 100% of Wellcome Taiwan.

Double-digit like-for-like sales growth drives strength in Grocery Retail performance.



Meadows is now the **number 1 brand** across Dairy Farm.

By bringing these businesses together, team members and customers will benefit from being served by a larger group that can use its combined strength and scale to improve quality, service and price competition. The transaction completed on 31st December 2020 and the combined entity now becomes the largest multi-format food retailer in Taiwan.

In Southeast Asia, strong like-for-like sales performance in Singapore and Malaysia was partially offset by challenging trading conditions in Indonesia. Profitability for Southeast Asia was supported by strong sales performance, as well as key programmes implemented as part of the Group's multi-year transformation. In particular, performance from the Group's store revitalisation and price reinvestment programmes has been encouraging. Profitability in Indonesia, however, reduced significantly due to weak sales performance.

During the year, the Group launched price reinvestment campaigns across key regions to continue to support our customer value proposition.

Convenience

With over 30 years of delivering the convenience shopping experience, Dairy Farm operates the 7-Eleven franchise in Hong Kong, Macau, South China and Singapore and offers innovative products and services to customers.

Convenience sales were impacted by disruption caused by the COVID-19 pandemic, which significantly impacted traffic into stores. Total sales reduced by 4% to US$2.1 billion, with reduced like-for-like sales partially offset by some new store growth in South China. Operating profit reduced to US$57 million, driven by a combination of a shortfall in sales, store disruption and a product mix shift towards lower margin product categories.

We continue to invest in the growth of our 7-Eleven store network in Guangdong. During the year, 7-Eleven South China began a project to significantly upgrade its legacy IT systems with a new end-to-end agile IT solution to support both an improved customer shopping experience and its future growth ambitions. Upon implementation the system will support the business in scaling up both its company-owned and franchise store networks.


mannings
Echinacea
immune plus
mannings
Cranberry
Maintain
Urinary Tract Hea
10
mannings
DERMATOLOGICALLY TESTED & PROVEN
all is soft
mannings
soft & care
spiral
cotton tips
100%
pure cotton
mannings
Alcohol spray 75%
mannings
aqueous c
BP

Health and Beauty

Sales for our Health and Beauty Division were impacted significantly by disruption caused by the COVID-19 pandemic. Faced with difficult trading conditions and a lack of tourist traffic, the Health and Beauty Division has focused on price investment to ensure relevance to our customers.

Group Sales*

Group Profit†

Health and Beauty

* Including share of associates and joint ventures.

† Based on operating profit before effect of adopting IFRS 16 and share of results of associates and joint ventures, excluding selling, general and administrative expenses and non-trading items.

US$ **2.4** billion
Total Sales‡

US$ **66** million
Operating Profit

2,029 stores
Store Network‡

‡ Including 100% of associates and joint ventures.

Health and Beauty

Dairy Farm's Health and Beauty business operates across Asia through well-established and trusted brands such as Mannings and GNC in North Asia, and Guardian in Southeast Asia, serving our customers with a wide range of health, beauty, personal care and baby care products.

Sales for our Health and Beauty Division were impacted significantly by disruption caused by the COVID-19 pandemic. The performance of Mannings in North Asia was impacted by reduced foot traffic from a lack of visitors into both Hong Kong and Macau. Following strong like-for-like sales performance in the first quarter, Guardian's sales growth decelerated significantly due to government restrictions on movement for the remainder of the year. Reported sales for the Health and Beauty Division were US$2.0 billion in 2020, 35% below the prior year.

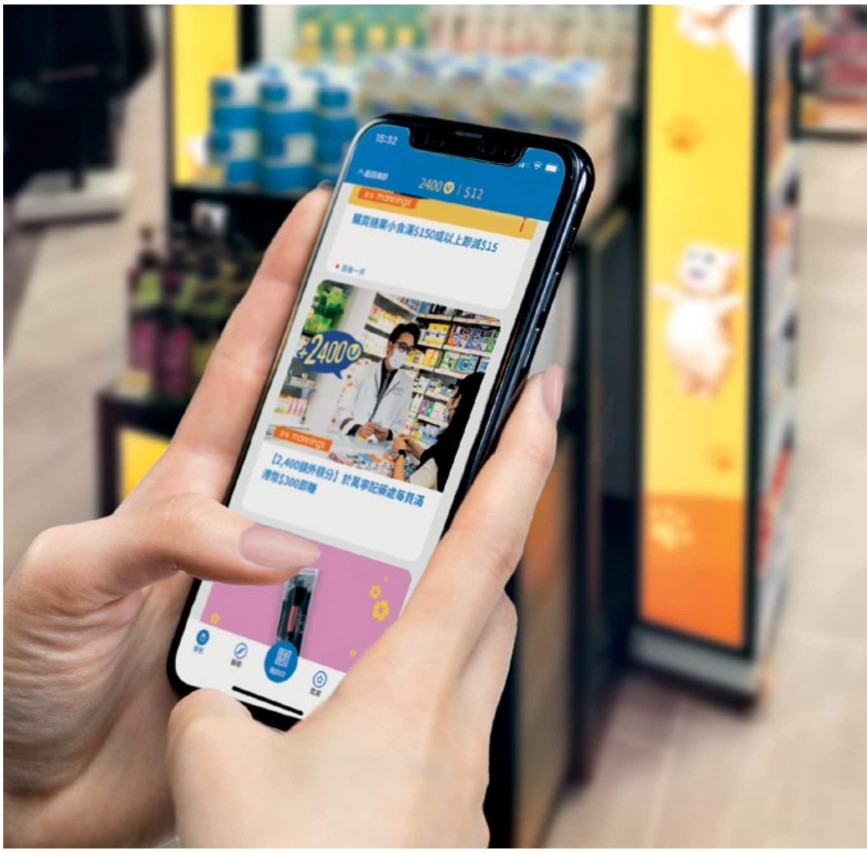
Mannings continued to focus on building its **customer value proposition** across key operating markets.

Operating profit was US$66 million in 2020, a significant reduction relative to the US$296 million reported in the prior year. The reduction in profitability was primarily due to a shortfall in sales, partially offset by government subsidies.

Faced with difficult trading conditions and a lack of tourist traffic, the Health and Beauty Division has focused on price investment to ensure relevance to our customers. In addition, the Group believes investments in digital, store design, the Yuu Rewards programme and Own Brand development will support market share growth.

In October, the Group deepened its partnership with Robinsons Retail by combining its interests in Rose Pharmacy with Robinsons Retail's subsidiary Southstar Drug. The combination creates a leading pharmacy chain in the Philippines.


大降價
堅持
好價
唇部護理

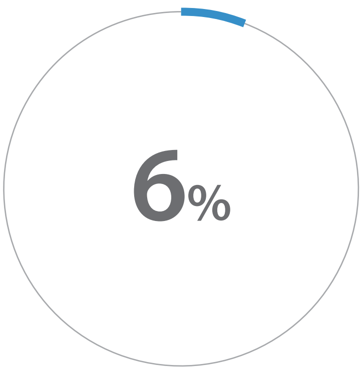

2400 | $12
+2400


guardian
NATURAL HAIR CARE
TRIO OIL

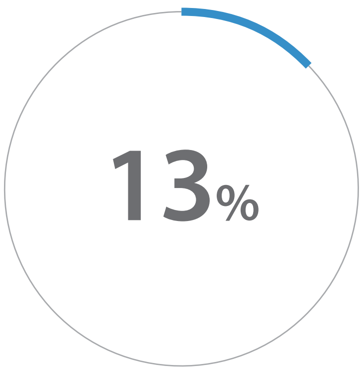
Home Furnishings

Despite the challenges posed by COVID-19, we continued to invest in the future growth of our Home Furnishings business in 2020. Sales grew by 9% to a record US$832 million. The contribution of new stores and strong e-commerce growth more than offset the negative effect on like-for-like sales from COVID-19 related impacts on traffic and operations.

Group Sales*



Group Profit†



Home Furnishings

* Including share of associates and joint ventures.

† Based on operating profit before effect of adopting IFRS 16 and share of results of associates and joint ventures, excluding selling, general and administrative expenses and non-trading items.

US$ **832** million

Total Sales‡

US$ **71** million

Operating Profit

13 stores

Store Network‡

‡ Including 100% of associates and joint ventures.

Home Furnishings

The world's largest furniture retailer, IKEA, is operated by Dairy Farm in Hong Kong, Macau, Taiwan and Indonesia. Renowned for design, functionality and quality at affordable prices, IKEA offers a comprehensive range of attractive home furnishing products, underpinned by a solid commitment to sustainability.

Despite the challenges posed by COVID-19, we continued to invest in the future growth of our Home Furnishings business in 2020. Sales grew by 9% to a record US$832 million. The contribution of new stores and strong e-commerce growth more than offset the negative effect on like-for-like sales from COVID-19 related impacts on traffic and operations. Trading in Indonesia was most impacted by the pandemic due to operating capacity limitations and intermittent temporary store closures.

The Home Furnishings business has been proactive in developing online capability and has been evolving its online template to build a new website proposition within each of our markets. This initiative has facilitated strong growth in online penetration since 2017, with overall online penetration now over 10% of sales.


Enjoy
打造個性
Personalise your BEST
選擇櫃框顏色
Lenovo

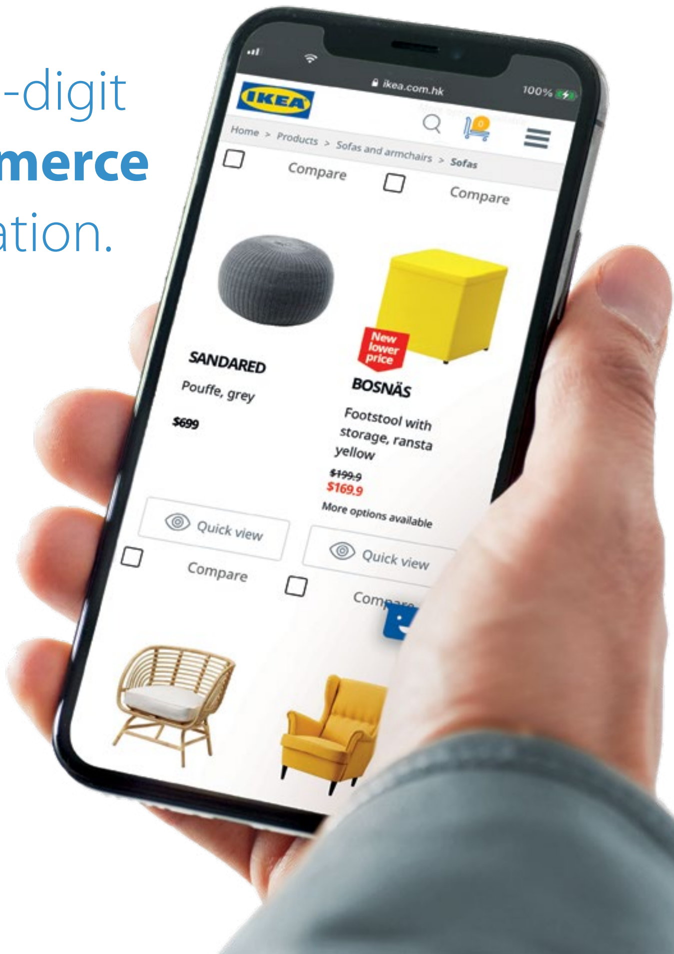

自助付款處
Self Check-outs
·只接受感應式付
·Maximum 20 items pe
·We accept contactless

Operating profit was **US$71 million** for the year, a significant increase of US$28 million from the prior year.

Operating profit was US$71 million for the year, a significant increase of US$28 million from the prior year. The strong profit growth was driven by an incremental profit contribution from new stores opened, reduced cost of goods, strong operating cost control, lower pre-opening expenses for new store openings and some benefits from government subsidies. Store trading disruption due to COVID-19 did partially impact profit performance, particularly in Indonesia.

During 2020, we opened one new store in Macau during the height of the pandemic, as well as a new larger replacement store in Taiwan, with performance for both stores encouraging. The pandemic has impacted the timeline for our new planned store openings in Indonesia and we now expect two additional store openings in 2021. By the end of 2021, we will have 15 stores opened across our markets against a base of 10 at the end of 2017. This represents the fastest growth in IKEA in our 42 years of franchise ownership and will make Dairy Farm the second largest IKEA franchise globally.

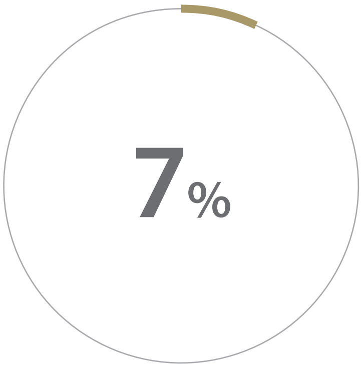
Double-digit **e-commerce** penetration.



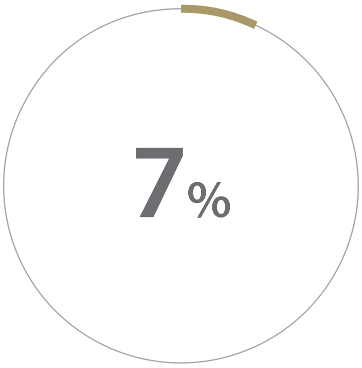
Restaurants

The global pandemic has caused a significant reduction in customer visits to Maxim's restaurants, as well as leading to some temporary closures and adjusted operating hours. Whilst trading conditions were challenging, Maxim's remains committed to pursuing its multi-brand strategy.

Group Sales*



Group Profit†



Restaurants

* Including share of associates and joint ventures.

† Based on operating profit before effect of adopting IFRS 16 and share of results of associates and joint ventures, excluding selling, general and administrative expenses and non-trading items.

US$ **2.1** billion
Total Sales‡

US$ **36** million
Share of Results

1,741 stores
Store Network‡

‡ Including 100% of associates and joint ventures.

Restaurants

Founded in 1956, Maxim's is a household name in Hong Kong, famous for its mooncakes and successful restaurants, bakeries, cafes and catering. The Maxim's network has expanded across Asia Pacific, with over 1,700 outlets in Hong Kong, Macau, mainland China, Vietnam, Cambodia, Thailand, Singapore and Malaysia.

The global pandemic, which has led to government-imposed restrictions on movement and social distancing measures, has caused a significant reduction in customer visits to Maxim's restaurants, as well as leading to some temporary closures and adjusted operating hours. Maxim's reported sales of US$2.1 billion in 2020, a 24% reduction compared to the prior year.

Weak sales performance led to a significant reduction in profitability, with Dairy Farm's share of Maxim's profits reducing by US$46 million to US$36 million. Maxim's profitability was supported by strong cost control, reduced rental expenses and government support in the year.

Maxim's **mooncake sales** during Mid-Autumn Festival were encouraging.

Whilst trading conditions were challenging, Maxim's remains committed to pursuing its multi-brand strategy. During the year, Maxim's announced that it had expanded its partnership with Shake Shack across China. The first Beijing store opened in the third quarter and there are plans to open more stores in South China including locations in Shenzhen, Guangzhou, Fuzhou and Xiamen. Maxim's has also secured the Starbucks franchise in Laos, with the first store planned to be opened in 2021. Maxim's has now secured the Starbucks franchise in seven markets.

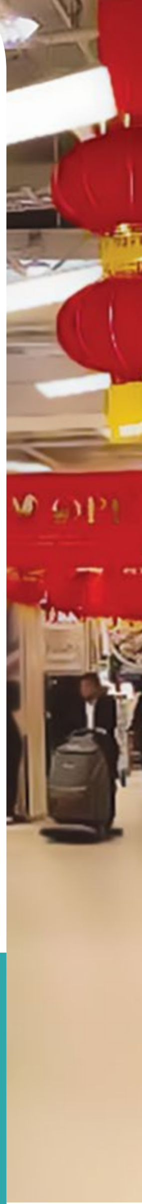
Maxim's remains committed
towards pursuing its
multi-brand strategy.


永辉超市
Bravo YH
KIWI FRUIT
天赐心安


Robinsons Supermarket

Other Associates

The Group's investment in Yonghui and Robinsons Retail continued to support profitability and deliver encouraging returns, demonstrating the benefit of a diversified business portfolio.

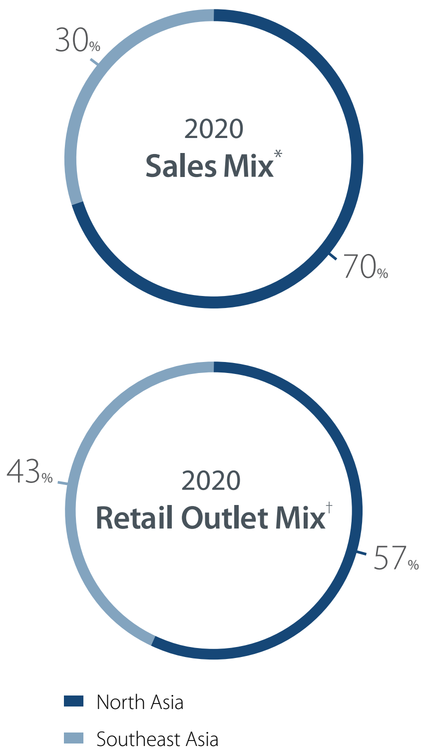


Yonghui delivered significant sales growth in the first six months of 2020, driven by robust like-for-like sales growth and strong e-commerce growth. Profitability also increased strongly over this period. Tighter family disposable income as well as more intense competition, however, did contribute to a slowdown in sales performance in the third quarter of the year.

Robinsons Retail's financial performance in 2020 was impacted by government restrictions on movement due to the pandemic, particularly with respect to its discretionary formats. Robinsons Retail's core supermarket format reported strong growth in sales and profitability driven by a combination of changing customer behaviours and the successful integration of Rustan Supercenters.

Financial Review

"2020 was a challenging year for Dairy Farm, with the COVID-19 pandemic impacting the Group's operations and, as a result, its financial results."



* Including share of associates and joint ventures.
† On a 100% basis.

Accounting policies

The accounting policies are consistent with those of the previous year. The Directors continue to review the appropriateness of the accounting policies adopted by the Group, regarding developments in International Financial Reporting Standards ('IFRS'). In 2020, the Group has early adopted the COVID-19 Related Rent Concessions: Amendment to IFRS 16 Leases. The Amendment allows rent concessions, which are granted as a direct consequence of the COVID-19 pandemic, to be recognised in the profit and loss over the period to which they relate, subject to satisfying specific conditions, rather than as a modification of the lease following IFRS 16 'Leases'. Adoption of the Amendment results in the recognition of US$69 million of rent concessions in other operating income.

Results

2020 was a challenging year for Dairy Farm, with the COVID-19 pandemic impacting the Group's operations and, as a result, its financial results. Continued progress in implementing the Group's transformation programme, however, helped the business adapt to the rapidly changing environment, while the diversity of the Group's businesses, coupled with the impact of ongoing improvement programmes, supported the Group's overall financial performance.

Sales, excluding those of associates and joint ventures, totalled US$10.3 billion, down 8% on last year. Total sales, including 100% of associates and joint ventures, were 2% higher at US$28.2 billion, due primarily to a higher sales contribution from Yonghui.

Underlying operating profit amounted to US$412 million, a reduction of 6% compared with last year. Strong growth in operating profit for Grocery Retail and IKEA was offset by a reduction in profit for the Health and Beauty and Convenience businesses. Among the Group's subsidiaries, disruption caused by the COVID-19 pandemic has had the greatest impact on our Health and Beauty and Convenience businesses.

Significant sales and profit growth was seen in the Grocery Retail business, driven by changing customer behaviours in response to the pandemic. There was strong profit growth across North Asia and Southeast Asia, driven by benefits accrued from implementing improvement programmes, strong sales and government subsidies. Performance in Indonesia, however, was impacted negatively by government restrictions on movement, which affected traffic into hypermarkets.

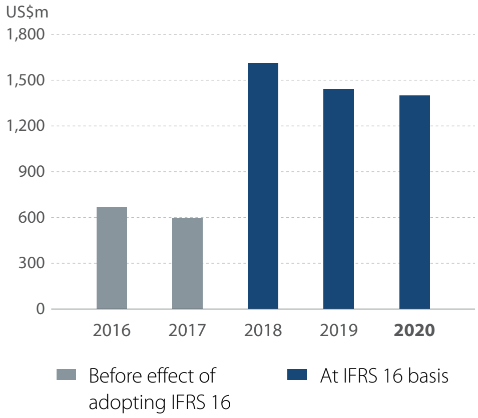
Home Furnishings traded strongly, benefitting from strong e-commerce growth and an increase in the store network, which offset the pandemic-related disruption.

Performance for the Health and Beauty business was impacted adversely by COVID-19 due to a lack of tourist travel, reduced footfall in shopping malls and temporary store closures because of government measures to counter the pandemic. In North Asia, enforced border closures have led to impacted tourism, which has impacted our Mannings business significantly. Government imposed restrictions on movement and reduction in foot traffic impacted performance for the Convenience business.

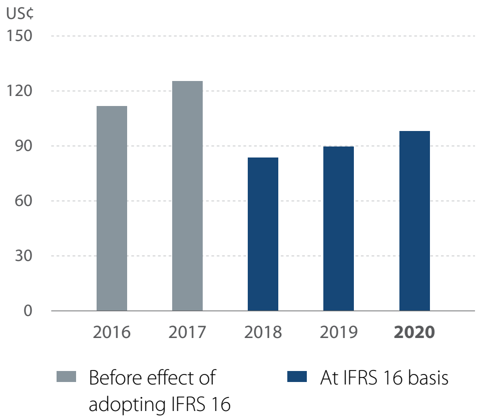
Net financing charges decreased by US$16 million compared with 2019, in part reflecting a reduced borrowing level and lower interest rates.

The Group's share of the results of associates and joint ventures decreased by 33% to US$85 million compared with 2019, principally due to a significantly lower contribution from Maxim's, as the pandemic, government-imposed restrictions on movement and social distancing measures caused a substantial reduction to customer visits to restaurants, as well as leading to some temporary closures. Following Yonghui's cancellation of treasury shares in July 2020,

Underlying EBITDA



Net Asset Value per Share



the Group's interest in Yonghui, which saw strong sales growth in 2020, increased from 19.99% to 20.10%. The financial performance of Robinsons Retail was impacted adversely by government restrictions on movement due to the pandemic, particularly with respect to its discretionary formats.

