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Internet website:
www.dairyfarmgroup.com



Jardines

A member of the Jardine Matheson Group

CORPORATE INFORMATION

DIRECTORS

SIMON KESWICK
Chairman

A J L NIGHTINGALE
Managing Director

MICHAEL KOK
Group Chief Executive

RONALD J FLOTO

MARK GREENBERG

GEORGE J Ho

SIR HENRY KESWICK

DR GEORGE C G KOO

R C KWOK

LORD LEACH OF FAIRFORD

JAMES RILEY

ALEC TONG

PERCY WEATHERALL

GILES WHITE

COMPANY SECRETARY AND REGISTERED OFFICE

JOHN C LANG
Jardine House
33-35 Reid Street
Hamilton
Bermuda

DAIRY FARM MANAGEMENT SERVICES LIMITED

DIRECTORS

A J L NIGHTINGALE
Chairman

MICHAEL KOK
Group Chief Executive

ALEC TONG
Group Finance Director

DATO' JOHN COYLE
Regional Director, East Asia

CAROLINE MAK
*Regional Director, North Asia/
Chief Executive Officer, China*

POH SENG POL
Group Business Development Director

ALEX TAY
Regional Director, South Asia

MICHAEL WU
Chairman and Managing Director, Maxim's

MARK GREENBERG

JAMES RILEY