The tax charge for 2020 was US$74 million, 7% higher than 2019, mainly due to an additional tax provision for intra-group royalties.

A one-off pre-tax charge of US$59 million was reported, which included predominantly non-cash charges to write down the value of assets to the recoverable amounts, and business restructuring costs relating to certain stores that have been identified for store closure following a review of Grocery Retail in Indonesia. The net cost after tax and non-controlling interests was

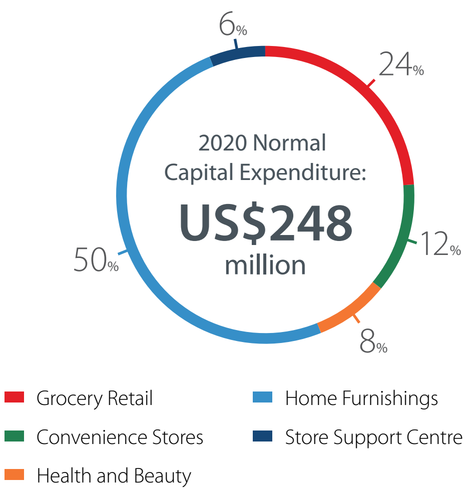
US$51 million. These charges have been classified as non-trading items due to the scale of the plan and the impact that it will have on the business. The net cash impact is expected to be less than US$10 million. The goodwill associated with PT Hero was also impaired in full.

Underlying profit attributable to shareholders was US$276 million, down 14% from US$321 million in 2019. Underlying earnings per share of US¢20.38 were also down by 14%, as compared with US¢23.72 in 2019.

Cash flow

Summarised Cash Flow	2020 US$m	2019 US$m
Underlying operating profit	**412**	437
Depreciation and amortisation	**983**	1,002
Other non-cash items	**(17)**	33
Increase in working capital	**(102)**	(77)
Net interest and other financing charges paid	**(143)**	(160)
Tax paid	**(110)**	(25)
Dividends received from associates	**68**	89
Other	**(24)**	(11)
Cash flows from operating activities	**1,067**	1,288
Principal elements of lease payments	**(706)**	(790)
Cash flows from operating activities after lease payments	**361**	498
Normal capital expenditure	**(248)**	(305)
Sales of subsidiaries, net of investments	**154**	(6)
Disposals	**8**	28
Cash flow from investing activities	**(86)**	(283)
Cash flow before financing but after lease payments	**275**	215

The Group maintained solid cash flows from operating activities after lease payments of US$361 million in the year, compared with US$498 million in 2019. The unfavourable movement in working capital in the year was due principally to investments to maintain availability during the early part of the pandemic, inventory stockpiling as a result of government policies in Singapore, settlement of supplier purchase obligations with respect to an earlier 2020 Chinese New Year as well as lower sales churn in the Health and Beauty business. Normal capital expenditure was lower at US$248 million versus US$305 million in 2019 due principally to tighter control on new store expansions and refurbishment of the existing store estate. The tax payment was higher at US$110 million versus US$25 million in 2019 due to a delay in the timing of the 2019 Hong Kong tax payment to 2020.



During the year, the Group deepened its strategic partnership with Robinsons Retail, by combining its interest in the wholly-owned subsidiary, Rose Pharmacy, through a sale to Robinsons Retail's subsidiary, South Star Drug, for cash proceeds of US$84 million. In addition, the Group divested its 100% interest in Wellcome Taiwan to Carrefour for US$109 million and invested US$15 million in a newly established digital joint venture to support its e-commerce development and drive digital innovation.

At 31st December 2020, the Group's businesses, including associates and joint ventures, operated a total of 9,997 stores across all formats in 12 markets, compared with 10,012 stores on a continuing basis at the end of 2019. Included in this total are 1,371 Yonghui stores, 1,741 Maxim's stores and 1,853 Robinsons Retail stores.

Balance sheet

Total assets, excluding cash and bank balances, of US$7.6 billion were broadly in line with 2019. Inventory was down by 13% to US$779 million, reflecting the continuous effort to manage inventory and clear poor-quality stocks. Net operating assets were US$1.3 billion at the end of 2020, an 8% increase versus the previous year.

The Group ended the year with net debt of US$817 million, broadly in line with last year's level.

Dividend

The Board is recommending a final dividend of US¢11.50 per share, giving a total dividend of US¢16.50 per share for the year, a 21% reduction compared with 2019.

Financing

The Group, excluding associates and joint ventures, had gross debt of US$1,094 million at 31st December 2020, a drop of US$28 million from 2019. The gross debt is funded by total committed and uncommitted lines of US$3,091 million. At the end of 2020, US$1,319 million of committed and US$676 million of uncommitted facilities were unused and available. The Group had cash balances of US$278 million at 31st December 2020. The Group has implemented a global liquidity cash pooling scheme which enables the Group to manage and optimise its working capital funding requirements daily. The available undrawn committed facilities and the cash pooling scheme provide good support and flexibility to the Group for the cash in need for the operation. The Directors believe that the Group has strong liquidity to run the business during the pandemic and beyond.

Where required, and typically for working capital purposes, borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund daily operations. Borrowings to fund any strategic expansion of the Group are managed centrally and typically funded in United States dollars and Hong Kong dollars, with hedging of foreign exchange and interest rate risk as may be appropriate depending on the investment.

Financial risk management

A comprehensive discussion of the Group's financial risk management policies is included in note 38 to the financial statements. The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. It is our policy not to engage in speculative derivative transactions. The investment of the Group's cash resources is managed to minimise risk while seeking to enhance yield. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt (short and long-term), to maximise flexibility for the future development of the business.

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 149 to 150.

Clem Constantine
Chief Financial Officer
11th March 2021

Directors' Profiles

Ben Keswick
Chairman

Mr Keswick joined the Board as Managing Director in April 2012 and held the position until June 2020. He has been Chairman since 2013. He was also managing director of Jardine Matheson, Jardine Strategic, Hongkong Land and Mandarin Oriental from 2012 to 2020. Mr Keswick has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until 2012. He is executive chairman of Jardine Matheson and Jardine Strategic, and chairman of Hongkong Land, Jardine Cycle & Carriage and Mandarin Oriental. Mr Keswick is also a director of Yonghui Superstores and a commissioner of Astra. He has an MBA from INSEAD.

John Witt *
Managing Director

Mr Witt joined the Board in 2016 and was appointed Managing Director in June 2020. He has been with the Jardine Matheson group since 1993 and has held a number of senior finance positions, including group finance director of Jardine Matheson from 2016 to 2020 and the chief financial officer of Hongkong Land from 2010 to 2016. Mr Witt is chairman of Jardine Matheson Limited, group managing director of Jardine Matheson and managing director of Jardine Strategic, Hongkong Land and Mandarin Oriental. He is also a director of Jardine Pacific and Jardine Motors, and a commissioner and chairman of the executive committee of Astra. Mr Witt is a Chartered Accountant and has an MBA from INSEAD.

Ian McLeod *
Group Chief Executive

Mr McLeod joined the Board as Group Chief Executive in 2017. He has extensive experience in the retail sector and was previously chief executive of Southeastern Grocers in the United States, before which he was managing director of Coles in Australia. He is also a director of Yonghui Superstores and a commissioner of Hero.

Clem Constantine *
Chief Financial Officer

Mr Constantine joined the Board as Chief Financial Officer in 2019, having joined the Dairy Farm leadership team as Group Property Director in 2018. He is a Chartered Accountant with extensive experience in senior finance and property roles in the retail sector. He has previously held finance, international and property directorships with Marks and Spencer, the Arcadia group, Debenhams and the Burton Group in the United Kingdom.

George J. Ho

Mr Ho joined the Board in 1998. He was previously engaged in private law practice in San Francisco and is currently engaged in the broadcasting and multi-media industries. Mr Ho is also chairman of Hong Kong Commercial Broadcasting Company and president of Hong Kong Red Cross.

Adam Keswick

Mr Keswick joined the Board in 2012. Having joined Jardine Matheson in 2001, he was appointed to the Jardine Matheson board in 2007 and was deputy managing director from 2012 to 2016. Mr Keswick is a director of Hongkong Land, Jardine Strategic and Mandarin Oriental. He is also a director of Ferrari NV and Yabuli China Entrepreneurs Forum and vice chairman of the supervisory board of Rothschild & Co.

* Executive Director

Dr Delman Lee	Dr Lee joined the Board in 2018. He is currently the vice chairman of TAL Apparel, an independent non-executive director of The Bank of East Asia and a director of Tradelink Electronic Commerce. He is also a council member of The Hong Kong Management Association.
Anthony Nightingale	Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to 2012. He is also a director of Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic, Mandarin Oriental, Prudential, Shui On Land and Vitasoy, and a commissioner of Astra. He is chairperson of The Sailors Home and Missions to Seafarers in Hong Kong.
Y.K. Pang	Mr Pang joined the Board in 2016. He is deputy managing director and chairman of Hong Kong of Jardine Matheson, and chairman of Jardine Pacific. He previously held a number of senior executive positions in the Jardine Matheson group, which he joined in 1984, including chief executive of Hongkong Land between 2007 and 2016. Mr Pang is also deputy chairman of Jardine Matheson Limited, and a director of Gammon, Hongkong Land, Jardine Matheson (China), Jardine Strategic, Mandarin Oriental and Greatview. He is chairman of the Hong Kong Tourism Board, deputy chairman of the Hong Kong Management Association, a member of the Council and General Committee of the Hong Kong General Chamber of Commerce and the Employers' Federation of Hong Kong.
Clive Schlee	Mr Schlee joined the Board in May 2020. He has extensive experience in the retail food industry. Mr Schlee joined the Jardine Matheson Group in 1980 where he held a number of senior executive positions and led Jardine Pacific's restaurant businesses. He co-founded Itsu in 1997 before joining Pret A Manger as CEO in 2003. Mr Schlee retired as Pret's CEO in 2019 and remains a director and an owner of Itsu.
Percy Weatherall	Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 2006. He first joined the Jardine Matheson group in 1976 and retired from executive office in 2006. He is also a director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental. He is chairman of Corney & Barrow and the Nith District Salmon Fishery Board.

Our Leadership

Ian McLeod

Group Chief Executive

Ian was named Group Chief Executive of Dairy Farm in September 2017, having spent the previous two years as CEO of Southeastern Grocers, the fifth largest supermarket chain in the United States. With over 30 years retail experience, Ian began his career with Asda (subsequently Wal-Mart) in 1981, where he spent 20 years working in the United Kingdom and Germany. Following this, he moved to Halfords where he became CEO in 2005. In 2008, he moved to Australia as Managing Director of Coles, overseeing 2,200 outlets and 100,000 employees. Whilst there he oversaw fundamental improvements in product quality and value as well as customer service. This resulted in Coles producing substantial increases in both turnover and profits, as well as significant market outperformance.

Ian attended the Harvard Business School Advanced Management Program in 1999 and was awarded an Honorary Doctorate in his native Scotland in 2010 for services to Business and Retail.

Chris Bush

Chief Executive Officer – South East Asia Food

Chris Bush was appointed CEO – South East Asia Food in August 2019.

Chris is a highly experienced senior food retailer with an impressive track record in leadership roles in Tesco for over 30 years, including CEO roles in Malaysia, Thailand, Korea and the U.K. After a period of time in a consultancy role for a major retailer in the United States, Chris joined Dairy Farm in 2018 to lead the transformation of the food business in Indonesia.

Chris has Business background and executive training from Manchester Business school in United Kingdom.

Choo Peng Chee

Chief Executive Officer – North Asia & Group Convenience

Choo was appointed Chief Executive Officer – North Asia & Group Convenience in May 2018, covering all food retail operations (grocery retail and convenience stores) in Hong Kong, Macau, China and Taiwan, also the convenience format in Singapore.

He joined Dairy Farm in 2000 and was the Chief Executive Officer of Cold Storage, Market Place and Shop N Save in Singapore from 2005 to 2009. He subsequently served as the Chief Executive Officer for Wellcome Hong Kong from 2010, and was appointed as the Regional Director, North Asia (Food) in 2013.

Choo brings with him more than 35 years of retail experience to this role and has an MBA in Retailing from the University of Stirling, Scotland.

Clem Constantine

Chief Financial Officer

Mr Constantine took up the position of Chief Financial Officer in November 2019, having joined the Dairy Farm leadership team as Group Property Director in September 2018. He is a Chartered Accountant with extensive experience of senior finance and property roles in the retail sector. He has previously held finance, international and property directorships with Marks and Spencer, the Arcadia Group, Debenhams and the Burton Group in the United Kingdom.

Sam Kim

Chief Executive Officer – Health & Beauty and Chief Marketing & Business Development Officer

Sam was appointed Chief Executive Officer – Health & Beauty and Chief Marketing & Business Development Officer in August 2019.

Sam joined Dairy Farm as Chief Executive Officer – Southeast Asia Division in April 2018. Prior to joining Dairy Farm, he was the Chief Executive Officer at Home plus (formerly Tesco) in South Korea where he launched the "Minus is Plus" campaign leading to a transformation of the corporate culture, improving organisational capabilities and eventually, performance of the business.

Before that, Sam spent 30 years at P&G, where he was one of the top Asian executives having assumed many senior leadership positions including Regional Head for P&G ASEAN and Asia Development Markets from 2008 to 2015. He personally helped start up P&G Korea in 1989, and later also served as the President of P&G Korea from 2003 to 2008.

Sam has dual degrees in Political Science and Management from Wharton School, University of Pennsylvania, where he also serves currently on the Board of Advisors for Penn's Huntsman Program. He is also an advisor to the Asian Alumni Council of Phillips Academy, Andover, and a member of the Andover Development Board.

Martin Lindström

Group Director – IKEA

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

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

Judith Nelson

Group Human Resources Director

Judith joined Dairy Farm as the Group Human Resources Director in July 2018.

Judith is an experienced HR leader who has led significant transformation and change across the UK and various international markets. More recently she has been a director and consultant to a number of businesses, including the e-commerce delivery enterprise, Deliveroo.

Prior to this, Judith built a remarkable career with Tesco where she started as a trainee and ultimately led the people function for their international business comprising 12 markets across Asia and Europe, before her appointment as HR Director for Tesco UK where she transformed the function, built HR capabilities across Tesco, and created a people strategy and people operating model that delivered on the business' long-term plan.

Marcus Spurrell

Chief Digital Officer

Marcus joined Dairy Farm as the Chief Digital Officer in October 2018.

Marcus has over 25 years direct management experience in this field, having held a number of positions working in a digital environment from website development, e-commerce data analytics to personalised customer communication. Prior to joining Dairy Farm, he was the Senior Vice President for Digital, Loyalty and e-commerce at Ahold Delhaize Group where he led a transformation of its loyalty programmes that delivered strong business results. Marcus previously held several Digital and e-commerce leadership roles for Adidas Group across Asia Pacific, USA, and Europe.

Marcus has a joint honours degree in Japanese and Economics from SOAS London University, and have lived in Asia for 13 years.

Charlie Wood

Group Counsel

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

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

Consolidated Profit and Loss Account

for the year ended 31st December 2020

	Note	2020 Underlying business performance US$m	2020 Non-trading items US$m	2020 Total US$m	2019 Underlying business performance US$m	2019 Non-trading items US$m	2019 Total US$m
Sales	2	**10,268.5**	**–**	**10,268.5**	11,192.3	–	11,192.3
Cost of sales		**(7,077.7)**	**–**	**(7,077.7)**	(7,658.5)	–	(7,658.5)
Gross margin		**3,190.8**	**–**	**3,190.8**	3,533.8	–	3,533.8
Other operating income		**355.4**	**75.2**	**430.6**	189.8	19.3	209.1
Selling and distribution costs		**(2,575.8)**	**–**	**(2,575.8)**	(2,700.7)	–	(2,700.7)
Administration and other operating expenses		**(558.8)**	**(98.7)**	**(657.5)**	(586.4)	(30.2)	(616.6)
Operating profit	3	**411.6**	**(23.5)**	**388.1**	436.5	(10.9)	425.6
Financing charges		**(145.1)**	**–**	**(145.1)**	(164.9)	–	(164.9)
Financing income		**2.4**	**–**	**2.4**	6.7	–	6.7
Net financing charges	4	**(142.7)**	**–**	**(142.7)**	(158.2)	–	(158.2)
Share of results of associates and joint ventures	5	**76.0**	**8.9**	**84.9**	114.9	11.4	126.3
Profit before tax		**344.9**	**(14.6)**	**330.3**	393.2	0.5	393.7
Tax	6	**(74.2)**	**0.4**	**(73.8)**	(69.5)	0.8	(68.7)
Profit after tax		**270.7**	**(14.2)**	**256.5**	323.7	1.3	325.0
Attributable to:							
Shareholders of the Company		**275.7**	**(4.7)**	**271.0**	320.9	2.9	323.8
Non-controlling interests		**(5.0)**	**(9.5)**	**(14.5)**	2.8	(1.6)	1.2
		270.7	**(14.2)**	**256.5**	323.7	1.3	325.0
		US¢		**US¢**	US¢		US¢
Earnings per share	7						
– basic		**20.38**		**20.03**	23.72		23.93
– diluted		**20.37**		**20.03**	23.71		23.92

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2020

	Note	2020 US$m	2019 US$m
Profit for the year		**256.5**	325.0
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	*22*	**16.3**	15.9
Tax relating to items that will not be reclassified		**(2.7)**	(2.4)
		13.6	13.5
Share of other comprehensive income of associates and joint ventures		**2.2**	0.7
		15.8	14.2
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net gain arising during the year		**109.4**	25.5
– transfer to profit and loss		**(16.9)**	3.4
		92.5	28.9
Cash flow hedges			
– net loss arising during the year		**(11.6)**	(2.6)
– transfer to profit and loss		**2.8**	(5.5)
		(8.8)	(8.1)
Tax relating to items that may be reclassified		**1.8**	1.6
Share of other comprehensive income of associates and joint ventures		**0.5**	2.8
		86.0	25.2
Other comprehensive income for the year, net of tax		**101.8**	39.4
Total comprehensive income for the year		**358.3**	364.4
Attributable to:			
Shareholders of the Company		**373.9**	362.1
Non-controlling interests		**(15.6)**	2.3
		358.3	364.4

Consolidated Balance Sheet

at 31st December 2020

	Note	2020 US$m	2019 US$m
Net operating assets			
Intangible assets	9	**420.6**	589.2
Tangible assets	10	**771.9**	820.2
Right-of-use assets	11	**2,872.1**	3,186.3
Associates and joint ventures	12	**2,256.5**	2,101.9
Other investments	13	**6.0**	6.8
Non-current debtors	14	**114.8**	142.4
Deferred tax assets	15	**15.5**	18.2
Non-current assets		**6,457.4**	6,865.0
Stocks		**778.7**	896.1
Current debtors	14	**303.6**	281.3
Current tax assets		**28.0**	26.1
Cash and bank balances	16	**277.6**	301.4
		1,387.9	1,504.9
Non-current assets held for sale	17	**55.2**	–
Current assets		**1,443.1**	1,504.9
Current creditors	18	**(2,060.5)**	(2,315.4)
Current borrowings	19	**(852.0)**	(938.2)
Current lease liabilities	20	**(684.1)**	(728.3)
Current tax liabilities		**(84.7)**	(126.5)
Current provisions	21	**(43.8)**	(56.0)
Current liabilities		**(3,725.1)**	(4,164.4)
Net current liabilities		**(2,282.0)**	(2,659.5)
Long-term borrowings	19	**(242.3)**	(184.0)
Non-current lease liabilities	20	**(2,386.3)**	(2,577.5)
Deferred tax liabilities	15	**(44.3)**	(34.9)
Pension liabilities	22	**(13.4)**	(31.3)
Non-current creditors	18	**(43.2)**	(13.2)
Non-current provisions	21	**(110.0)**	(125.1)
Non-current liabilities		**(2,839.5)**	(2,966.0)
		1,335.9	1,239.5

	Note	2020 US$m	2019 US$m
Total equity			
Share capital	*23*	**75.1**	75.1
Share premium and capital reserves	*25*	**59.6**	59.2
Revenue and other reserves		**1,187.6**	1,074.9
Shareholders' funds		**1,322.3**	1,209.2
Non-controlling interests		**13.6**	30.3
		1,335.9	1,239.5

Approved by the Board of Directors

Ian McLeod
Clem Constantine
Directors

11th March 2021

Consolidated Statement of Changes in Equity

for the year ended 31st December 2020

	Share capital US$m	Share premium US$m	Capital reserves US$m	Revenue and other reserves US$m	Attributable to shareholders of the Company US$m	Attributable to non-controlling interests US$m	Total equity US$m
2020							
At 1st January	75.1	34.1	25.1	1,074.9	1,209.2	30.3	**1,239.5**
Total comprehensive income	–	–	–	373.9	373.9	(15.6)	**358.3**
Dividends paid by the Company	–	–	–	(263.8)	(263.8)	–	**(263.8)**
Unclaimed dividends forfeited	–	–	–	0.5	0.5	–	**0.5**
Share-based long-term incentive plans	–	–	1.2	–	1.2	–	**1.2**
Change in interest in a subsidiary	–	–	–	(0.8)	(0.8)	(1.1)	**(1.9)**
Change in interests in associates and joint ventures	–	–	–	2.1	2.1	–	**2.1**
Transfer	–	–	(0.8)	0.8	–	–	**–**
At 31st December	**75.1**	**34.1**	**25.5**	**1,187.6**	**1,322.3**	**13.6**	**1,335.9**
2019							
At 1st January	75.1	33.9	24.4	993.0	1,126.4	35.5	1,161.9
Total comprehensive income	–	–	–	362.1	362.1	2.3	364.4
Dividends paid by the Company	–	–	–	(284.0)	(284.0)	–	(284.0)
Unclaimed dividends forfeited	–	–	–	0.1	0.1	–	0.1
Share-based long-term incentive plans	–	–	0.9	–	0.9	–	0.9
Change in interests in subsidiaries	–	–	–	0.8	0.8	(7.5)	(6.7)
Change in interests in associates and joint ventures	–	–	–	2.9	2.9	–	2.9
Transfer	–	0.2	(0.2)	–	–	–	–
At 31st December	75.1	34.1	25.1	1,074.9	1,209.2	30.3	1,239.5

Revenue and other reserves at 31st December 2020 comprised revenue reserves of US$1,417.5 million *(2019: US$1,388.5 million)*, hedging reserves of US$9.4 million loss *(2019: US$0.7 million gain)* and exchange reserves of US$220.5 million loss *(2019: US$314.3 million loss)*.

Consolidated Cash Flow Statement

for the year ended 31st December 2020

	Note	2020 US$m	2019 US$m
Operating activities			
Operating profit	*3*	**388.1**	425.6
Depreciation and amortisation	*29(a)*	**983.4**	1,002.2
Other non-cash items	*29(b)*	**(16.6)**	33.2
Increase in working capital	*29(c)*	**(102.1)**	(76.7)
Interest received		**3.5**	7.1
Interest and other financing charges paid		**(146.3)**	(166.7)
Tax paid		**(110.4)**	(25.1)
		999.6	1,199.6
Dividends from associates and joint ventures		**67.6**	88.5
Cash flows from operating activities		**1,067.2**	1,288.1
Investing activities			
Purchase of subsidiaries	*29(d)*	**(21.4)**	(2.6)
Purchase of associates and joint ventures	*29(e)*	**(18.3)**	(3.8)
Purchase of intangible assets		**(20.7)**	(53.2)
Purchase of tangible assets		**(227.2)**	(233.3)
Additions to right-of-use assets		**–**	(18.4)
Sale of subsidiaries	*29(f)*	**193.1**	–
Sale of a property	*29(g)*	**2.8**	22.6
Sale of tangible assets		**5.3**	5.7
Cash flows from investing activities		**(86.4)**	(283.0)
Financing activities			
Change in interest in a subsidiary	*29(h)*	**(1.9)**	(6.7)
Drawdown of borrowings	*19*	**1,115.9**	1,778.4
Repayment of borrowings	*19*	**(918.5)**	(1,662.6)
Net decrease in other short-term borrowings	*19*	**(268.1)**	(42.4)
Principal elements of lease payments		**(706.5)**	(790.3)
Dividends paid by the Company	*26*	**(263.8)**	(284.0)
Cash flows from financing activities		**(1,042.9)**	(1,007.6)
Net decrease in cash and cash equivalents		**(62.1)**	(2.5)
Cash and cash equivalents at 1st January		**288.3**	284.5
Effect of exchange rate changes		**8.0**	6.3
Cash and cash equivalents at 31st December	*29(j)*	**234.2**	288.3

Notes to the Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board. Having considered the impact arising from COVID-19 pandemic and the current economic environment on the Group's performance and cash flows, the Directors believe that the Group has strong liquidity to run the business during the pandemic and beyond and accordingly, the financial statements have been prepared on a going concern basis and under the historical cost convention except as disclosed in the accounting policies.

Details of the Group's principal accounting policies are included in note 36.

The Group has elected to early adopt the 'Interest Rate Benchmark Reform – Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7' (effective 1st January 2020) in relation to hedge accounting for the Group's annual reporting period commencing 1st January 2019.

The Group has adopted the following changes in relation to rent concessions for the annual reporting period commencing 1st January 2020.

COVID-19 Related Rent Concessions: Amendment to IFRS 16 Leases

The Group has early adopted the Amendment, which is effective 1st June 2020. Where the Group is a lessee, the practical expedient is applied to account for the change in lease payments resulting from rent concessions granted as a direct consequence of the COVID-19 pandemic and elects not to assess these concessions as lease modifications when all of the following conditions are met:

(i) the revised lease payments are substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) reduction in lease payments relates to payment due on or before 30th June 2021; and
(iii) there is no substantive change to the other terms and conditions of the lease.

Rent concessions fulfilling the above conditions are recognised in the profit and loss over the period in which they cover.

Apart from the above, there are no other amendments which are effective in 2020 and relevant to the Group's operations, that have a significant impact on the Group's results, financial position and accounting policies.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but not yet effective *(note 37)*.

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

The Group's reportable segments are set out in notes 2, 3 and 5 and are described on page 61.

2. Sales

	Including associates and joint ventures		Subsidiaries	
	2020	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m
Analysis by operating segment:				
Food	**22,106.2**	19,907.3	**7,447.2**	7,375.6
– Grocery retail	**19,900.5**	17,603.4	**5,347.5**	5,190.2
– Convenience stores	**2,205.7**	2,303.9	**2,099.7**	2,185.4
Health and Beauty	**2,400.8**	3,400.8	**1,989.7**	3,051.0
Home Furnishings	**831.6**	765.7	**831.6**	765.7
Restaurants	**2,064.2**	2,701.2	**–**	–
Other Retailing	**756.3**	890.0	**–**	–
	28,159.1	27,665.0	**10,268.5**	11,192.3

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

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board for the purpose of resource allocation and performance assessment. Dairy Farm operates in five segments: Food, Health and Beauty, Home Furnishings, Restaurants and Other Retailing. Food comprises grocery retail and convenience store businesses (including the Group's associate, Yonghui, a leading grocery 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 food and beverage associate, Maxim's, a leading Hong Kong restaurant chain. Other Retailing represents the department stores, specialty and Do-It-Yourself ('DIY') stores of the Group's Philippines associate, Robinsons Retail.

Sales and share of results of Yonghui represent 12 months from October 2019 to September 2020 *(2019: October 2018 to September 2019)* and that of Robinsons Retail represent 12 months from October 2019 to September 2020 *(2019: 11 months from date of acquisition, November 2018 to September 2019)*, based on their latest published announcements *(note 5)*.

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

	Including associates and joint ventures		Subsidiaries	
	2020	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m
Analysis by geographical area:				
North Asia	**21,122.6**	20,560.3	**6,802.9**	7,339.5
Southeast Asia	**7,036.5**	7,104.7	**3,465.6**	3,852.8
	28,159.1	27,665.0	**10,268.5**	11,192.3

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

3. Operating Profit

	2020 US$m	2019 US$m
Analysis by operating segment:		
Food	**324.2**	145.1
– Grocery retail	**267.4**	63.1
– Convenience stores	**56.8**	82.0
Health and Beauty	**65.7**	295.5
Home Furnishings	**70.5**	42.7
	460.4	483.3
Selling, general and administrative expenses	**(119.8)**	(143.4)
Underlying operating profit before IFRS 16*	**340.6**	339.9
IFRS 16 adjustment†	**71.0**	96.6
Underlying operating profit	**411.6**	436.5
Non-trading items:		
– business restructuring costs	**(58.8)**	(15.6)
– impairment of intangible assets	**(38.6)**	–
– profit on sale of businesses	**75.2**	–
– (loss)/profit on sale of a property	**(0.5)**	15.7
– loss on reclassification of a joint venture as a subsidiary	**–**	(13.9)
– adjustment to deferred consideration for acquisition of a subsidiary	**–**	3.6
– fair value loss on equity investments	**(0.8)**	(0.7)
	388.1	425.6

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

	2020 US$m	2019 US$m
Analysis by geographical area:		
North Asia	**388.5**	443.4
Southeast Asia	**71.9**	39.9
	460.4	483.3
Selling, general and administrative expenses	**(119.8)**	(143.4)
Underlying operating profit before IFRS 16*	**340.6**	339.9
IFRS 16 adjustment†	**71.0**	96.6
Underlying operating profit	**411.6**	436.5

* Property lease payments and depreciation of reinstatement costs under the lease contracts were included in the Group's analysis of operating and geographical segments' results.

† Represented the reversal of lease payments which were accounted for on a straight-line basis, adjusted by the lease contracts recognised under IFRS 16 'Leases', primarily for the depreciation charge on right-of-use assets.

3. Operating Profit continued

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

	2020	2019
	US$m	US$m
Cost of stocks recognised as expense	**(7,021.4)**	(7,617.6)
Amortisation of intangible assets *(note 9)*	**(34.2)**	(27.1)
Depreciation of tangible assets *(note 10)*	**(160.1)**	(160.2)
Depreciation of right-of-use assets *(note 11)*	**(789.1)**	(814.9)
Impairment of intangible assets *(note 9)*	**(49.5)**	(20.7)
(Impairment)/reversal of impairment of tangible assets *(note 10)*	**(23.7)**	4.4
Impairment of right-of-use assets *(note 11)*	**(47.6)**	(1.9)
Write down of stocks	**(16.3)**	(5.7)
Reversal of write down of stocks	**1.3**	6.3
Employee benefit expense		
– salaries and benefits in kind	**(1,106.9)**	(1,131.9)
– share options and share awards granted *(note 25)*	**(1.2)**	(2.0)
– defined benefit pension plans *(note 22)*	**(23.3)**	(37.7)
– defined contribution pension plans	**(41.2)**	(49.8)
	(1,172.6)	(1,221.4)
Lease expense		
– short-term leases	**(51.2)**	(47.3)
– variable lease payments	**(23.8)**	(51.3)
– sublease income	**23.8**	43.7
	(51.2)	(54.9)
Auditors' remuneration		
– audit	**(4.7)**	(4.9)
– non-audit services	**(1.0)**	(1.9)
	(5.7)	(6.8)
Concession and service income	**126.8**	159.3
Rental income from properties	**12.3**	23.3
Net foreign exchange (losses)/gains	**(4.0)**	2.6
Loss on sale of tangible and intangible assets	**(7.7)**	(3.4)
Gain on lease modification and termination	**13.1**	4.1

In relation to the COVID-19 pandemic, the Group had received government grants of US$138.7 million, the majority of which were in support of employee retention, and rent concessions of US$68.5 million for the year ended 31st December 2020. These subsidies were accounted for as other operating income.

4. Net Financing Charges

	2020 **US$m**	2019 US$m
Interest expense		
– bank loans and advances	**(28.3)**	(41.8)
– lease liabilities	**(111.0)**	(119.2)
– other loans	**(0.8)**	–
	(140.1)	(161.0)
Commitment and other fees	**(5.0)**	(3.9)
Financing charges	**(145.1)**	(164.9)
Financing income	**2.4**	6.7
	(142.7)	(158.2)

5. Share of Results of Associates and Joint Ventures

	2020* **US$m**	2019* US$m
Analysis by operating segment:		
Food	**46.7**	40.9
– Grocery retail	**47.5**	40.7
– Convenience stores	**(0.8)**	0.2
Health and Beauty	**1.3**	(1.4)
Restaurants	**36.4**	82.1
Other Retailing	**0.5**	4.7
	84.9	126.3

Share of results of associates and joint ventures included the following gains/(losses) from non-trading items *(note 8)*:

	2020* **US$m**	2019* US$m
Change in fair value of Yonghui's equity investments	**0.6**	(0.4)
Change in fair value of Robinsons Retail's equity investments	**0.3**	–
Net gains from divestment of an investment/partial divestment of a subsidiary by Yonghui	**7.8**	11.8
Net gain from divestment of a subsidiary by Robinsons Retail	**0.2**	–
	8.9	11.4

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

In relation to the COVID-19 pandemic, included in share of results of associates and joint ventures were the Group's share of the government grants of US$76.1 million, the majority of which were in support of employee retention, and rent concessions of US$28.6 million for the year ended 31st December 2020.

* Included Yonghui's 12 months results from October 2019 to September 2020 *(2019: October 2018 to September 2019)* and Robinsons Retail's 12 months results from October 2019 to September 2020 *(2019: 11 months results from November 2018 to September 2019) (note 2)*.

6. Tax

	2020 US$m	2019 US$m
Tax charged to profit and loss is analysed as follows:		
Current tax	**(64.4)**	(76.7)
Deferred tax	**(9.4)**	8.0
	(73.8)	(68.7)
Reconciliation between tax expense and tax at the applicable tax rate†:		
Tax at applicable tax rate	**(36.1)**	(42.5)
Income not subject to tax	**57.5**	14.0
Expenses not deductible for tax purposes	**(20.6)**	(26.8)
Tax losses and temporary differences not recognised	**(39.7)**	(7.4)
Utilisation of previously unrecognised tax losses	**0.1**	0.1
(Under)/over provision in prior years	**(2.5)**	1.6
Withholding tax	**(13.8)**	(10.2)
Change in tax rate	**(1.3)**	–
Other	**(17.4)**	2.5
	(73.8)	(68.7)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	**(2.7)**	(2.4)
Cash flow hedges	**1.8**	1.6
	(0.9)	(0.8)

Share of tax charge of associates and joint ventures of US$9.9 million *(2019: US$30.7 million)* is included in share of results of associates and joint ventures.

† The applicable tax rate for the year was 13.7% *(2019: 16.3%)* and represented the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The decrease in applicable tax rate was mainly attributable to a change in the geographic mix of the Group's profit.

7. Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$271.0 million *(2019: US$323.8 million)*, and on the weighted average number of 1,352.7 million *(2019: 1,352.7 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$271.0 million *(2019: US$323.8 million)*, and on the weighted average number of 1,353.3 million *(2019: 1,353.4 million)* shares in issue after adjusting for 0.6 million *(2019: 0.7 million)* shares which are deemed to be issued for no consideration under the share-based long-term incentive plans based on the average share price during the year.

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

	Ordinary shares in millions	
	2020	2019
Weighted average number of shares for basic earnings per share calculation	**1,352.7**	1,352.7
Adjustment for shares deemed to be issued for no consideration under the share-based long-term incentive plans	**0.6**	0.7
Weighted average number of shares for diluted earnings per share calculation	**1,353.3**	1,353.4

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

	2020			2019		
		Basic earnings per share	**Diluted earnings per share**		Basic earnings per share	Diluted earnings per share
	US$m	**US¢**	**US¢**	US$m	US¢	US¢
Profit attributable to shareholders	**271.0**	**20.03**	**20.03**	323.8	23.93	23.92
Non-trading items *(note 8)*	**4.7**			(2.9)		
Underlying profit attributable to shareholders	**275.7**	**20.38**	**20.37**	320.9	23.72	23.71

8. Non-trading Items

An analysis of non-trading items in operating profit and profit attributable to shareholders is set out below:

	Operating profit		Profit attributable to shareholders	
	2020	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m
Business restructuring costs				
– impairment of right-of-use assets	**(30.5)**	(1.9)	**(27.2)**	(1.9)
– (impairment)/reversal of impairment of tangible assets	**(18.8)**	4.4	**(16.7)**	4.4
– other	**(9.5)**	(18.1)	**(7.0)**	(15.7)
	(58.8)	(15.6)	**(50.9)**	(13.2)
Impairment of intangible assets	**(38.6)**	–	**(36.6)**	–
Profit on sale of businesses	**75.2**	–	**75.2**	–
(Loss)/profit on sale of a property	**(0.5)**	15.7	**(0.5)**	15.7
Loss on reclassification of a joint venture as a subsidiary	**–**	(13.9)	**–**	(13.9)
Adjustment to deferred consideration for acquisition of a subsidiary	**–**	3.6	**–**	3.6
Share of net gains from divestment of an investment/ partial divestment of a subsidiary by Yonghui	**–**	–	**7.8**	11.8
Share of net gain from divestment of a subsidiary by Robinsons Retail	**–**	–	**0.2**	–
Other	**(0.8)**	(0.7)	**0.1**	(1.1)
	(23.5)	(10.9)	**(4.7)**	2.9

Following a store performance review of the Grocery Retail business in Indonesia in late 2020, certain non-performing stores have been identified for closure with restructuring costs of US$34.5 million recorded, comprising of impairments against certain tangible assets and right-of-use assets, rent compensation and the expected payments to employees. Impairments of US$29.9 million were recorded against other tangible assets and right-of-use assets as a result of the review, whereby the carrying value of the assets were not supported by their value-in-use.

In addition, certain balance of restructuring costs relating to the Group's 2018 restructuring of its Southeast Asia Food business was included in other restructuring cost in 2020 and 2019. There were also costs related to exit of some stores in mainland China in 2019.

Impairment of intangible assets related to the impairment of goodwill associated with PT Hero Supermarket Tbk ('PT Hero') after the impairment review *(note 9)*.

Profit on sale of businesses in 2020 comprised US$97.2 million profit on disposal of 100% interest in Wellcome Taiwan Company Limited ('Wellcome Taiwan') to a third party in December and US$22.0 million loss on disposal of 100% interest in Rose Pharmacy, Inc. ('Rose Pharmacy') to a subsidiary of Robinsons Retail, in October *(note 29(f))*.

In 2019, the Group acquired the remaining 70% shareholding in Jutaria Gemilang Sdn. Bhd. ('Jutaria') which resulted in a loss on deemed disposal of US$9.5 million. Following the acquisition, the Group disposed of its 30% economic interest to a third party at no consideration. Together with the full impairment charge on the goodwill arising from acquisition of US$4.4 million, a loss on reclassification of a joint venture as a subsidiary of US$13.9 million was recorded *(note 29(d))*.

9. Intangible Assets

	Goodwill US$m	Computer software US$m	Other US$m	Total US$m
2020				
Cost	565.9	257.9	19.3	**843.1**
Amortisation and impairment	(121.3)	(121.2)	(11.4)	**(253.9)**
Net book value at 1st January	444.6	136.7	7.9	**589.2**
Exchange differences	5.5	1.1	0.2	**6.8**
Additions	–	18.1	–	**18.1**
Disposal of subsidiaries	(104.1)	(1.0)	(4.4)	**(109.5)**
Disposals	–	(0.3)	–	**(0.3)**
Amortisation	–	(33.0)	(1.2)	**(34.2)**
Impairment charge	(38.6)	(10.9)	–	**(49.5)**
Net book value at 31st December	**307.4**	**110.7**	**2.5**	**420.6**
Cost	453.8	232.4	13.6	**699.8**
Amortisation and impairment	(146.4)	(121.7)	(11.1)	**(279.2)**
	307.4	**110.7**	**2.5**	**420.6**
2019				
Cost	553.4	203.5	18.8	775.7
Amortisation and impairment	(115.5)	(80.0)	(9.2)	(204.7)
Net book value at 1st January	437.9	123.5	9.6	571.0
Exchange differences	6.7	1.2	0.2	8.1
New subsidiary	4.4	–	–	4.4
Additions	–	53.7	–	53.7
Disposals	–	(0.2)	–	(0.2)
Amortisation	–	(25.2)	(1.9)	(27.1)
Impairment charge	(4.4)	(16.3)	–	(20.7)
Net book value at 31st December	444.6	136.7	7.9	589.2
Cost	565.9	257.9	19.3	843.1
Amortisation and impairment	(121.3)	(121.2)	(11.4)	(253.9)
	444.6	136.7	7.9	589.2

9. Intangible Assets continued

Goodwill is allocated to groups of cash-generating units ('CGU') identified by banners or group of stores acquired in each territory. The table below analyses the carrying value of goodwill by groups of CGU.

	2020	2019
	US$m	US$m
San Miu Macau	**181.9**	181.1
Rose Pharmacy, the Philippines	**–**	86.9
Giant Singapore	**43.5**	42.7
Other	**82.0**	133.9
Total	**307.4**	444.6

Management has assessed the recoverable amount of each CGU based on value-in-use calculations using cash flow projections based on approved budgets and projections based on the weighted average of remaining lease terms ranging from five to 15 years.

Following the impairment review, goodwill relating to PT Hero amounted US$38.6 million was fully impaired and charged to the profit and loss during the year. In 2019, goodwill arising from the acquisition of the remaining 70% shareholding in Jutaria amounted to US$4.4 million *(note 29(d))* was fully impaired after the impairment review.

During the year, the Group disposed of its 100% interest in Rose Pharmacy to a subsidiary of Robinsons Retail *(note 29(f))*.

Key assumptions used for value-in-use calculations for the significant balances of goodwill in 2020 include budgeted gross margins between 22% and 26% *(2019: 18% and 31%)* and average sales growth rates are between 1.0% and 5.0% *(2019: 1.0% and 2.7%)* to project cash flows, which vary across the Group's business segments and geographical locations, over the weighted average of remaining lease terms, and are based on management expectations for the market development; and pre-tax discount rates of between 5% and 12% *(2019: 5% and 14%)* applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of this review, management concluded that no further impairment charge is required.

Other intangible assets comprise mainly trademarks.

The amortisation charges are all recognised in arriving at operating profit and are included in selling and distribution costs, and administration expenses.

The remaining amortisation periods for intangible assets are as follows:

Computer software	up to 7 years
Trademarks	up to 11 years

10. Tangible Assets

	Freehold properties US$m	Buildings on leasehold land US$m	Leasehold improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2020						
Cost	134.8	411.2	872.9	701.2	518.7	**2,638.8**
Depreciation and impairment	(28.2)	(227.3)	(617.9)	(502.6)	(442.6)	**(1,818.6)**
Net book value at 1st January	106.6	183.9	255.0	198.6	76.1	**820.2**
Exchange differences	3.0	1.8	9.1	2.7	0.6	**17.2**
Additions	–	66.1	71.0	47.2	23.2	**207.5**
Disposal of subsidiaries	(10.8)	–	(10.1)	(7.0)	(3.2)	**(31.1)**
Disposals	(3.4)	(1.6)	(1.6)	(8.1)	(0.8)	**(15.5)**
Depreciation charge	(1.3)	(6.9)	(65.4)	(64.4)	(22.1)	**(160.1)**
(Impairment charge)/reversal of impairment charge	(1.6)	1.3	(4.0)	(2.1)	(17.3)	**(23.7)**
Reclassified to non-current assets held for sale	(35.4)	(7.2)	–	–	–	**(42.6)**
Net book value at 31st December	**57.1**	**237.4**	**254.0**	**166.9**	**56.5**	**771.9**
Cost	73.0	403.3	833.0	765.2	347.9	**2,422.4**
Depreciation and impairment	(15.9)	(165.9)	(579.0)	(598.3)	(291.4)	**(1,650.5)**
	57.1	**237.4**	**254.0**	**166.9**	**56.5**	**771.9**
2019						
Cost	133.4	398.1	802.2	691.9	503.2	2,528.8
Depreciation and impairment	(26.4)	(226.7)	(595.1)	(497.3)	(426.7)	(1,772.2)
Net book value at 1st January	107.0	171.4	207.1	194.6	76.5	756.6
Exchange differences	1.5	4.7	3.5	1.8	1.1	12.6
New subsidiary	–	–	0.1	0.5	–	0.6
Additions	–	26.3	116.4	73.0	21.9	237.6
Disposals	(0.5)	(17.8)	(5.0)	(7.5)	(0.6)	(31.4)
Depreciation charge	(1.4)	(8.0)	(64.6)	(63.4)	(22.8)	(160.2)
Reversal of impairment charge/ (impairment charge)	–	7.3	(2.5)	(0.4)	–	4.4
Net book value at 31st December	106.6	183.9	255.0	198.6	76.1	820.2
Cost	134.8	411.2	872.9	701.2	518.7	2,638.8
Depreciation and impairment	(28.2)	(227.3)	(617.9)	(502.6)	(442.6)	(1,818.6)
	106.6	183.9	255.0	198.6	76.1	820.2

10. Tangible Assets continued

Rental income from properties amounted to US$12.3 million *(2019: US$23.3 million)* which had no contingent rents *(2019: nil)*.

The maturity analysis of the undiscounted lease payments to be received after the balance sheet date is as follows:

	2020 **US$m**	2019 US$m
Within one year	**9.6**	16.2
Between one and two years	**5.6**	9.7
Between two and five years	**3.2**	6.0
Beyond five years	**1.5**	1.8
	19.9	33.7

There were no tangible assets pledged as security for borrowings at 31st December 2020 and 2019.

11. Right-of-use Assets

	Leasehold land US$m	**Properties US$m**	**Furniture, equipment & other US$m**	**Total US$m**
2020				
Net book value at 1st January	196.1	2,988.1	2.1	**3,186.3**
Exchange differences	(0.8)	54.8	0.1	**54.1**
Additions	–	195.3	0.3	**195.6**
Disposal of subsidiaries	–	(105.1)	–	**(105.1)**
Depreciation charge	(3.9)	(784.2)	(1.0)	**(789.1)**
Impairment charge	(1.0)	(46.6)	–	**(47.6)**
Reclassified to non-current assets held for sale	(12.6)	–	–	**(12.6)**
Other movements	–	390.7	(0.2)	**390.5**
Net book value at 31st December	**177.8**	**2,693.0**	**1.3**	**2,872.1**

11. Right-of-use Assets continued

	Leasehold land US$m	Properties US$m	Furniture, equipment & other US$m	Total US$m
2019				
Net book value at 1st January	176.9	3,251.7	2.3	3,430.9
Exchange differences	5.3	26.3	0.1	31.7
New subsidiary	–	1.7	–	1.7
Additions	18.4	142.5	0.8	161.7
Depreciation charge	(4.0)	(809.6)	(1.3)	(814.9)
Impairment charge	–	(1.9)	–	(1.9)
Other movements	(0.5)	377.4	0.2	377.1
Net book value at 31st December	196.1	2,988.1	2.1	3,186.3

Furniture, equipment and other comprise furniture, equipment, plant and machinery, motor vehicles and other.

Other movements comprise mainly the increase of right-of-use assets from the lease renewals for the existing store sites.

The typical lease terms associated with the right-of-use assets are as follows:

Leasehold land	25 to 860 years
Properties	1 to 40 years
Furniture, equipment & other	1 to 10 years

There was no leasehold land pledged as security for borrowings at 31st December 2020 and 2019.

12. Associates and Joint Ventures

	2020 US$m	2019 US$m
Listed associates	**986.3**	928.1
Unlisted associate	**489.6**	466.7
Share of attributable net assets	**1,475.9**	1,394.8
Goodwill on acquisition	**759.6**	701.9
	2,235.5	2,096.7
Unlisted joint ventures	**21.0**	5.2
	2,256.5	2,101.9

12. Associates and Joint Ventures *continued*

	Associates		Joint ventures	
	2020	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m
Movements of associates and joint ventures during the year:				
At 1st January	**2,096.7**	2,018.9	**5.2**	12.0
Exchange differences	**114.2**	14.1	**–**	–
Share of results after tax and non-controlling interests	**87.4**	130.8	**(2.5)**	(4.5)
Share of other comprehensive income after tax and non-controlling interests	**2.7**	3.5	**–**	–
Dividends received	**(67.6)**	(88.5)	**–**	–
Acquisition and capital injections	**–**	15.0	**18.3**	3.8
Reclassification of a joint venture as a subsidiary	**–**	–	**–**	(6.1)
Other	**2.1**	2.9	**–**	–
At 31st December	**2,235.5**	2,096.7	**21.0**	5.2
Fair value of listed associates	**2,534.0**	2,565.4		

At 31st December 2020, the Group had 20% *(2019: 20%)* interest in Robinsons Retail Holdings, Inc. ('Robinsons Retail'), one of the largest retailers in the Philippines, listed on the Philippines Stock Exchange. The fair value of the Group's interest in Robinsons Retail was US$426.8 million *(2019: US$497.7 million)* and the carrying amount of the Group's interest was US$650.4 million *(2019: US$612.2 million)* at 31st December 2020.

(a) Investment in associates

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

Nature of investments in material associates in 2020 and 2019:

			% of ownership interest	
Name of entity	Nature of business	Country of incorporation/ place of listing	**2020**	2019
Maxim's Caterers Limited ('Maxim's')	Restaurants	Hong Kong/Unlisted	**50**	50
Yonghui Superstores Co., Ltd ('Yonghui')	Grocery retail	Mainland China/Shanghai	**20.10**	19.99

The Group's interest in Yonghui held by the Group increased from 19.99% to 20.10% following the cancellation of shares after a share buy-back scheme by Yonghui in July 2020.

12. Associates and Joint Ventures continued

(a) Investment in associates continued

Summarised financial information for material associates

Summarised balance sheets at 31st December (unless otherwise indicated):

	Maxim's		Yonghui	
	2020	2019	**2020***	2019*
	US$m	US$m	**US$m**	US$m
Non-current assets	**2,762.6**	2,848.0	**7,276.8**	7,074.7
Current assets				
Cash and cash equivalents	**219.6**	235.9	**1,651.0**	870.1
Other current assets	**238.8**	234.7	**2,854.8**	2,555.0
Total current assets	**458.4**	470.6	**4,505.8**	3,425.1
Non-current liabilities				
Financial liabilities†	**(1,153.2)**	(799.4)	**(3,739.0)**	(3,753.8)
Other non-current liabilities	**(200.5)**	(252.7)	**(66.3)**	(48.6)
Total non-current liabilities	**(1,353.7)**	(1,052.1)	**(3,805.3)**	(3,802.4)
Current liabilities				
Financial liabilities†	**(621.6)**	(1,022.5)	**(1,903.4)**	(1,081.9)
Other current liabilities	**(123.5)**	(169.5)	**(2,786.1)**	(2,495.4)
Total current liabilities	**(745.1)**	(1,192.0)	**(4,689.5)**	(3,577.3)
Non-controlling interests	**(143.1)**	(141.1)	**(102.8)**	(29.9)
Net assets	**979.1**	933.4	**3,185.0**	3,090.2

* Based on unaudited summarised balance sheet at 30th September 2020 and 2019, adjusted by the effect of adopting IFRS 16.

† Excluded trade and other payables and provisions, which are presented under other current and non-current liabilities.

12. Associates and Joint Ventures continued

(a) Investment in associates continued

Summarised financial information for material associates continued

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

	Maxim's		Yonghui	
	2020	2019	**2020‡**	2019‡
	US$m	US$m	**US$m**	US$m
Sales	**2,064.2**	2,701.2	**13,422.6**	11,822.8
Depreciation and amortisation	**(448.6)**	(431.2)	**(573.0)**	(387.7)
Interest income	**1.8**	3.1	**29.3**	5.9
Interest expense	**(48.7)**	(40.2)	**(230.7)**	(223.2)
Profit from underlying business performance	**69.1**	208.7	**166.1**	110.9
Income tax expense	**2.6**	(38.0)	**(34.8)**	(28.4)
Profit after tax from underlying business performance	**71.7**	170.7	**131.3**	82.5
Profit after tax from non-trading items	**–**	–	**42.3**	56.2
Profit after tax	**71.7**	170.7	**173.6**	138.7
Non-controlling interests	**1.0**	(6.5)	**9.1**	32.8
Profit after tax and non-controlling interests	**72.7**	164.2	**182.7**	171.5
Other comprehensive income/(expense)	**20.9**	0.3	**(0.6)**	–
Total comprehensive income	**93.6**	164.5	**182.1**	171.5
Dividends received from associates	**25.8**	53.6	**35.5**	30.5

‡ Based on unaudited summarised statement of comprehensive income for the 12 months ended 30th September 2020 and 30th September 2019, adjusted by the effect of adopting IFRS 16.

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

12. Associates and Joint Ventures continued

(a) Investment in associates continued

Reconciliation of the summarised financial information

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

	Maxim's		Yonghui		Total	
	2020	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
Net assets	**979.1**	933.4	**3,185.0***	3,090.2*		
Interests in associates (%)	***50***	*50*	***20.10***	*19.99*		
Group's share of net assets in associates	**489.6**	466.7	**640.2**	617.7	**1,129.8**	1,084.4
Goodwill	**–**	–	**427.0**	386.7	**427.0**	386.7
Other reconciling items	**–**	–	**28.3**	13.4	**28.3**	13.4
Carrying value	**489.6**	466.7	**1,095.5**	1,017.8	**1,585.1**	1,484.5
Fair value	**n/a**	n/a	**2,107.2**	2,067.7		

* Based on unaudited summarised balance sheet at 30th September 2020 and 2019, adjusted by the effect of adopting IFRS 16.

Contingent liabilities in respect of associates

There were no contingent liabilities relating to the Group's interests in associates at 31st December 2020 and 2019.

(b) Investment in joint ventures

In the opinion of the Directors, none of the Group's interests in unlisted joint ventures are considered material.

Commitments and contingent liabilities in respect of joint ventures

There were no commitments and contingent liabilities relating to the Group's interests in joint ventures at 31st December 2020 and 2019.

13. Other Investments

	2020	2019
	US$m	US$m
Movements during the year:		
At 1st January	**6.8**	7.4
Exchange differences	**–**	0.1
Change in fair value recognised in profit and loss	**(0.8)**	(0.7)
At 31st December	**6.0**	6.8

Other investments are unlisted non-current equity investments measured at fair value through profit and loss. The fair value is based on observable current market transactions.

14. Debtors

	2020 US$m	2019 US$m
Trade debtors		
Third parties	**86.2**	95.8
Joint ventures	**0.1**	0.2
	86.3	96.0
Less: provision for impairment	**(8.5)**	(7.4)
	77.8	88.6
Other debtors		
Third parties	**345.0**	337.6
Less: provision for impairment	**(4.4)**	(2.5)
	340.6	335.1
	418.4	423.7
Non-current	**114.8**	142.4
Current	**303.6**	281.3
	418.4	423.7

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

Other debtors are further analysed as follows:

	2020 US$m	2019 US$m
Derivative financial instruments	**1.2**	0.3
Rental and other deposits	**164.3**	176.9
Other receivables	**21.1**	14.8
Financial assets	**186.6**	192.0
Prepayments	**53.9**	50.6
Other	**100.1**	92.5
	340.6	335.1

Trade and other debtors

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

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

14. Debtors continued

Impairment of trade and other debtors

At 31st December 2020, trade debtors of US$8.5 million *(2019: US$7.4 million)* were impaired, which have been fully provided for in both years. The ageing analysis of these debtors is as follows:

	Trade debtors	
	2020	2019
	US$m	US$m
Below 30 days	**2.6**	–
Between 31 and 60 days	**–**	–
Between 61 and 90 days	**–**	–
Over 90 days	**5.9**	7.4
	8.5	7.4

The Group has assessed the expected impairment of other debtors, including rental and other deposits, based on the likelihood of collection of the balances at the time at which they are due. As 31st December 2020 and 2019, total amounts deemed uncollectible were immaterial.

Movements in the provisions for impairment are as follows:

	Trade debtors		Other debtors	
	2020	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m
At 1st January	**(7.4)**	(2.5)	**(2.5)**	(2.0)
Exchange differences	**(0.1)**	(0.1)	**(0.1)**	–
Additional provisions	**(2.3)**	(4.9)	**(3.8)**	(1.7)
Unused amounts reversed	**1.3**	–	**1.0**	0.3
Amounts written off	**–**	0.1	**1.0**	0.9
At 31st December	**(8.5)**	(7.4)	**(4.4)**	(2.5)

There were no debtors pledged as security for borrowings at 31st December 2020 and 2019.

15. Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US$m	Fair value gains/ (losses) US$m	Employee benefits US$m	Provisions and other temporary differences US$m	Total US$m
2020					
At 1st January	(13.3)	(1.5)	7.4	(9.3)	**(16.7)**
Exchange differences	0.3	0.1	0.1	0.3	**0.8**
(Charged)/credited to profit and loss	(15.4)	–	0.9	5.1	**(9.4)**
Credited/(charged) to other comprehensive income	–	1.8	(2.7)	–	**(0.9)**
Disposal of subsidiaries	(2.6)	–	(2.0)	2.0	**(2.6)**
At 31st December	**(31.0)**	**0.4**	**3.7**	**(1.9)**	**(28.8)**
Deferred tax assets	8.7	2.3	0.5	4.0	**15.5**
Deferred tax liabilities	(39.7)	(1.9)	3.2	(5.9)	**(44.3)**
	(31.0)	**0.4**	**3.7**	**(1.9)**	**(28.8)**
2019					
At 1st January	(20.8)	(2.9)	9.4	5.3	(9.0)
Exchange differences	(0.3)	(0.2)	0.1	0.5	0.1
Credited/(charged) to profit and loss	7.8	–	0.3	(0.1)	8.0
Credited/(charged) to other comprehensive income	–	1.6	(2.4)	–	(0.8)
Other movements	–	–	–	(15.0)	(15.0)
At 31st December	(13.3)	(1.5)	7.4	(9.3)	(16.7)
Deferred tax assets	10.3	0.5	2.4	5.0	18.2
Deferred tax liabilities	(23.6)	(2.0)	5.0	(14.3)	(34.9)
	(13.3)	(1.5)	7.4	(9.3)	(16.7)

15. Deferred Tax Assets/(Liabilities) continued

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US$75.7 million *(2019: US$46.3 million)* arising from unused tax losses of US$328.2 million *(2019: US$192.1 million)* have not been recognised in the financial statements. Included in the unused tax losses, US$22.1 million have no expiry date and the balance will expire at various dates up to and including 2030.

At 31st December 2020, no deferred tax liabilities arising on temporary differences associated with investment in subsidiaries had been recognised as there were no undistributed earnings of these subsidiaries. At 31st December 2019, deferred tax liabilities of US$1.8 million arising on temporary differences associated with investment in subsidiaries of US$18.4 million had not been recognised as there was no intention of remitting the retained earnings of these subsidiaries to the holding companies in the foreseeable future.

16. Cash and Bank Balances

	2020	2019
	US$m	US$m
Deposits with banks	**89.7**	72.2
Bank balances	**81.0**	113.9
Cash balances	**106.9**	115.3
	277.6	301.4
Analysis by currency:		
Australian dollar	**–**	2.9
Chinese renminbi	**14.8**	25.8
Hong Kong dollar	**87.9**	87.0
Indonesian rupiah	**19.3**	15.2
Macau patacas	**40.4**	30.9
Malaysian ringgit	**8.5**	18.5
New Taiwan dollar	**76.0**	36.2
Philippine peso	**0.6**	8.2
Singapore dollar	**13.4**	16.3
United States dollar	**11.5**	57.5
Other	**5.2**	2.9
	277.6	301.4

The weighted average interest rate on deposits with banks at 31st December 2020 was 0.4% *(2019: 2.2%)* per annum.

17. Non-current Assets Held for Sale

At 31st December 2020, the non-current assets held for sale represented six retail properties in Malaysia and three properties in Taiwan. The sale of these properties is highly probable in 2021 at amounts not materially different from their carrying values.

18. Creditors

	2020 US$m	2019 US$m
Trade creditors		
– third parties	**1,174.9**	1,394.0
– associates	**2.5**	2.4
	1,177.4	1,396.4
Accruals	**707.0**	727.1
Rental and other refundable deposits	**28.9**	27.8
Deferred consideration for acquisition of a subsidiary	**–**	21.4
Derivative financial instruments	**13.0**	4.0
Other creditors	**12.4**	15.0
Financial liabilities	**1,938.7**	2,191.7
Contract liabilities	**160.4**	136.0
Rental income received in advance	**0.6**	0.9
Other	**4.0**	–
	2,103.7	2,328.6
Non-current	**43.2**	13.2
Current	**2,060.5**	2,315.4
	2,103.7	2,328.6

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

Contract liabilities principally include payments received in advance from customers for sale of unredeemed gift vouchers and loyalty points.

During the year, sales recognised related to carried-forwarded contract liabilities amounted to US$134.3 million *(2019: US$94.7 million)*.

19. Borrowings

	2020 US$m	2019 US$m
Current		
– bank overdrafts	**43.4**	13.1
– other bank advances	**568.1**	925.1
	611.5	938.2
Current portion of long-term borrowings		
– bank loans	**213.0**	–
– other loans	**27.5**	–
	240.5	–
Long-term borrowings		
– bank loans	**214.7**	184.0
– other loans	**27.6**	–
	242.3	184.0
	1,094.3	1,122.2

19. Borrowings continued

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

Other loans represented the balance drawn from the interest-free facility. In 2020, an interest-free loan facility amounted to US$75.7 million was offered by the Singapore government via Singapore Economic Development Board to the Group in response to the COVID-19 pandemic with the aim to ensure sufficient supply of essential food commodities and confidence markers as and when required by the government for the nation's consumption within an agreed time frame.

The Group's borrowings are further summarised as follows:

	Fixed rate borrowings					
	Weighted average interest rates	**Weighted average period outstanding**		**Floating rate borrowings**	**Other borrowings**	**Total**
By currency	**%**	**Year**	**US$m**	**US$m**	**US$m**	**US$m**
2020						
Chinese renminbi	4.4	–	–	46.8	–	**46.8**
Hong Kong dollar	1.0	–	–	365.3	–	**365.3**
Indonesia rupiah	6.9	–	–	38.2	–	**38.2**
Malaysian ringgit	2.9	–	–	212.0	–	**212.0**
New Taiwan dollar	1.3	–	–	64.1	–	**64.1**
Singapore dollar	–	–	–	–	55.1	**55.1**
United States dollar	0.7	0.2	100.0	212.8	–	**312.8**
			100.0	**939.2**	**55.1**	**1,094.3**
2019						
Chinese renminbi	4.4	–	–	14.3	–	14.3
Hong Kong dollar	4.0	–	–	536.4	–	536.4
Malaysian ringgit	4.1	–	–	192.3	–	192.3
New Taiwan dollar	2.1	–	–	10.7	–	10.7
Philippine peso	3.9	–	–	4.0	–	4.0
United States dollar	2.5	–	–	364.5	–	364.5
			–	1,122.2	–	1,122.2

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

19. Borrowings continued

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

	2020 US$m	2019 US$m
Floating rate borrowings	**939.2**	1,122.2
Fixed rate borrowings		
– within one year	**100.0**	–
	1,039.2	1,122.2

The movements in borrowings are as follows:

	Bank overdrafts US$m	**Short-term borrowings** US$m	**Long-term borrowings** US$m	**Total** US$m
2020				
At 1st January	13.1	925.1	184.0	**1,122.2**
Exchange differences	2.4	9.8	4.3	**16.5**
Transfer	–	201.4	(201.4)	**–**
Change in fair value	–	–	(1.6)	**(1.6)**
Change in bank overdrafts	27.9	–	–	**27.9**
Drawdown of borrowings	–	858.9	257.0	**1,115.9**
Repayment of borrowings	–	(918.5)	–	**(918.5)**
Net decrease in other short-term borrowings	–	(268.1)	–	**(268.1)**
At 31st December	**43.4**	**808.6**	**242.3**	**1,094.3**
2019				
At 1st January	11.7	1,014.0	14.5	1,040.2
Exchange differences	(0.1)	6.9	0.3	7.1
Change in bank overdrafts	1.5	–	–	1.5
Drawdown of borrowings	–	1,469.7	308.7	1,778.4
Repayment of borrowings	–	(1,523.1)	(139.5)	(1,662.6)
Net decrease in other short-term borrowings	–	(42.4)	–	(42.4)
At 31st December	13.1	925.1	184.0	1,122.2

Net change in other short-term borrowings represents the aggregated net drawdown and repayment movement under the Group's global liquidity cash pooling scheme, which is implemented for enhancing the daily cash flow management.

20. Lease Liabilities

	2020 **US$m**	2019 US$m
At 1st January	**3,305.8**	3,552.6
Exchange differences	**62.9**	29.7
New subsidiaries	**–**	1.8
Additions	**191.6**	139.3
Disposal of subsidiaries	**(111.2)**	–
Lease payments	**(817.5)**	(909.5)
Interest expense	**111.0**	119.2
Other movements	**327.8**	372.7
At 31st December	**3,070.4**	3,305.8
Non-current	**2,386.3**	2,577.5
Current	**684.1**	728.3
	3,070.4	3,305.8

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Group was not exposed to any residual guarantees in respect of the leases entered into at 31st December 2020 and 2019.

The Group has not entered into any material lease contracts which have not commenced at 31st December 2020 *(2019: US$107.6 million)*.

21. Provisions

	Closure cost provisions US$m	Reinstatement and restoration costs US$m	Total US$m
2020			
At 1st January	28.5	152.6	**181.1**
Exchange differences	(0.3)	1.4	**1.1**
Additional provisions	14.2	4.2	**18.4**
Disposal of subsidiaries	(0.3)	(5.7)	**(6.0)**
Unused amounts reversed	(13.5)	(8.5)	**(22.0)**
Utilised	(14.6)	(4.2)	**(18.8)**
At 31st December	**14.0**	**139.8**	**153.8**
Non-current	0.1	109.9	**110.0**
Current	13.9	29.9	**43.8**
	14.0	**139.8**	**153.8**
2019			
At 1st January	65.3	153.6	218.9
Exchange differences	1.2	1.4	2.6
New subsidiary	–	0.1	0.1
Additional provisions	10.6	5.4	16.0
Unused amounts reversed	(8.7)	(1.3)	(10.0)
Utilised	(39.9)	(6.6)	(46.5)
At 31st December	28.5	152.6	181.1
Non-current	0.3	124.8	125.1
Current	28.2	27.8	56.0
	28.5	152.6	181.1

Closure cost provisions are established when legal or constructive obligations, and obligations from restructuring plans, arise from store closure or disposal of businesses.

Provisions for reinstatement and restoration costs comprise the estimated costs, to be incurred by the Group as lessees, in dismantling and removing the underlying assets, restoring the sites on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the leases.

22. Pension Plans

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

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

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

	2020 US$m	2019 US$m
Fair value of plan assets	**187.9**	183.2
Present value of funded obligations	**(194.7)**	(208.0)
	(6.8)	(24.8)
Present value of unfunded obligations	**(6.6)**	(6.5)
Net pension liabilities	**(13.4)**	(31.3)
Analysis of net pension liabilities:		
Pension assets	**–**	–
Pension liabilities	**(13.4)**	(31.3)
	(13.4)	(31.3)

22. Pension Plans continued

The movements in the net pension liabilities are as follows:

	Fair value of plan assets US$m	Present value of obligations US$m	Total US$m
2020			
At 1st January	183.2	(214.5)	**(31.3)**
Current service cost	–	(17.7)	**(17.7)**
Interest income/(expense)	5.3	(5.9)	**(0.6)**
Past service cost	–	(3.9)	**(3.9)**
Administration expenses	(1.1)	–	**(1.1)**
	4.2	(27.5)	**(23.3)**
	187.4	(242.0)	**(54.6)**
Exchange differences	1.4	(1.9)	**(0.5)**
Disposal of subsidiaries	(10.1)	18.3	**8.2**
Remeasurements			
– return on plan assets, excluding amounts included in interest income	13.1	–	**13.1**
– change in financial assumptions	–	(1.0)	**(1.0)**
– experience gains	–	4.2	**4.2**
	13.1	3.2	**16.3**
Contributions from employers	12.4	–	**12.4**
Contributions from plan participants	0.1	(0.1)	**–**
Benefit payments	(1.1)	1.4	**0.3**
Settlements	(14.1)	18.6	**4.5**
Transfer (to)/from other plans	(1.2)	1.2	**–**
At 31st December	**187.9**	**(201.3)**	**(13.4)**
2019			
At 1st January	169.3	(216.9)	(47.6)
Current service cost	–	(17.9)	(17.9)
Interest income/(expense)	5.7	(7.0)	(1.3)
Past service cost	–	(17.3)	(17.3)
Administration expenses	(1.2)	–	(1.2)
	4.5	(42.2)	(37.7)
	173.8	(259.1)	(85.3)
Exchange differences	1.2	(1.8)	(0.6)
Remeasurements			
– return on plan assets, excluding amounts included in interest income	15.8	–	15.8
– change in financial assumptions	–	(6.5)	(6.5)
– experience gains	–	6.6	6.6
	15.8	0.1	15.9
Contributions from employers	17.9	–	17.9
Contributions from plan participants	0.1	(0.1)	–
Benefit payments	(1.5)	3.0	1.5
Settlements	(21.6)	40.9	19.3
Transfer (to)/from other plans	(2.5)	2.5	–
At 31st December	183.2	(214.5)	(31.3)

22. Pension Plans continued

The weighted average duration of the defined benefit obligations at 31st December 2020 was 7.1 years *(2019: 7.6 years)*.

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

	2020 **US$m**	2019 US$m
Within one year	**17.1**	17.1
Between one and two years	**19.6**	18.8
Between two and five years	**65.3**	70.9
Between five and ten years	**103.7**	123.9
Between ten and fifteen years	**96.6**	116.7
Between fifteen and twenty years	**58.3**	89.2
Beyond twenty years	**46.7**	125.3
	407.3	561.9

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

	Hong Kong		**Indonesia**		**Taiwan**		**The Philippines**	
	2020 **%**	2019 %	**2020** **%**	2019 %	**2020** **%**	2019 %	**2020** **%**	2019 %
Discount rate	**1.9**	3.0	**6.3**	7.0	**0.5**	0.8	**4.0**	5.2
Salary growth rate	**3.8**	4.8	**4.2**	5.7	**2.1**	1.8	**4.0**	4.9

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

		(Increase)/decrease on defined benefit obligations	
	Change in assumption **%**	**Increase in assumption** **US$m**	**Decrease in assumption** **US$m**
Discount rate	**1**	**13.4**	**(15.1)**
Salary growth rate	**1**	**(15.4)**	**13.7**

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

22. Pension Plans continued

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

	2020	2019
	US$m	US$m
Equity investments		
Asia Pacific	**–**	0.3
Debt investments		
Asia Pacific	**–**	2.1
Investment funds		
Asia Pacific	**51.3**	47.4
Europe	**35.1**	37.6
North America	**79.0**	71.1
Global	**18.8**	17.2
	184.2	173.3
Total investments	**184.2**	175.7
Cash and cash equivalents	**14.5**	11.4
Benefits payable and other	**(10.8)**	(3.9)
	187.9	183.2

At 31st December 2020, 92% of investment funds were quoted on active markets. In 2019, 100% of equity investments and debt investments, and 94% of investment funds were quoted on active markets.

The strategic asset allocation is derived from the asset-liability modelling ('ALM') review, completed triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2018, with the modified strategic asset allocation adopted in 2018. The next ALM review is scheduled for 2021.

At 31st December 2020, the Hong Kong plans had assets of US$185.3 million *(2019: US$171.5 million)*.

The Group maintains an active and regular contribution schedule across all the plans. The contributions to all its plans in 2020 were US$12.4 million and the estimated amounts of contributions expected to be paid to all its plans in 2021 are US$11.2 million.

23. Share Capital

	2020 US$m	2019 US$m
Authorised:		
2,250,000,000 shares of US¢5 5/9 each	**125.0**	125.0
500,000 shares of US$800 each	**400.0**	400.0
	525.0	525.0

	Ordinary shares in millions		2020	2019
	2020	2019	**US$m**	US$m
Issued and fully paid:				
Ordinary shares of US¢5 5/9 each				
At 31st December	**1,352.7**	1,352.7	**75.1**	75.1

24. Share-based Long-term Incentive Plans

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

An LTIP was adopted by the Company on 5th March 2015. Under these awards, free shares are received by the participants to the extent the award vests. Conditions, if any, are at the discretion of the Directors. There were no share awards granted in 2020 and 2019.

Prior to the adoption of the LTIP, The Dairy Farm International Share Option Plan 2005 provided selected executives with options to purchase ordinary shares in the Company. The exercise prices of the granted options were, in general, based on the average market prices for the five trading days immediately preceding the dates of grant of the options. Options are normally vested over a period of up to three years and are exercisable for up to ten years following the date of grant.

The fair value of options granted during the year, determined using the trinomial valuation model, was US$0.1 million. The significant inputs into the model, based on the number of options issued, were share price of US$4.46 at the grant date, exercise price of US$5.93, expected volatility based on the last five years of 24.21%, dividend yield of 4.33%, option life of six years, and annual risk-free interest rate of 0.35%. Options are assumed to be exercised at the end of the fifth year following the date of grant. No options were granted in 2019.

24. Share-based Long-term Incentive Plans continued

Movements of the outstanding conditional awards during the year:

At 31st December 2020, the outstanding conditional awards amounted to 0.6 million *(2019: 0.6 million)*. There was no movement during the year.

Outstanding conditional awards at 31st December:

	Ordinary shares in millions	
Awards vest date	**2020**	2019
2021	**0.2**	0.2
2022	**0.2**	0.2
2023	**0.2**	0.2
Total outstanding	**0.6**	0.6

Movements of the outstanding options during the year:

	2020		2019	
	Weighted average exercise price US$	**Options in millions**	Weighted average exercise price US$	Options in millions
At 1st January	**8.5014**	**1.7**	8.2155	2.7
Granted	**5.9320**	**0.4**	–	–
Exercised	**–**	**–**	7.7907	(0.1)
Lapsed	**7.3315**	**(0.8)**	7.7249	(0.9)
At 31st December	**8.4746**	**1.3**	8.5014	1.7

The average share price during the year was US$4.51 *(2019: US$7.36)* per share.

24. Share-based Long-term Incentive Plans continued

Outstanding options at 31st December:

Expiry date	Exercise price US$	Options in millions 2020	2019
2023	12.1580	**0.2**	0.2
2026	5.9320	**0.4**	0.5
2027	8.9060	**0.7**	1.0
Total outstanding		**1.3**	1.7
of which exercisable		**1.3**	0.9

A new LTIP 2018-2022 was adopted by the Company on 5th December 2018. The cash-settled scheme has been designed to align management's reward with shareholders' interests, over a five-year period, while also considering how management delivers earnings growth. This scheme is aimed at investing in new people capabilities as well as retaining high potential individuals for stronger succession planning. The scheme has been designed to appropriately compensate, attract and retain experienced senior management.

The scheme will be predominantly measured based on compound growth in underlying earnings per share. To ensure that the growth is delivered appropriately, another measure based on health of business (focused on areas such as quality of earnings and balance sheet strength) is also incorporated. Finally, a sustainability check will be applied after the end of the five-year period to ensure that the results are sustainable.

25. Share Premium and Capital Reserves

	Share premium US$m	Capital reserves US$m	Total US$m
2020			
At 1st January	34.1	25.1	**59.2**
Share-based long-term incentive plans			
– value of employee services	–	1.2	**1.2**
– share options lapsed	–	(0.8)	**(0.8)**
At 31st December	**34.1**	**25.5**	**59.6**
2019			
At 1st January	33.9	24.4	58.3
Share-based long-term incentive plans			
– value of employee services	–	2.0	2.0
– share options lapsed	–	(1.1)	(1.1)
Transfer	0.2	(0.2)	–
At 31st December	34.1	25.1	59.2

25. Share Premium and Capital Reserves continued

Capital reserves comprise contributed surplus of US$20.1 million *(2019: US$20.1 million)* and other reserves of US$5.4 million *(2019: US$5.0 million)*, which represent the value of employee services under the Company's share-based long-term incentive plans. The contributed surplus principally arose from the conversion of convertible preference shares in 1989 and, under the Bye-laws of the Company, is distributable.

26. Dividends

	2020 US$m	2019 US$m
Final dividend in respect of 2019 of US¢14.50 *(2018: US¢14.50)* per share	**196.1**	196.1
Interim dividend in respect of 2020 of US¢5.00 *(2019: US¢6.50)* per share	**67.7**	87.9
	263.8	284.0

A final dividend in respect of 2020 of US¢11.50 *(2019: US¢14.50)* per share amounting to a total of US$155.6 million *(2019: US$196.1 million)* is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2021 Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2021.

27. Non-controlling Interests

Summarised financial information on a subsidiary with material non-controlling interests

The following is the summarised financial information for PT Hero, a subsidiary with non-controlling interests that is material to the Group.

Summarised balance sheet at 31st December:

	2020 US$m	2019 US$m
Current		
Assets	**106.9**	180.6
Liabilities	**(166.1)**	(155.8)
Total current net (liabilities)/assets	**(59.2)**	24.8
Non-current		
Assets	**180.3**	239.3
Liabilities	**(39.9)**	(47.7)
Total non-current net assets	**140.4**	191.6
Net assets	**81.2**	216.4
Non-controlling interests	**(10.4)**	(24.7)

27. Non-controlling Interests continued

Summarised financial information on a subsidiary with material non-controlling interests continued

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

	2020 US$m	2019 US$m
Sales	**607.2**	868.2
(Loss)/profit after tax from underlying business performance	**(36.0)**	16.9
Loss after tax from non-trading items	**(65.1)**	(10.9)
(Loss)/profit after tax	**(101.1)**	6.0
Other comprehensive (expense)/income	**(6.1)**	9.9
Total comprehensive (expense)/income	**(107.2)**	15.9
Total comprehensive (expense)/income allocated to non-controlling interests	**(13.6)**	2.0
Dividends paid to non-controlling interests	**–**	–

Summarised cash flows for the year ended 31st December:

	2020 US$m	2019 US$m
Cash generated from operations	**(17.7)**	36.4
Interest received	**0.1**	0.8
Interest and other financing charges paid	**(1.9)**	(5.5)
Tax received/(paid)	**1.1**	(5.9)
Cash flows from operating activities	**(18.4)**	25.8
Cash flows from investing activities	**(11.0)**	(33.7)
Cash flows from financing activities	**17.1**	(15.5)
Net decrease in cash and cash equivalents	**(12.3)**	(23.4)
Cash and cash equivalents at 1st January	**12.1**	34.5
Effect of exchange rate changes	**(0.6)**	1.0
Cash and cash equivalents at 31st December	**(0.8)**	12.1

The information above is the amount before intercompany eliminations.

28. Geographical Analysis of Non-current Assets

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

	2020 US$m	2019 US$m
North Asia	**3,914.4**	4,344.2
Southeast Asia	**2,406.7**	2,353.4
At 31st December	**6,321.1**	6,697.6

29. Notes to Consolidated Cash Flow Statement

	2020	2019
	US$m	US$m
(a) Depreciation and amortisation		
Food	**652.7**	663.8
– Grocery retail	**406.8**	418.8
– Convenience stores	**245.9**	245.0
Health and Beauty	**222.6**	248.9
Home Furnishings	**86.5**	72.2
Selling, general and administrative expenses	**21.6**	17.3
	983.4	1,002.2
(b) Other non-cash items		
By nature:		
Profit on sale of businesses	**(75.2)**	–
Loss on reclassification of a joint venture as a subsidiary	**–**	13.9
Loss on sale of tangible and intangible assets	**7.7**	5.1
Fair value loss on other investments	**0.8**	0.7
Adjustment to deferred consideration for acquisition of a subsidiary	**–**	(3.6)
Impairment of tangible and intangible assets	**73.2**	11.9
Impairment of right-of-use assets	**47.6**	1.9
Write down of stocks	**16.3**	2.5
Reversal of write down of stocks	**(1.3)**	(6.3)
Change in provisions	**(7.7)**	(6.7)
Gain on lease modification and termination	**(13.1)**	(4.1)
Share-based payment	**1.2**	0.9
Business correction provisions	**2.4**	16.3
Fair value loss on fair value hedges	**–**	0.7
Rent concessions received	**(68.5)**	–
Notional interest expense on other loans	**0.8**	–
Amortisation of government grant on other loans	**(0.8)**	–
	(16.6)	33.2
(c) Increase in working capital		
Decrease in stocks	**52.1**	30.7
(Increase)/decrease in debtors	**(4.4)**	52.1
Decrease in creditors	**(149.8)**	(159.5)
	(102.1)	(76.7)

29. Notes to Consolidated Cash Flow Statement continued

(d) Purchase of subsidiaries
Net cash outflow for purchase of a subsidiary of US$21.4 million in 2020 represented the settlement of deferred consideration for the Group's acquisition of the 100% interest in San Miu Supermarket Limited, a supermarket chain in Macau, in 2015.

Net cash outflow in 2019 represented US$2.6 million for the acquisition of the remaining 70% shareholding in Jutaria which operates mini-marts in Malaysia *(note 8)*.

The fair values of the identifiable assets and liabilities at the acquisition date of the subsidiary acquired during 2019 were provisional and finalised in 2020 with no change to the provisional values.

(e) Purchase of associates and joint ventures in 2020 mainly related to capital injections of US$15.0 million in a newly established digital joint venture to support the Group's e-commerce development and drive its digital innovation, and US$3.3 million in the Group's newly set up health and beauty joint venture in Thailand.

Purchase in 2019 mainly related to capital injection of US$3.8 million in the Group's business in Vietnam.

(f) Sale of subsidiaries

	2020 **US$m**
Intangible assets	**109.5**
Tangible assets	**31.1**
Right-of-use assets	**105.1**
Non-current debtors	**8.3**
Deferred tax assets	**2.6**
Current assets	**105.6**
Current liabilities	**(111.2)**
Non-current liabilities	**(94.5)**
Net assets disposed of	**156.5**
Release of exchange reserves	**(16.9)**
Profit on disposals	**75.2**
Net sale proceeds	**214.8**
Cash and cash equivalents of the subsidiaries disposed of	**(35.1)**
Costs payable	**13.4**
Net cash inflows	**193.1**

In October 2020, the Group deepened its strategic partnership with Robinsons Retail, an associate of the Group, by disposing of its 100% interest in Rose Pharmacy, operating a health and beauty chain in the Philippines, to a subsidiary of Robinsons Retail, for a net cash inflow of US$83.8 million *(note 8)*.

In December 2020, the Group disposed of its 100% interest in Wellcome Taiwan, operating a supermarket chain in Taiwan, to a third party, for a net cash inflow of US$109.3 million *(note 8)*.

29. Notes to Consolidated Cash Flow Statement continued

(g) Sale of a property

Sale of a property in 2020 and 2019 related to disposal of a property in Malaysia and Singapore, respectively.

(h) Change in interest in a subsidiary

In 2020, the Group acquired an additional 0.8% interest in PT Hero for a total consideration of US$1.9 million. In 2019, an additional 2.75% interest was acquired for US$6.7 million.

(i) Cash outflows for leases

	2020 US$m	2019 US$m
Lease rentals paid	**(817.5)**	(909.5)
Additions to right-of-use assets	**–**	(18.4)
	(817.5)	(927.9)
The above cash outflows are included in		
– operating activities	**(111.0)**	(119.2)
– investing activities	**–**	(18.4)
– financing activities	**(706.5)**	(790.3)
	(817.5)	(927.9)

(j) Analysis of balances of cash and cash equivalents

	2020 US$m	2019 US$m
Cash and bank balances *(note 16)*	**277.6**	301.4
Bank overdrafts *(note 19)*	**(43.4)**	(13.1)
	234.2	288.3

30. Derivative Financial Instruments

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

	2020		2019	
	Positive fair value US$m	**Negative fair value US$m**	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– forward foreign exchange contracts	**1.2**	**12.6**	0.3	3.3
– interest rate swaps	**–**	**0.4**	–	–
	1.2	**13.0**	0.3	3.3
Designated as fair value hedges				
– forward foreign exchange contracts	**–**	**–**	–	0.7
	–	**–**	–	0.7

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2020 were US$761.6 million *(2019: US$568.0 million)*.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts were US$100.0 million at 31st December 2020, and the fixed interest rates relating to interest rate swaps at 0.39% per annum. The fair values of interest rate swaps were based on the estimated cash flows discounted at market rate at 2.4% per annum.

The outstanding interest rate swaps contracts of an aggregate notional principal and contract amount of US$100.0 million at 31st December 2020 are impacted by the IBOR reform.

31. Commitments

	2020 US$m	2019 US$m
Capital commitments		
Authorised not contracted	**89.0**	227.4
Contracted not provided	**48.5**	111.4
	137.5	338.8

Operating lease commitments for short-term and low-value asset leases which were due within one year amounted to US$3.1 million *(2019: US$1.3 million)*.

Total future sublease payments receivable amounted to US$29.3 million *(2019: US$16.3 million)*.

32. Contingent Liabilities

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

33. Related Party Transactions

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

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

Under the terms of a Management Services Agreement, the management fee payable by the Group was US$1.4 million *(2019: US$1.6 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$0.4 million in 2020 *(2019: US$0.5 million)* to JML.

The Group rents properties from Hongkong Land Holdings Limited ('HKL'), a subsidiary of JMH. The lease payments paid by the Group to HKL in 2020 were US$2.6 million *(2019: US$3.3 million)*. The Group's 50%-owned associate, Maxim's, also paid lease payments of US$10.2 million *(2019: US$13.5 million)* to HKL in 2020.

The Group obtains repairs and maintenance services from Jardine Engineering Corporation ('JEC'), a subsidiary of JMH. The total fees paid by the Group to JEC in 2020 amounted to US$1.2 million *(2019: US$4.9 million)*.

Maxim's supplies ready-to-eat products at arm's length to certain subsidiaries of the Group. In 2020, these amounted to US$28.8 million *(2019: US$32.4 million)*.

In October 2020, the Group disposed of its 100% interest in Rose Pharmacy to its associate, Robinsons Retail, and a loss of US$22.0 million was recognised.

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

Balances with group companies of JMH at 31st December 2020 and 2019 are immaterial, unsecured, and have no fixed terms of repayment.

Details of Directors' remuneration (being key management personnel compensation) are shown on page 145 under the heading of 'Remuneration in 2020'.

34. Summarised Balance Sheet of the Company

Included below is certain summarised balance sheet information of the Company at 31st December disclosed in accordance with Bermuda law.

	2020 US$m	2019 US$m
Subsidiaries, at cost less provision*	**473.7**	462.7
Current liabilities	**(2.5)**	(1.4)
Net operating assets	**471.2**	461.3
Share capital *(note 23)*	**75.1**	75.1
Share premium and capital reserves *(note 25)*	**59.6**	59.2
Revenue and other reserves	**336.5**	327.0
Shareholders' funds	**471.2**	461.3

* Included intercompany balances due from/(to) subsidiaries.

35. Principal Subsidiaries

The Group's principal subsidiaries at 31st December 2020 are set out below:

Company name	Country of incorporation	Nature of business	**Attributable interests 2020 %**	Attributable interests 2019 %	**Proportion of ordinary shares and voting powers at 31st December 2020 held by the Group %**	**Proportion of ordinary shares and voting powers at 31st December 2020 held by non-controlling interests %**
Dairy Farm Management Limited†	Bermuda	Holding	**100**	100	**100**	**–**
Dairy Farm Management Services Limited†	Bermuda	Group management	**100**	100	**100**	**–**
DFI Treasury Limited†	British Virgin Islands	Treasury	**100**	100	**100**	**–**
DFI (China) Commercial Investment Holding Company Ltd	Mainland China	Investment holding	**100**	100	**100**	**–**
Guangdong Sai Yi Convenience Stores Limited	Mainland China	Convenience stores	**65**	65	**65**	**35**
Mannings Guangdong Retail Company Limited	Mainland China	Health and beauty stores	**100**	100	**100**	**–**
The Dairy Farm Company, Limited	Hong Kong	Investment holding, grocery retail, convenience, health and beauty and home furnishings stores	**100**	100	**100**	**–**

35. Principal Subsidiaries continued

Company name	Country of incorporation	Nature of business	Attributable interests 2020 %	Attributable interests 2019 %	Proportion of ordinary shares and voting powers at 31st December 2020 held by the Group %	Proportion of ordinary shares and voting powers at 31st December 2020 held by non-controlling interests %
Wellcome Company Limited	Hong Kong	Property and food processing	**100**	100	**100**	**–**
San Miu Supermarket Limited	Macau	Grocery retail	**100**	100	**100**	**–**
DFI Home Furnishings Taiwan Limited	Taiwan	Home furnishings stores	**100**	100	**100**	**–**
GCH Retail (Malaysia) Sdn. Bhd.	Malaysia	Grocery retail	**85**	85	**70**	**30**
Guardian Health And Beauty Sdn. Bhd.	Malaysia	Health and beauty stores	**100**	100	**100**	**–**
PT Hero Supermarket Tbk	Indonesia	Grocery retail, health and beauty and home furnishings stores	**89**	89	**89**	**11**
Guardian Health And Beauty (B) Sdn. Bhd.	Brunei	Health and beauty stores	**100**	100	**100**	**–**
Cold Storage Singapore (1983) Pte Limited	Singapore	Grocery retail, convenience and health and beauty stores	**100**	100	**100**	**–**
DFI Lucky Private Limited	Cambodia	Grocery retail and health and beauty stores	**70**	70	**70**	**30**

All subsidiaries are included in the consolidation.

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

† Directly held by the Company.

36. Principal Accounting Policies

Basis of consolidation

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

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

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

All material intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

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

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

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

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

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

36. Principal Accounting Policies continued

Foreign currencies

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

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

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognised in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, such exchange differences are recognised in profit and loss. All other exchange differences are recognised in profit and loss.

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

Impairment of non-financial assets

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

Intangible assets

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

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

36. Principal Accounting Policies continued

Intangible assets continued

(ii) Other intangible assets, consisting of trademarks and computer software, are stated at cost less accumulated amortisation and impairment. Amortisation is calculated on the straight-line basis to allocate the cost of intangible assets over their estimated useful lives. Trademarks with indefinite useful lives are not subject to amortisation.

Tangible assets and depreciation

Freehold properties comprised land and buildings. Freehold land is stated at cost less any impairment. No depreciation is provided on freehold land as it is deemed to have an indefinite life. Buildings on freehold and leasehold land are stated at cost less any accumulated depreciation and impairment. Other tangible assets are stated at cost less amounts provided for depreciation and impairment.

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

Freehold buildings	25 to 40 years
Buildings on leasehold land	Shorter of the lease term or useful life
Leasehold improvements	Shorter of unexpired lease term or useful life
Plant and machinery	3 to 15 years
Furniture, equipment and motor vehicles	3 to 7 years

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

The profit or loss on disposal of tangible assets is recognised by reference to their carrying amounts.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease contracts may contain lease and non-lease components. The Group allocates the consideration in the contract to lease and non-lease component based on their relative stand-alone prices. For property leases where the Group is a lessee, it has elected not to separate lease and immaterial non-lease components and accounts for these items as a single lease component.

As a lessee, the Group enters into property leases for use as retail stores, distribution centres and offices. The Group recognises right-of-use assets and lease liabilities at the lease commencement dates, that is the dates the underlying assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes amounts of the initial measurement of lease liabilities recognised, lease payments made at or before the commencement dates less any lease incentives received, initial direct costs incurred and restoration costs. Right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful lives and the lease terms.

36. Principal Accounting Policies continued

Leases continued

The Group also has interests in leasehold land for use in its operations. Lump sum payments are made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

Lease liabilities are measured at the present value of lease payments to be made over the lease terms. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects the Group exercising that option. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liabilities are measured at amortised cost using the effective interest rate method. After the commencement date, the amount of lease liabilities is increased by the interest costs on the lease liabilities and decreased by lease payments made.

The carrying amount of lease liabilities is remeasured when there is a change in the lease term, or there is a change in future lease payments arising from a change in an index or a rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise an extension or a termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (i.e. US$5,000 or less) and short-term leases. Low-value assets comprise IT equipment and small items of office furniture. Short-term leases are leases with a lease term of 12 months or less. Lease payments associated with these leases are recognised on a straight-line basis as an expense in profit and loss over the lease term.

Lease liabilities are classified as non-current liabilities unless payments are due within 12 months from the balance sheet date.

36. Principal Accounting Policies continued

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 investments carried at fair value through profit and loss are expensed in profit and loss.

Investments are classified as non-current assets. All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

Stocks

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises purchase price less rebates. A stock provision is recognised when the net realisable value from sale of the stock is estimated to be lower than the carrying value.

Debtors

Trade and other debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. Provision for impairment is established by considering potential financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

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

Cash and cash equivalents

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

Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such plans will be carried out by either starting to implement them or announcing their main features to those affected by it.

Borrowings and borrowing costs

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

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

36. Principal Accounting Policies continued

Current and deferred tax

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

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

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

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

Employee benefits

(i) Pension obligations

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

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

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

Past service costs are recognised immediately in profit and loss.

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

36. Principal Accounting Policies continued

Employee benefits continued

(ii) Share-based compensation

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

Non-current assets and disposal group held for sale

Non-current assets and disposal group are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are expected to be recovered principally through a sale transaction rather than through continuing use. Once classified as held for sale, the assets are no longer amortised or depreciated.

Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures and not as speculative investments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of the fair value of a recognised asset or liability ('fair value hedge'), or a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment ('cash flow hedge').

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Changes in the fair value of derivatives that are designated and qualified as fair value hedges and that are highly effective, are recognised in profit and loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit and loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit and loss over the residual period to maturity.

36. Principal Accounting Policies continued

Derivative financial instruments continued

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

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 9. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognised immediately in profit and loss.

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

Offsetting financial instruments

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

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 measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets, associates and joint ventures, 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.

36. Principal Accounting Policies continued

Earnings per share

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

Dividends

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

Sales recognition

Sales consist of the fair value of goods sold to customers, net of returns, discounts and sales related taxes. These do 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, and is recorded at the net amount received from customers.

Buying income

Supplier incentives, rebates and discounts are collectively referred to as buying income. Buying income is recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract.

The income is recognised as a credit within cost of sales. Where the income earned relates to stocks which are held by the Group at period ends, the income is included within the cost of those stocks, and recognised in cost of sales upon sale of those stocks. The accrued value at the reporting date is included in trade debtors or trade creditors, depending on the right of offset.

The key types of buying income which the Group receives include:

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

Government grants

Grants from government are recognised at their fair values where there is reasonable assurance that the grants will be received, and the Group will comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred are recognised in the profit and loss as other income on a systematic basis in the period in which the expenses are recognised. Unconditional grants are recognised in the profit and loss as other income when they become receivable.

Grants related to assets are deducted in arriving at the carrying value of the related assets.

36. Principal Accounting Policies continued

Other operating income

Other operating income primarily comprises income from concessions, service income, rental income, government grants and rent concessions received in relation to the COVID-19 pandemic. Concessions and service income are based on the Group's contractual commission. Rental income is accounted for as earned.

Rent concessions received as a direct consequence of the COVID-19 pandemic are recognised in the profit and loss over the period in which they cover when the specific conditions are met.

Pre-operating costs

Pre-operating costs are expensed as incurred.

37. Standards and Amendments Issued But Not Yet Effective

A number of amendments effective for accounting periods beginning after 2020 have been published and will be adopted by the Group from their effective dates. The Group is currently assessing the potential impact of these standard and amendments but expects the adoption will not have a significant impact on the Group's consolidated financial statements. The more important amendments are set out below.

(i) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1st January 2021) provides practical expedients as a result of the reform which affect the measurement of financial assets, financial liabilities and lease liabilities, and a number of reliefs for hedging relationships. The Group will apply the amendments from 1st January 2021, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

(ii) Amendment to IFRS 9: 'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities' (effective from 1st January 2022) clarifies the requirement to derecognise the original financial liability and recognise a new financial liability where there is an exchange between an existing borrower and lender of debt instrument with substantially different terms. The amendment clarifies that the terms are substantially different if the discounted present value of the cash flows under the new terms using the original effective interest rate, including any fees paid net of any fees received, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The Group will apply the amendment from 1st January 2022, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (effective from 1st January 2022) clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The Group will apply the amendments from 1st January 2022, but it is not expected the adoption will have a significant impact on the Group's consolidated financial statements.

38. Financial Risk Management

Financial risk factors

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

The Group's treasury function co-ordinates financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group's entity that is directly exposed to the risk being hedged. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through other comprehensive income and will be recognised in profit and loss when the hedged item affects profit and loss. In general, the volatility in profit or loss can be reduced by applying hedge accounting.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group assesses whether the derivative designated in each hedging relationship has been and expected to be effective in offsetting changes in cash flow of the hedged item using the hypothetical derivative method.

Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated for hedges of foreign currency purchases, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, effective economic relationship existed between the swaps and the loans.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

(i) The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;

(ii) Differences in critical terms between the interest rate swaps and loans; and

(iii) The effects of the forthcoming reforms to IBOR, because these might take effect at a different time and have a different impact on the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt).

The ineffectiveness during 2020 in relation to interest rate swaps was not material while there was no interest rate swap in 2019.

38. Financial Risk Management continued

Financial risk factors continued

(i) Market risk

Foreign exchange risk

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

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

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. There are no significant monetary balances held by Group companies at 31st December 2020 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing assets and liabilities. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments including interest rate swaps. The Group monitors interest rate exposure on a regular basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its long-term non-working capital gross borrowings in fixed rate instruments. At 31st December 2020, the Group's fixed rate borrowings were 9% on total borrowings, with an average tenor of 0.2 year. At 31st December 2019, the Group had no outstanding fixed rate borrowings. The interest rate profile of the Group's borrowings after taking into account hedging transactions is set out in note 19.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by entering into interest rate swaps for a maturity of up to three years. Interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate. Details of interest rate swaps are set out in note 30.

Fair value interest rate risk is the risk that the value of a financial asset or liability and derivative financial instruments will fluctuate because of changes in market interest rates. The Group manages its fair value interest rate risk by entering into interest rate swaps which have the economic effect of converting borrowings from fixed rate to floating rate, to maintain the Group's fixed rate instruments within the Group's guideline.

38. Financial Risk Management continued

Financial risk factors continued

(i) Market risk continued

Interest rate risk continued

At 31st December 2020, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$7.7 million *(2019: US$9.2 million)* higher/lower, and hedging reserves would have been US$2.5 million lower/higher *(2019: no change)*, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the Hong Kong, United States and Malaysian rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in the fair value of the hedged items caused by interest rate movements balance out in the profit and loss account against changes in the fair value of the hedging instruments. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

(ii) Credit risk

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

The Group manages its deposits with banks and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. Similarly, transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however, the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

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

(iii) Liquidity risk

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

38. Financial Risk Management continued

Financial risk factors continued

(iii) Liquidity risk continued

At 31st December 2020, total available borrowing facilities amounted to US$3,091.4 million *(2019: US$2,344.0 million)*, of which US$2,074.7 million *(2019: US$1,452.8 million)* were committed facilities. A total of US$1,094.3 million *(2019: US$1,122.2 million)* from both committed and uncommitted facilities was drawn down. Undrawn committed facilities, in the form of revolving credit facilities, totalled US$1,319.0 million *(2019: US$462.2 million)*.

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

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
At 31st December 2020							
Creditors	1,885.5	18.8	10.6	10.5	–	0.3	**1,925.7**
Borrowings	860.7	82.9	103.0	64.8	–	–	**1,111.4**
Lease liabilities	773.1	587.9	435.8	323.3	246.3	1,192.0	**3,558.4**
Net-settled derivative financial instruments	–	–	–	–	–	–	**–**
Gross-settled derivative financial instruments							
– inflow	422.3	–	–	–	–	–	**422.3**
– outflow	421.8	–	–	–	–	–	**421.8**
At 31st December 2019							
Creditors	2,174.5	8.9	1.3	0.2	0.2	2.6	2,187.7
Borrowings	956.6	176.2	0.2	0.1	9.1	–	1,142.2
Lease liabilities	869.5	713.7	537.4	399.8	291.9	1,231.9	4,044.2
Net-settled derivative financial instruments	–	–	–	–	–	–	–
Gross-settled derivative financial instruments							
– inflow	423.5	–	–	–	–	–	423.5
– outflow	425.1	–	–	–	–	–	425.1

There were no borrowings impacted by the IBOR reform at 31st December 2020.

38. Financial Risk Management continued

Capital management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, by taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, repurchase Company shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and bank balances. Interest cover is calculated as the sum of underlying operating profit, before the deduction of depreciation and impairment charges of right-of-use assets, net of actual lease payments, and share of results of associates and joint ventures, divided by net financing charges excluding interest on lease liabilities. The Group does not have a defined gearing ratio or interest cover benchmark or range.

The ratios at 31st December 2020 and 2019 are as follows:

	2020	2019
Gearing ratio (%)	**61**	66
Interest cover (times)	**15**	12

Fair value estimation

(i) Financial instruments that are measured at fair value

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')
The fair values of listed securities are based on quoted prices in active markets at the balance sheet date.

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

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

38. Financial Risk Management continued

Fair value estimation continued

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

(c) Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')
The fair values of other unlisted equity investments are determined using valuation techniques by reference to observable current market transactions or the market prices of the underlying investments with certain degree of entity specific estimates or discounted cash flow by projecting the cash inflows from these investments.

There were no changes in valuation techniques during the year. The table below analyses financial instruments carried at fair value measured by observable current market transactions.

	2020 US$m	2019 US$m
Assets		
Other investments		
– equity investments *(note 13)*	6.0	6.8
Derivatives designated at fair value *(note 30)*		
– through other comprehensive income	1.1	0.3
– through profit and loss	0.1	–
	7.2	7.1
Liabilities		
Derivatives designated at fair value *(note 30)*		
– through other comprehensive income	(12.7)	(3.3)
– through profit and loss	(0.3)	(0.7)
	(13.0)	(4.0)

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

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

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

38. Financial Risk Management continued

Fair value estimation continued

Financial instruments by category

The carrying amounts of financial assets and financial liabilities at 31st December 2020 and 2019 are as follows:

	Fair value of hedging instruments US$m	Fair value through profit and loss US$m	Financial assets at amortised cost US$m	Other financial liabilities US$m	Total carrying amounts US$m
2020					
Financial assets measured at fair value					
Other investments					
– equity investments	–	6.0	–	–	**6.0**
Derivative financial instruments	1.1	0.1	–	–	**1.2**
	1.1	**6.1**	**–**	**–**	**7.2**
Financial assets not measured at fair value					
Debtors	–	–	263.2	–	**263.2**
Cash and bank balances	–	–	277.6	–	**277.6**
	–	**–**	**540.8**	**–**	**540.8**
Financial liabilities measured at fair value					
Derivative financial instruments	(12.7)	(0.3)	–	–	**(13.0)**
	(12.7)	**(0.3)**	**–**	**–**	**(13.0)**
Financial liabilities not measured at fair value					
Borrowings	–	–	–	(1,094.3)	**(1,094.3)**
Lease liabilities	–	–	–	(3,070.4)	**(3,070.4)**
Trade and other payables excluding non-financial liabilities	–	–	–	(1,925.7)	**(1,925.7)**
	–	**–**	**–**	**(6,090.4)**	**(6,090.4)**

38. Financial Risk Management continued

Fair value estimation continued

Financial instruments by category continued

	Fair value of hedging instruments US$m	Fair value through profit and loss US$m	Financial assets at amortised cost US$m	Other financial liabilities US$m	Total carrying amounts US$m
2019					
Financial assets measured at fair value					
Other investments					
– equity investments	–	6.8	–	–	6.8
Derivative financial instruments	0.3	–	–	–	0.3
	0.3	6.8	–	–	7.1
Financial assets not measured at fair value					
Debtors	–	–	280.3	–	280.3
Cash and bank balances	–	–	301.4	–	301.4
	–	–	581.7	–	581.7
Financial liabilities measured at fair value					
Derivative financial instruments	(3.3)	(0.7)	–	–	(4.0)
	(3.3)	(0.7)	–	–	(4.0)
Financial liabilities not measured at fair value					
Borrowings	–	–	–	(1,122.2)	(1,122.2)
Lease liabilities	–	–	–	(3,305.8)	(3,305.8)
Trade and other payables excluding non-financial liabilities	–	–	–	(2,187.7)	(2,187.7)
	–	–	–	(6,615.7)	(6,615.7)

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

39. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable according to circumstances and conditions available. The existing and potential impacts arising from the COVID-19 pandemic have been considered when applying estimates and assumptions in the preparation of the financial statements, including the Group's assessment of impairment of assets. Given the uncertainty of the impact of COVID-19, the actual results may differ from these accounting estimates.

The estimates and assumptions that have a significant effect on the reported amounts of assets and liabilities, and income and expenses are discussed below.

Acquisition of subsidiaries, associates and joint ventures

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

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

Leases

Liabilities and the corresponding right-of-use assets arising from leases are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rates implicit in the leases, or if that rate cannot be readily determinable, the Group uses the incremental borrowing rate. The Group generally uses the incremental borrowing rate as the discount rate.

The Group applies the incremental borrowing rate with reference to the rate of interest that the Group would have to pay to borrow, over a similar term as that of the lease, the funds necessary to obtain an asset of a similar value to the right-of-use asset in the country where it is located.

Lease payments to be made during the lease term will be included in the measurement of a lease liability. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The assessment of whether the Group is reasonably certain to exercise the options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Pension obligations

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

39. Critical Accounting Estimates and Judgements continued

Pension obligations continued

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

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

Impairment of assets

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

Income taxes

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

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

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

Buying income

The Group receives buying income, including supplier incentives, rebates and discounts, which are deducted from cost of sales on an accrual basis. Management is required to make estimates in determining the expected entitlement which has been earned up to the balance sheet date for each relevant supplier contract and the timing of recognition.

There is limited estimation involved in recognising income for fixed amounts agreed with suppliers.

In 2020, the Group recognised a charge in underlying profit for the reversal of buying income recognised incorrectly in prior years. The Group has assessed the impact of buying income recognised incorrectly in prior years on the consolidated financial statements and determined that the impact was not material to the consolidated financial statements of any prior financial years and therefore did not require a prior year restatement. The amount has been recorded through underlying results.

Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management, but follows the consistent methodology as set out in the Group's accounting policies.

Independent Auditors' Report

To the members of Dairy Farm International Holdings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's affairs as at 31st December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'); and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet as at 31st December 2020; the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies ('the Principal Accounting Policies').

Certain required disclosures have been presented in the Corporate Governance section, rather than in the notes to the financial statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's ('FRC's') Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall Group materiality: US$18.5 million *(2019: US$19.6 million)*
- Based on 5% of a three-year average of underlying profit before tax

Audit scope

- A full scope audit was performed on seven entities including six subsidiaries and one associate, Maxim's.
- These entities, together with procedures performed on central functions and at the Group level, accounted for 89% of the Group's revenue, 86% of the Group's profit before tax, and 82% of the Group's underlying profit before tax.

Key audit matters

- Carrying value of investment in Robinsons Retail Holdings Inc. ('Robinsons Retail')
- Buying income
- IT environment
- Impairment of assets in PT Hero
- Impact of COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to, the Companies Act 1981 (Bermuda), the Listing Rules, tax regulations, employment regulation, health and safety regulation and equivalent local laws and regulations applicable to significant reporting component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 1981 (Bermuda).

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the industries in which its businesses operate, and considering the risk of any acts by the Group which may be contrary to applicable laws and regulations, including fraud.
- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding the results of whistleblowing procedures and related investigations. We focused on known and suspected instances of non-compliance with laws and regulations that could give rise to a material misstatement in the Group and company financial statements, including, but were not limited to, the Companies Act 1981 (Bermuda), the Listing Rules, tax legislation, employment regulation, health and safety regulation and equivalent local laws and regulations applicable to significant reporting component teams.
- Review of reporting component auditors' work, including any matters reported by component auditors' relating to non-compliance with laws and regulations or fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to the impairment assessments related to the carrying value of investments in associates and joint ventures, the impairment assessments related to the carrying value of intangible assets, tangible assets and right-of-use assets, and recognition of buying income (see related key audit matters below);
- We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The impairment of assets in PT Hero and the impact of COVID-19 are new key audit matters. Right-of-use assets and lease liabilities, which was a key audit matter last year, is no longer included because this key audit matter was relevant for the adoption of IFRS 16 'Leases' last year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment in Robinsons Retail Holdings Limited ('Robinsons Retail')	
Refer to note 39 (Critical Accounting Estimates and Judgements) and note 12 (Associates and Joint Ventures) to the financial statements. As at 31st December 2020, the carrying value of the Group's 20% investment in its associate, Robinsons Retail, was higher than its fair value based on its prevailing market share price. Management undertook an impairment assessment, as required by accounting standards as there was an indicator of impairment. There is inherent estimation uncertainty in determining the recoverable amount of the carrying value of the investment as significant judgements are required by management in preparing their value-in-use models, particularly management's view on key internal inputs and external market conditions which impact future cash flows, the discount rate and the long-term growth rate. We focused on the carrying value of the Group's investment in Robinsons Retail due to the significant judgements and estimates involved to determine whether the carrying value of the investment was supportable.	We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining the assumptions to be applied. We have understood and reviewed management's impairment assessment process, including what indicators of impairment had been identified and the appropriateness of the valuation model used, including the assessment of the future impact of COVID-19. As we identified a heightened risk of impairment we performed the following procedures. We benchmarked and challenged key assumptions in management's valuation model used to determine recoverable amount against market data. This included whether the assumptions of projected cash flows of the business, the long-term growth rate and the discount rate were appropriate, using our knowledge and experience. We tested the discounted cash flow model used in the assessment, checked the accuracy of the calculations, compared historical budgeted performance with actual results and agreed the figures used with the detailed management approved budgets to assess the reasonableness of the cash flows used in the model. Our challenge focused particularly on the discount rate and long-term growth rate used. With the support of our valuations specialists, we compared the discount rates used with the range of typical discount rates used in similar businesses and, considered whether management had incorporated all relevant macro-economic and country-specific factors, as well as those specific to Robinsons Retail, in determining its discount rate.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment in Robinsons Retail Holdings Limited ('Robinsons Retail') continued	
	For the growth rate we assessed whether management had considered macro-economic and country-specific factors specific to the relevant businesses, including the future impact of COVID-19. We also compared the rate used with the range of growth rates used by similar businesses. We tested management's historical estimation accuracy by comparing previous projected growth rates to the actual growth achieved. Where differences were identified we understood management's rationale and the evidence, such as actual recent performance, to support management's estimates. We evaluated the sensitivity analysis performed by management and performed our independent sensitivity analysis on the key assumptions above and considered a range of alternative outcomes to determine the sensitivity of the valuation model to changes in assumptions. Overall, we found that the judgements and estimates made by management to determine the discount rate, long-term growth rate and the cash flows used in the valuation model were reasonable. We assessed the adequacy of the disclosures related to the carrying value of investments in associates and joint ventures in the context of IFRS disclosure requirements and agreed disclosures in the financial statements to the model tested and the assumptions applied in the model. Overall, we are satisfied that appropriate disclosure has been made.

Key audit matter	How our audit addressed the key audit matter

Buying income

Refer to note 36 (Principal Accounting Policies) and note 39 (Critical Accounting Estimates and Judgements) to the financial statements.

The Group has arrangements with suppliers whereby volume-based discounts and incentives, promotional and marketing incentives and various other rebates and discounts are earned in connection with the purchase of goods for resale from those suppliers. As such, the Group recognises a net deduction from cost of sales as a result of amounts receivable from suppliers.

The individual supplier arrangements in place across the Group vary in nature. The majority of buying income is driven by volume-based measures or event-driven schemes, with the remainder being ad-hoc and promotional buying income.

Buying income is material to the financial statements and given the types of buying income arrangements as well as various performance criteria which differ by suppliers, we identified buying income as a key audit matter.

The level of judgement in each category of buying income is noted below:

Volume-based income

Volume-based rebates are generally driven by achieving purchase volume targets set with individual suppliers for specific products over a pre-set period of time. In instances where the rebate agreement does not fully coincide with the period-end, the key judgement that we focused on was the estimate of expected purchase volumes in the period covered by the rebate agreement.

Ad-hoc and promotional income

The remainder of the Group's buying income is associated with ad-hoc and promotional income. The nature of this income and the manner in which it is recognised varies depending on the nature of the agreement with the individual supplier. The income is earned as the relevant performance criteria are met. Due to the significant number of transactions and individual agreements and the potential for manual calculations, we focused effort on assessing the appropriateness of amounts recognised. Our focus was on the underlying agreements associated with the income earned, and assessing whether the income recorded was in accordance with those agreements.

We gained an understanding of and evaluated the key controls in place within the buying income process and tested those controls in certain components of the business. We performed a detailed analytical review of buying income by type and location to identify whether there were any unusual trends were present.

On a sample basis:

- we traced the reconciliation of supplier deductions or payments recognised in the income statement to cash receipts or supplier contracts;
- we selected amounts recognised in debtors and creditors and agreed the amounts to supporting documentation. Where buying income amounts were offset against outstanding amounts payable to suppliers we assessed whether there was a right to offset, based on the contractual terms with suppliers;
- we assessed whether the performance criteria of the items selected had been met and where buying income amounts were estimated, that there was appropriate supporting evidence in determining those estimates;
- we assessed the appropriateness of manual journal entries and adjustments associated with buying income by tracing them to supporting documentation; and
- we assessed supplier dispute logs and management's supplier statement reconciliations to determine whether material disputes or disagreements with suppliers existed. Where significant disputes or disagreements existed, we understood the nature of these disputes through discussions with management and obtained documentation to assess whether the amounts recognised by management were reasonable.

Overall, we found the amounts recognised in the financial statements in respect of buying income to be supportable.

We assessed the adequacy of the disclosures related to the buying income in the context of IFRS disclosure requirements and consider the disclosures to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets in PT Hero	
Refer to note 39 (Critical Accounting Estimates and Judgements), note 8 (Non-trading items), note 9 (Intangible Assets), note 10 (Tangible Assets) and note 11 (Right-of-use Assets) to the financial statements. The Group has recognised asset impairment charges of US$103 million in relation to the Indonesian Grocery Retail business for the year ended 31st December 2020 following a store performance review. These costs comprise of US$39 million relating to the impairment of intangible assets and US$64 million for the impairment of tangible assets, impairment of right-of-use assets, redundancy provisions, and other provisions. As required by accounting standards, management performed a detailed impairment assessment of the intangible assets, tangible assets and right-of-use assets having identified impairment indicators arising from the financial performance of the Indonesian Grocery Retail business. The determination of the recoverable amount of intangible assets requires significant judgements, particularly management's view on key inputs and assumptions made in the cash flow forecasts including long-term growth rates. Impairment of tangible assets and right-of-use assets were recorded in respect of underperforming or loss-making locations, where management identified that the expected future cash inflows were lower than the contractual lease obligations. The impairment charges were calculated based on the terms of rental agreements and the earlier of the remaining lease term or possible exit date. Determining the provisions required management to make judgements over the key inputs and assumptions, including the amount and timing of expected costs that will be incurred.	We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. We have understood and reviewed management's impairment assessment process for assessing the carrying value of intangible assets, tangible assets and right-of-use assets, including the identification of indicators of impairment and appropriateness of the valuation models used, including the assessment of the future impact of COVID-19. We have considered and scrutinised management's store performance review for the Indonesian Grocery Retail business. On a sample basis, we agreed the carrying value of tangible assets and right-of-use assets that were assessed for impairment to underlying financial records. We tested the discounted cash flow models used by management to determine the amount of intangible asset, tangible asset and right-of-use asset impairment required. We assessed the cash flow forecasts by comparing historical budgeted performance to actual results, agreeing the financial information used to the Board approved budget, and checked the accuracy of the calculations. We tested the accuracy and completeness of the data used by management in the models by agreeing key inputs, such as the cash flow forecasts for individual stores, to the detailed budget approved by the Board. In addition, on a sample basis, we agreed the inputs used in the calculations to the underlying lease contracts. We assessed the key inputs and assumptions used by management in calculating the redundancy and other provisions with reference to actual historical performance and underlying contractual agreements. We evaluated whether the assumptions were appropriate based on the evidence available.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets in PT Hero continued	
	We considered that the key assumptions used, and calculations prepared by management to determine the intangible asset, tangible asset and right-of-use asset impairments, redundancy provisions and other provisions to be supportable based on available evidence. We assessed the adequacy of the disclosures related to the carrying value of intangible assets, tangible assets and right-of-use assets and the other provisions made in the context of IFRS disclosure requirements and agreed disclosures in the financial statements to the models tested and the assumptions applied in those models. We are satisfied that appropriate disclosure has been made.
IT environment	
The Group is heavily reliant on its IT infrastructure and systems for the daily operations of its business. We focused on IT systems as the systems across the Group are complex and there are varying levels of standardisation and integration between new and legacy IT systems. The systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process.	We updated our understanding of the IT environment through discussions with management and walked-through the key financial processes to understand the relevant IT systems which were integral to the Group's controls over financial reporting. These procedures allowed us to determine which IT systems, processes and controls to rely upon. We tested key controls over user access to programs and data; program development; program changes made to IT systems; and IT operations. The key automated controls operating within IT systems that we rely on were also tested. Where we noted deficiencies which affected IT systems or controls on which we planned to place reliance, we tested mitigating controls or extended the scope of our substantive audit procedures.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19	
The COVID-19 pandemic has had a significant impact on the performance of the Group. The extent of the negative impact of the pandemic on future trading performance is difficult to predict. Therefore, there is inherent uncertainty in determining the impact of the pandemic on certain aspects of the financial statements. The key impact of COVID-19 on the financial statements are: • Management's assessment of the carrying values of the Group's goodwill in subsidiaries and the carrying values of its investments in associates and joint ventures as a result of a reduction to the valuations at the year end, in part arising due to the impact of COVID-19 on the underlying businesses, as described in the related key audit matter above. In particular, we focused on the carrying value of goodwill held in respect of PT Hero and the carrying value of the Group's investment in its associate, Robinsons Retail. • The budgets and models supporting the tangible assets and right-of-use assets reflect management's best estimate of the impact of COVID-19. The assumptions applied in this analysis have been determined internally, but they incorporate other third-party data sources where relevant. • The models and related assumptions that underpin management's going concern assessment. Having considered the impact of COVID-19 on liquidity models, management has concluded that the Group remains a going concern, and that there is no material uncertainty in respect of this conclusion. Management's way of working, including the operation of controls, has been impacted by COVID-19 as a result of a large number of staff working remotely.	Our procedures in respect of impairment assessments related to carrying value of the Group's investment in Robinsons Retail and impairment of the assets in PT Hero are covered in the related key audit matters above. We performed procedures to assess the recoverability of tangible assets and right-of-use assets. Where these involved management's impairment assessment, we assessed the appropriateness of valuation models used and assumptions applied. With the support of our valuation specialists, we benchmarked and challenged key assumptions in management's valuation models used to determine recoverable amounts against market data. This included whether assumptions of projected cash flows of stores, long-term growth rates and discount rates were appropriate taking into account the impact of COVID-19, using our knowledge and experience, for the tangible assets and right-of-use assets under review. We tested the discounted cash flow models used in the assessments, checked the accuracy of the calculations, compared historical budgeted performance with actual results to assess the reasonableness of the cash flows used in the models. We performed an independent sensitivity analysis on the key assumptions and considered a range of alternative outcomes to determine the sensitivity of the valuation models to changes in assumptions. Where the recoverable amount was lower than the carrying amount of the cash generating unit ('CGU'), we checked the calculation of the impairment charge recognised. We found that the judgements and estimates made by management to determine the discount rates, long-term growth rates and cash flows used in the valuation models were reasonable.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 continued	
	With respect to management's going concern assessment, we evaluated management's model and the key assumptions and considered the Group's available financing to assess liquidity through the assessment period. Our conclusions in respect of going concern are set out separately within this report. We performed additional procedures to assess any control implications arising from the impact of COVID-19, including inquiries with respect to the operation of IT and business process controls, and whether there has been any impact on the Group. We instructed our component teams to perform additional procedures to understand if there were any changes to management's planned operation of controls or monitoring activities. We did not identify any evidence of material deterioration in the control environment. We increased the frequency and extent of our oversight over component audit teams, using video conferencing and remote working paper reviews, to satisfy ourselves as to the appropriateness of audit work performed at significant and material components. We considered the appropriateness of disclosures in the financial statements in respect of the impact of the current environment and the increased uncertainty on certain accounting estimates and consider these to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which it operates.

The Group's accounting processes are structured around finance functions, which are responsible for their own accounting records and controls, which in turn report financial information to the Group's finance function in Hong Kong to enable them to prepare consolidated financial statements.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by members of the Group engagement team or by component auditors from member firms within the PwC Network operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. The Group engagement team was involved in the significant reporting entities in scope for Group reporting during the audit cycle through a combination of meetings and conference calls. Due to the current restrictions on travel and social distancing measures, enacted as a response to COVID-19, the lead Group audit partner and other senior team members were involved throughout the year through the regular use of conference calls and other forms of communication to direct and oversee the audit, including the remote review of the work of component teams.

A full scope audit was performed on seven entities including six subsidiaries and one associate, Maxim's. These entities, together with procedures performed on central functions and at the Group level (on the consolidation and other areas of significant judgement), accounted for 89% of the Group's revenue, 86% of the Group's profit before tax, and 82% of the Group's underlying profit before tax. This gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	US$18.5 million *(2019: US$19.6 million)*
How we determined it	5% of a three-year average of underlying profit before tax
Rationale for benchmark applied	Profit before tax is a primary measure used in assessing the performance of the Group which has been adjusted by adding back non-trading items.

We set an overall Group materiality level of US$18.5 million *(2019: US$19.6 million)*. This was based upon 5% of the Group's consolidated three-year average underlying profit before tax for the years ended 31st December 2018, 31st December 2019 and 31st December 2020. In arriving at this judgement we had regard to the fact that underlying profit is an important financial indicator of the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of overall materiality allocated across components was US$1.9 million to US$18.0 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US$13.8 million.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$925,000 *(2019: US$1.0 million)*, other than classifications within the Consolidated Profit and Loss Account or Consolidated Balance Sheet, which were only reported above US$18.5 million. We also reported misstatements below this amount that in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the inherent risks to the Group's and its businesses' business models and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.
- Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible, but not unrealistic, adverse effects that could arise from adverse trading conditions as a result of COVID-19 and impact the Group's liquidity position over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Responsibility Statement and the Corporate Governance section, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Partner responsible for the audit

The engagement partner responsible for this independent auditors' report is John Waters.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11th March 2021

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

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

Five Year Summary

	2020	2019	2018	2017	2016
	US$m	US$m	US$m	US$m	US$m
Profit and Loss*					
Sales	**10,268.5**	11,192.3	11,749.3	11,288.7	11,200.7
Sales including associates and joint ventures	**28,159.1**	27,665.0	21,957.2	21,827.0	20,423.6
Profit attributable to shareholders	**271.0**	323.8	84.8	402.4	469.0
Underlying profit attributable to shareholders	**275.7**	320.9	358.2	402.6	460.2
Underlying earnings per share *(US¢)*	**20.38**	23.72	26.48	29.77	34.03
Basic earnings per share *(US¢)*	**20.03**	23.93	6.27	29.75	34.69
Dividends per share *(US¢)*	**16.50**	21.00	21.00	21.00	21.00
Balance Sheet*					
Total assets	**7,900.5**	8,369.9	8,533.0	5,467.2	5,128.9
Total liabilities	**(6,564.6)**	(7,130.4)	(7,371.1)	(3,711.5)	(3,549.5)
Net operating assets	**1,335.9**	1,239.5	1,161.9	1,755.7	1,579.4
Shareholders' funds	**1,322.3**	1,209.2	1,126.4	1,690.0	1,505.3
Non-controlling interests	**13.6**	30.3	35.5	65.7	74.1
Total equity	**1,335.9**	1,239.5	1,161.9	1,755.7	1,579.4
Net debt	**(816.7)**	(820.8)	(744.0)	(599.1)	(640.8)
Net asset value per share *(US¢)*	**97.75**	89.39	83.27	124.95	111.32
Cash Flow*					
Cash flows from operating activities	**1,067.2**	1,288.1	1,458.1	671.3	542.9
Cash flows from investing activities	**(86.4)**	(283.0)	(500.9)	(280.6)	(428.0)
Cash flows before financing activities	**980.8**	1,005.1	957.2	390.7	114.9
Cash flow per share from operating activities *(US¢)*	**78.89**	95.22	107.80	49.64	40.15

* Figures in 2018 have been restated due to the change in accounting policy upon adoption of IFRS 16 'Leases'. Figures in 2017 have been restated due to changes in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. Figures in 2016 have not been restated.

Responsibility Statement

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

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

b. the sections of this Report, including the Chairman's Statement, Group Chief Executive's Review, Business Review and 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
Clem Constantine
Directors

11th March 2021

Corporate Governance

Overview of Governance Approach

The Dairy Farm Group (Dairy Farm International Holdings Limited and its subsidiaries together known as the 'Group') understands the value of good corporate governance to long-term sustainable success and attaches importance to the corporate stability that strong governance brings, as well as the opportunities that result from it being part of the Jardine Matheson Holdings Limited ('Jardine Matheson') group.

The Group is committed to high standards of governance. The system of governance it has adopted has been developed over many years by the members of the Jardine Matheson group which both the Group and its stakeholders regard as appropriate to the nature of its business and the long-term strategy it pursues in its Asian markets, and is tailored to the Group's size, ownership structure, complexity and breadth of businesses. It enables the Company to benefit from Jardine Matheson's strategic guidance and professional expertise, while at the same time ensuring that the independence of the Board is respected and clear operational accountability rests with the Company's executive management teams. Having an effective corporate governance framework supports the Board in the delivery of the Group's strategy and supports long-term sustainable growth.

Group Structure

Jardine Matheson is the ultimate holding company of the Group. The structural relationship between Jardine Matheson group and the Group is considered to be a key element of the Group's success. By coordinating objectives, establishing common values and standards, and sharing experience, contacts and business relationships, the Jardine Matheson group companies aim to optimise their opportunities across the Asian countries where they operate.

The Company is incorporated in Bermuda. The retailing interests of the Dairy Farm Group are entirely in Asia. The Company's equity shares have as their primary listing a standard listing on the Main Market of the London Stock Exchange (the 'LSE'), and the Company's primary regulator is the Financial Conduct Authority of the United Kingdom (the 'FCA').

The Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the FCA require that this Report addresses all relevant information about the corporate governance practices applied by the Company and the Group beyond the requirements under Bermuda law.

The Company also has secondary listings in Singapore and Bermuda. As the Company has only secondary listings on these exchanges, the listing rules of such exchanges are not generally applicable. Instead, the Company must release the same information as it is required to release under the rules applicable to it as a standard listed company on the LSE, in compliance with the rules applicable to those exchanges in Singapore and Bermuda.

Governance and Legal Framework

As a company incorporated in Bermuda, the Company is governed by:

- The Bermuda Companies Act 1981 (the 'Companies Act');
- The Bermuda Dairy Farm International Holdings Limited Consolidation and Amendment Act 1988 (as amended), pursuant to which the Company was incorporated and the Bermuda Dairy Farm International Holdings Limited Regulations 1993 (as amended) was established; and
- The Company's Memorandum of Association and Bye-laws.

Governance and Legal Framework continued

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

The Company's standard listing in London means that it is bound by many of the same rules as premium-listed companies under the UK Listing Rules, the DTRs, the Market Abuse Regulation[1] ('MAR') and the Prospectus Regulation Rules, including in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares, market abuse and the publication and content of prospectuses in connection with admission to trading or offering securities to the public. The Company is subject to regulatory oversight from the FCA, as the Company's principal securities regulator, and is required to comply with the Admission and Disclosure Standards of the Main Market of the LSE. The Company and its Directors are also subject to legislation and regulations in Singapore relating to insider dealing.

The Company is not required to comply with the UK Corporate Governance Code (the 'Code'), which applies to all premium-listed companies and sets out the governance principles and provisions which are expected to be followed by companies which are subject to the Code.

When the shareholders approved the Company's move to a standard listing from a premium listing in 2014, the Company stated that it intended to maintain certain governance principles on the basis as was then applicable to the Company's premium listing. As a result, the Company has adopted a number of governance principles (the 'Governance Principles') based on the then applicable requirements for a premium listing, which go further than the standard listing requirements.

The key elements of the Governance Principles are as follows:

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

- If the Company carries out a related party transaction which would require a sponsor to provide a fair and reasonable opinion under the provisions of the UK Listing Rules, it will engage an independent financial adviser to confirm that the terms of the transaction are fair and reasonable as far as the shareholders of the Company are concerned.

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

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

- The Company adheres to a set of Securities Dealing Rules which follow the provisions of MAR with respect to market abuse and disclosure of interests in shares.

1 The EU Market Abuse Regulation and, with effect from 1st January 2021, the UK Market Abuse Regulation.

The Management of the Group

The Board

The Board is responsible for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets, in a way that is supported by the right culture, values and behaviours throughout the Group.

The Directors have the full power to manage the business affairs of the Company, with the exception of matters reserved to be exercised by the Company in general meeting under Bermuda legislation or the Company's Bye-laws. Key matters for which the Directors are responsible include:

- Responsibility for the overall strategic aims and objectives of the Group;
- Establishing the Company's purpose and values;
- Approval of the Group's strategy and risk appetite to align with the Group's purpose and values;
- Approval and oversight of the Group policy framework and approval of appropriate Group policies;
- Approval of the Annual Budget and monitoring of performance against it;
- Oversight of the Group's operations;
- Approval of major changes to Group's corporate or capital structure;
- Approval of major capital expenditure and significant transactions (in terms of size or reputational impact);
- Approval of interim and final financial statements upon recommendation from the Audit Committee, and interim management statements;
- Approval of Annual Report and Accounts;
- Approval of dividend policy and amount and form of interim and final dividend payments for approval by shareholders as required;
- Any significant changes to the Company's accounting policies or practices upon recommendation from the Audit Committee;
- Appointment, reappointment or removal of the external auditor, subject to shareholder approval, upon recommendation from the Audit Committee;
- Approval of matters relating to the AGM (resolutions and shareholder documentation);
- Approval of all shareholder circulars, prospectuses and listing particulars issued by the Company; and
- Approval of material public announcements concerning matters decided by the Board.

Responsibility for certain matters, including the approval of borrowing facilities and of capital expenditure (other than major capital expenditure which is required to be approved by the Board) has been delegated to the finance committee established within the Hong Kong-based Group management company, Dairy Farm Management Services Limited ('DFMS').

Board Composition and Operational Management

The Board's composition and the way it operates provide stability, allowing the Company to take a long-term view as it seeks to grow its businesses and pursue investment opportunities.

The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company.

Board Composition and Operational Management continued

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

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

As at 11th March 2021, the Company comprises 11 Directors, two of whom (18%) – Dr Delman Lee and Clive Schlee – are regarded as Independent Non-Executive Directors. Three further Non-Executive Directors – George J. Ho, Anthony Nightingale and Percy Weatherall – do not have any executive responsibilities, nor have they been an employee of the Company or the Group within the past five years, and they are sufficiently distanced from the day-to-day operations of the Company for the Company to take the view that they are independent Directors, even though they have served on the Board for over nine years. The names of all the Directors and brief biographies appear on pages 50 and 51 of this Report.

Ben Keswick has been Chairman of the Board since 16th May 2013. John Witt has held the role of Managing Director from 15th June 2020. Ian McLeod has been Group Chief Executive since 18th September 2017. Ben Keswick previously held the roles of Chairman and Managing Director on a combined basis from 16th May 2013. The Board considers that there is a clear division of responsibilities among the Chairman, the Managing Director and the Group Chief Executive in order to ensure an appropriate balance of power and authority.

Chairman

The Chairman's role is to lead the Board, ensuring its effectiveness while taking account of the interests of the Group's various stakeholders, and promoting high standards of corporate governance. The Chairman's principal responsibilities are in the areas of strategy, relationships, governance and people. He leads the Board in overseeing the long-term strategic direction of the Group and approving its key business priorities. His key responsibilities also include:

- Leading the development of the culture and values of the Group;
- Supporting the development and maintenance of relationships with existing and new key business partners, governments and shareholders;
- Ensuring (together with the Managing Director and the Group Chief Executive) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions;
- Creating a culture of openness and transparency at Board meetings;
- Building an effective Board supported by a strong governance framework;
- Ensuring all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge;
- Ensuring all Directors receive accurate, timely and clear information; and
- Promoting effective communication between Executive and Non-Executive Directors.

Managing Director

The Managing Director acts as chairman of DFMS and of its finance committee, as well as being a member of the Company's nominations committee and the remuneration committee established in DFMS. He has responsibility for representing Jardine Matheson, as the major shareholder in the Company, in its oversight of the day-to-day management by the Group Chief Executive and his leadership team of the businesses.

Group Chief Executive

The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive. The implementation of the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the DFMS finance committee. The Group Chief Executive has day-to-day responsibility for:

- The effective management of the Group's businesses;
- Leading the development of the Company's strategic direction and implementing the agreed strategy;
- Identifying and executing new business opportunities;
- Managing the Group's risk profile and implementing and maintaining an effective framework of internal controls;
- Developing targets and goals for his executive team;
- Ensuring effective communication with shareholders and key stakeholders and regularly updating institutional investors on the business strategy and performance;
- Providing regular operational updates to the Board on all matters of significance relating to the Group's business or reputation;
- Overseeing the Group's capital allocation, business planning and performance;
- Ensuring (together with the Chairman and the Managing Director) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions; and
- Fostering innovation and entrepreneurialism to drive the Group's businesses forward.

Non-Executive Directors

The Non-Executive Directors bring insight and experience to the Board. They have responsibility for constructively challenging the strategies proposed by the Executive Directors and scrutinising the performance of management in achieving agreed goals and objectives.

Board Meetings

The Board usually holds four meetings each year and ad hoc procedures are adopted to deal with urgent matters which arise between scheduled meetings. The majority of Board meetings are usually held in different locations around Asia and one Board meeting is usually held in Bermuda, at the same time as the Company's AGM each May.

In 2020, due to travel restrictions imposed as a result of the pandemic, it was necessary to hold all four Board meetings virtually. The Board receives high quality, up to date information for each of its meetings, which is provided to Directors via a secure online board information portal.

The Company's Directors who do not serve on the board of DFMS and who are based outside Asia will usually visit Asia and Bermuda to discuss the Group's businesses, as well as to participate in the four strategic reviews that precede the regular Board meetings. In 2020, all of these strategic reviews were held virtually as a result of the pandemic. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge of the Group's affairs, as well as their experience of the wider Jardine Matheson group, provide significant value to the ongoing review by the Company of the Group's businesses and reinforces the Board oversight process.

Board and Committee Attendance

Directors are expected to attend all Board and Audit Committee meetings. The table below shows the attendance at the scheduled Board and Audit Committee meetings:

	Board	Audit Committee
Current Directors of the Company		
Ben Keswick	4/4	-
John Witt	4/4	2/2
Ian McLeod	3/4	-
Clem Constantine	4/4	-
George J. Ho	4/4	-
Adam Keswick	4/4	-
Dr Delman Lee	4/4	-
Anthony Nightingale	4/4	-
Y.K. Pang	4/4	2/2
Clive Schlee	2/2	-
Percy Weatherall	4/4	-
Directors of DFMS		
Graham Baker [1]	-	1/1
Jeremy Parr [2]	4/4	2/2
Former Directors of the Company		
Mark Greenberg [3]	4/4	2/2
Lord Sassoon [4]	1/1	-

1 Graham Baker joined the board of DFMS on 15th June 2020.
2 Jeremy Parr stepped down as a Director of the Company on 3rd December 2020, but remains a director of DFMS.
3 Mark Greenberg stepped down as a Director on 31st December 2020.
4 Lord Sassoon retired from the Board on 9th April 2020.

Appointment and Retirement of Directors

Each new Director is appointed by the Board and the Nominations Committee has been established to assist the Board in such matters. In accordance with the Company's Bye-laws, each new Director is subject to retirement and re-appointment at the first AGM after appointment. Thereafter, Directors are subject to retirement by rotation requirements under the Bye-laws whereby one-third of the Directors retire at the AGM each year. These provisions apply to both Executive and Non-Executive Directors, but the requirement to retire by rotation does not extend to the Chairman or Managing Director.

Appointment and Retirement of Directors continued

Simon Keswick and Lord Sassoon retired from the Board on 1st January 2020 and 9th April 2020, respectively. Clive Schlee was appointed to the Board with effect from 6th May 2020. Ben Keswick stepped down as Managing Director of the Company on 15th June 2020 and remains as the Chairman. He was succeeded as Managing Director by John Witt. Jeremy Parr and Mark Greenberg stepped down from the Board with effect from 3rd and 31st December 2020, respectively.

In accordance with Bye-law 85, Anthony Nightingale and Percy Weatherall retire by rotation at this year's AGM and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Clive Schlee will also retire and, being eligible, offers himself for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

Company Secretary

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

Committees

The Board is supported by the activities of its Committees (the Nominations, Remuneration and Audit Committees), which ensure the right level of attention and consideration are given to specific matters. Matters considered by each of the Committees are set out in its respective terms of reference. Copies of these documents can be obtained from the Company's website at www.dairyfarmgroup.com.

Nominations Committee

The Board established a Nominations Committee (the 'Nominations Committee') in March 2021. The key responsibilities of the Nominations Committee are to:

- Review the structure, size and composition of the Board and its committees and make recommendations on any appointments in order to maintain a balance of skills, knowledge and experience, as well as a diversity of perspectives;
- Lead the process for Board appointments and nominate suitable candidates to the Board;
- Assess suitable candidates based on merit and objective criteria (giving consideration to the promotion of diversity of backgrounds, knowledge, experience and skills), taking into account their ability to meet the required time commitments;
- Oversee the development of succession pipelines for both the Board and senior management positions, to ensure talent is identified and nurtured to meet the challenges and opportunities facing the Group; and
- Satisfy itself that any skill gaps are addressed in the reviews of Board composition, and that appropriate development opportunities are in place for Directors to keep abreast of market knowledge and industry trends to perform their role effectively.

The Nominations Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Nominations Committee. The current members of the Nominations Committee are Ben Keswick, Adam Keswick and John Witt. The Nominations Committee meets at least annually and more often if necessary. It plays a key role in the process of recruiting senior executives. Candidates for appointment as Executive Directors of the Company or for other senior management positions may be sourced internally or externally, including by using the services of specialist executive search or recruitment firms. The aim is to appoint individuals who combine international business knowledge and experience, industry knowledge and experience if possible, and familiarity with, or adaptability to, Asian markets. When appointing Non-Executive Directors, the Committee pays particular attention to the Asian business experience and relationships that they can bring.

Committees continued

Remuneration Committee

The Board established a Remuneration Committee (the 'Remuneration Committee') within DFMS in March 2021. The key responsibilities of the Remuneration Committee are to:

- Oversee the formulation of a Group-wide reward strategy and ensure the business implements the reward strategy in alignment with its industry-specific needs;
- Review and approve the compensation of the Group Chief Executive and leadership team of the business;
- Review the terms of and design of performance related incentives (both short- and long-term), including the review and approval of any changes to plan design, targets and metrics;
- Review and approve the overall compensation costs, including salary and bonus budgets, of the business; and
- Remain abreast of trends and developments in executive compensation and corporate governance as they relate to the Group's industry and countries of operation.

The Remuneration Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Committee. The current members of the Remuneration Committee are Ben Keswick, John Witt, Graham Baker and John Nolan (Jardines group human resources director). The Group Chief Executive and the Group Human Resources Director will generally attend meetings of the Remuneration Committee. The Remuneration Committee meets at least twice annually and more often if necessary, with its meetings aligned with the key events in the Group's annual remuneration cycle.

Audit Committee

The Board has established within DFMS an Audit Committee (the 'Audit Committee'), the current members of which are Y.K. Pang, Graham Baker, Jeremy Parr and John Witt. None of them is directly involved in operational management. Graham Baker was appointed as a member of the Audit Committee with effect from 15th June 2020. Mark Greenberg retired as a member of the Audit Committee on 31st December 2020.

The chairman, group chief executive and chief financial officer of DFMS, together with representatives of the internal and external auditors, also attend the Audit Committee meetings by invitation. Other individuals may attend part of a meeting for specific agenda items as appropriate. The Audit Committee meets twice a year and reports to the Board after each meeting.

The role of the Audit Committee is governed by its terms of reference. The Committee's remit includes:

- Independent oversight and assessment of financial reporting processes including related internal controls;
- Risk management and compliance;
- Overseeing the effectiveness of the internal and external audit functions;
- Considering the independence and objectivity of the external auditors; and
- Reviewing and approving the level and nature of non-audit work performed by the external auditors.

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

Committees continued

Audit Committee continued

The matters considered by the Audit Committee during 2020 included:

- Reviewing the 2019 annual financial statements and 2020 half-yearly financial statements, with particular focus on the impact of COVID-19, provisioning and impairment assessments, assumptions that underpinned key valuation models and effectiveness of financial controls;
- Reviewing the actions and judgements of management in relation to changes in accounting policies and practices, to ensure clarity of disclosures and compliance with new accounting standards;
- Receiving reports from internal audit on the status of the control environment of the Group and its business divisions, and progress made in resolving matters identified in the reports;
- Reviewing the principal risks, evolving trends and emerging risks that affect the Group, and monitoring changes to the risk profile, as well as the effectiveness of risk management measures and crisis management arrangements;
- Receiving updates on the cybersecurity threat landscape and the Group's cybersecurity environment, risk management approach, priorities and control effectiveness;
- Receiving reports from risk management and legal functions on key legal matters and compliance and code of conduct issues, and the actions taken in addressing those issues and strengthening controls;
- Reviewing the annual internal audit plan and status updates;
- Reviewing and approving the revised terms of reference of the Group's internal audit and risk management functions;
- Reviewing the biennial assessment of the effectiveness of PwC;
- Reviewing the independence, audit scope and fees of PwC, and recommending their re-appointment as the external auditor; and
- Conducting a review of the terms of reference of the Audit Committee.

Remuneration

The Board has overall responsibility for setting remuneration across the Group, ensuring it is appropriate and supports the Group's strategy, creating value for stakeholders. The Remuneration Committee has been established to assist the Board in these remuneration matters. The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognised that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this. Executive Directors joining from outside the Group may be offered an initial fixed-term service contract to reflect any requirement for them to relocate.

Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws.

Remuneration in 2020

For the year ended 31st December 2020, the Directors received from the Group US$8.5 million *(2019: US$8.5 million)* in Directors' fees and employee benefits, being:

- US$0.8 million *(2019: US$0.8 million)* in Directors' fees; and
- US$6.4 million *(2019: US$6.3 million)* in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind;
- US$0.1 million *(2019: US$0.1 million)* in post-employment benefits; and
- US$1.2 million *(2019: US$1.3 million)* in share-based payments.

The information set out in the section above headed 'Remuneration in 2020' forms part of the audited financial statements.

Share Schemes

Share-based long-term incentive plans have also been established to provide incentives for Executive Directors and senior managers. Share options are granted by the scheme trustee after consultation between the Chairman and the Group Chief Executive as well as other Directors as they consider appropriate. Share options are not granted to Non-Executive Directors. In December 2018 a new cash-based long-term incentive plan was implemented for senior management, in order to align their remuneration with shareholders' interests by rewarding the delivery of strong EPS growth over the next five years. Payouts under the plan will also be dependent on the achievement of appropriate targets linked to the health of the business and the sustainability of earnings growth.

Insurance and Indemnification

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

Risk Management and Internal Control

The Board has overall responsibility for the Group's systems of risk management and internal control. The Board has delegated to the Audit Committee responsibility for providing oversight in respect of risk management activities. The Audit Committee considers the Group's principal risks and uncertainties and potential changes to the risk profile and reviews the operation and effectiveness of the Group's systems of internal control (financial, operational and compliance) and the procedures by which these risks are monitored and mitigated.

The Audit Committee considers the systems and procedures on a regular basis, and reports to the Board semi-annually. The systems of internal control are designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

Executive management is responsible for the implementation of the systems of internal control throughout the Group, and a series of audit committees at an operational level and the internal audit function monitor the effectiveness of the systems.

The Group has an established risk management process which is reviewed on a regular basis and covers all business units within the Group. This includes the maintenance of risk registers which detail the emerging and existing risks to the future success of the business and the relevant key controls and mitigating factors which address those risks. These are reviewed on a regular basis.

The internal audit function also monitors the approach taken by the business units to risk. The internal audit function is independent of the operating businesses and reports its findings, and recommendations for any corrective action required, to the Audit Committee.

The principal risks and uncertainties facing the Company are set out on pages 149 and 150.

Delegations of Authority

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

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

Whistleblowing Policy

The Group has a whistleblowing policy covering the process by which employees can report, in confidence, matters of serious concern. The Audit Committee has responsibility for overseeing the effectiveness of the formal procedures for employees to raise such matters and is required to review any reports made under those procedures which are referred to it by the internal audit function.

Directors' Responsibilities in respect of the Financial Statements

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

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in its Code of Conduct, which is a set of guidelines to which every employee must adhere and is reinforced and monitored by an annual compliance certification process, and is modelled on the Jardine Matheson group's code of conduct. The Code of Conduct requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The Code of Conduct prohibits the giving or receiving of illicit payments and requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organisations.

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy is set out in the Group's Code of Conduct.

Inclusion and Diversity

The Code of Conduct also encourages inclusion and diversity, and requires all employees to be treated fairly, impartially and with dignity and respect. As a multinational Group with a broad range of businesses operating across Asia, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation, disability, age or background. The scale and breadth of the Group's businesses necessitate that they seek the best people from the communities in which they operate most suited to their needs.

Directors' Share Interests

The Directors of the Company in office on 11th March 2021 had interests* as set out below in the ordinary share capital of the Company. These interests include those notified to the Company in respect of the Directors' closely associated persons*.

Ian McLeod	199,171
Clem Constantine	100,000
George J. Ho	2,098,804
Anthony Nightingale	34,183
Percy Weatherall	200,000

* Within the meaning of MAR

In addition, Ian McLeod held deferred share awards in respect of 398,343 ordinary shares issued pursuant to the Company's share-based long-term incentive plans.

Substantial Shareholders

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

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic Holdings Limited ('Jardine Strategic'), which is directly interested in 1,049,589,171 ordinary shares carrying 77.58% of the voting rights. By virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 11th March 2021.

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

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 33 to the financial statements on page 99.

Securities Purchase Arrangements

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

Annual General Meeting

The 2021 AGM will be held on 5th May 2021. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. A corporate website is maintained containing a wide range of information of interest to investors at www.dairyfarmgroup.com.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 146 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement, the Group Chief Executive's Review and other parts of the Annual Report.

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 activities, and where practicable steps are taken to mitigate them. Risks can be more pronounced when businesses are 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 are longer-term in nature and take more time to deliver 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 competitive pressure 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.

While social media presents significant opportunities for the Group's businesses to connect with customers and the public, it also creates a whole new set of potential risks for companies to monitor, including damage to brand equity or reputation, which could affect the Group's profitability.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 49 and note 38 to the financial statements on pages 112 to 119.

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, including political or social unrest, 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's businesses could be impacted by a global or regional pandemic which seriously affects 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.

Cybersecurity Risk

The Group faces increasing numbers of cyberattacks from groups targeting both individuals and businesses. The privacy and security of customer and corporate information is at risk of being compromised through a breach of our or our suppliers' IT systems or the unauthorised or inadvertent release of information, resulting in brand damage, impaired competitiveness or regulatory action. Cyberattacks may also adversely affect our ability to manage our business operations, or operate information technology and business systems, resulting in business interruption, lost revenues, repair or other costs.

Shareholder Information

Financial Calendar

2020 full-year results announced	11th March 2021
Shares quoted ex-dividend	25th March 2021
Share registers closed	29th March to 2nd April 2021
Annual General Meeting to be held	5th May 2021
2020 final dividend payable	12th May 2021
2021 half-year results to be announced	29th July 2021*
Shares quoted ex-dividend	19th August 2021*
Share registers to be closed	23rd to 27th August 2021*
2021 interim dividend payable	13th October 2021*

* Subject to change

Dividends

Shareholders will receive their cash dividends in United States Dollars, except when elections are made for alternate currencies in the following circumstances.

Shareholders on the Jersey Branch Register
Shareholders registered on the Jersey branch register will have the option to elect for their dividends to be paid in Sterling. These shareholders may make new currency elections for the 2020 final dividend by notifying the United Kingdom transfer agent in writing by 28th April 2021. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 3rd May 2021.

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

Shareholders on the Singapore Branch Register who hold their shares through The Central Depository (Pte) Limited ('CDP')
Shareholders who are on CDP's Direct Crediting Service ('DCS')
For those shareholders who are on CDP's DCS, they will receive their cash dividends in Singapore Dollars unless they opt out of CDP Currency Conversion Service, through CDP, to receive United States Dollars.

Shareholders who are not on CDP's DCS
For those shareholders who are not on CDP's DCS, they will receive their cash dividends in United States Dollars unless they elect, through CDP, to receive Singapore Dollars.

Registrars and Transfer Agent

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

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

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

Jersey Branch Registrar
Link Market Services (Jersey) Limited
12 Castle Street
St Helier, Jersey JE2 3RT
Channel Islands

United Kingdom Transfer Agent
Link Group
The Registry
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL, United Kingdom

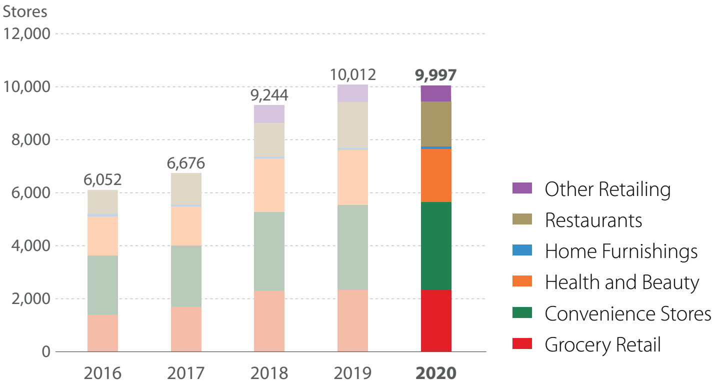
Press releases and other financial information can be accessed through the internet at www.dairyfarmgroup.com.

Retail Outlets Summary

2020	Food: Grocery Retail	Food: Convenience Stores	Health and Beauty	Home Furnishings	Restaurants	Other Retailing	Total	Net change
Hong Kong	322	974	350	4	794	–	**2,444**	(46)
Macau	20	51	20	1	21	–	**113**	1
Mainland China	1,371	1,403	116	–	250	–	**3,140**	49
Singapore	101	423	114	–	160	–	**798**	12
Indonesia	115	–	314	2	–	–	**431**	14
Malaysia	68	–	463	–	2	–	**533**	(10)
Brunei	–	–	24	–	–	–	**24**	1
Taiwan	–	–	–	6	–	–	**6**	–
The Philippines	263	481	521	–	–	588	**1,853**	(65)
Vietnam	–	–	95	–	67	–	**162**	(2)
Cambodia	34	–	12	–	24	–	**70**	16
Thailand	–	–	–	–	423	–	**423**	15
Total	**2,294**	**3,332**	**2,029**	**13**	**1,741**	**588**	**9,997**	(15)
Net change over 2019	5	118	(81)	1	(12)	(46)	(15)	

2019	Food: Grocery Retail	Food: Convenience Stores	Health and Beauty	Home Furnishings	Restaurants	Other Retailing	Total	Net change
Hong Kong	328	962	374	4	822	–	2,490	22
Macau	20	51	19	–	22	–	112	5
Mainland China	1,351	1,281	198	–	261	–	3,091	282
Singapore	103	411	115	–	157	–	786	19
Indonesia	122	–	293	2	–	–	417	(28)
Malaysia	84	–	458	–	1	–	543	(19)
Brunei	–	–	23	–	–	–	23	–
Taiwan	–	–	–	6	–	–	6	1
The Philippines	258	509	517	–	–	634	1,918	40
Vietnam	–	–	102	–	62	–	164	35
Cambodia	23	–	11	–	20	–	54	12
Thailand	–	–	–	–	408	–	408	399
Total	2,289	3,214	2,110	12	1,753	634	10,012	768
Net change over 2018	29	241	50	2	455	(9)	768	

Store Network



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

Management and Offices

Leadership Team

Ian McLeod	Group Chief Executive
Chris Bush	Chief Executive Officer – South East Asia Food
Choo Peng Chee	Chief Executive Officer – North Asia & Group Convenience
Clem Constantine	Chief Financial Officer
Sam Kim	Chief Executive Officer – Health & Beauty and Chief Marketing & Business Development Officer
Martin Lindström	Group Director – IKEA
Judith Nelson	Group Human Resources Director
Marcus Spurrell	Chief Digital Officer
Charlie Wood	Group Counsel

Corporate Office

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979 King's Road, Quarry Bay
Hong Kong
P.O. Box 286, G.P.O.
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Fax : (852) 2299 4888
Website : www.dairyfarmgroup.com

Brunei

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

Cambodia

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

Hong Kong and Macau

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

Maxim's Caterers Ltd*
18/F Maxim's Centre
17 Cheung Shun Stree
Cheung Sha Wan
Kowloon
Tel : (852) 2523 4107
Fax : (852) 2216 7883
Website : www.maxims.com.hk

Indonesia

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

Mainland China

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

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

Yonghui Superstores Co., Ltd*
120 Hutou Street
Fuzhou 350002
Tel : (86 591) 8376 2200
Fax : (86 591) 8378 7308
Website : www.yonghui.com.cn

Malaysia

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

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

The Philippines

Robinsons Retail Holdings, Inc.*
43F Robinsons Equitable Tower
ADB Avenue cor Poveda St.
Ortigas Center, Pasig City
Metro Manila
Tel : (63 2) 635 0751 to 64
Website : www.robinsonsretail holdings.com.ph

Singapore

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

Taiwan

DFI Home Furnishings Taiwan Ltd
4/F 1 Zhong Zheng Road
XinZhuang District
New Taipei City 24243
Tel : (886 2) 8069 9005
Fax : (886 2) 2276 0698
Website : www.ikea.com.tw

Vietnam

Pan Asia Trading And Investment One Member Company Limited*
L2-VP-01, 346 Ben Van Don
Ward 1, District 4
Ho Chi Minh City
Tel : (84 28) 3832 8272
Fax : (84 28) 3832 8448
Website : www.guardian.com.vn

* Associates or joint ventures

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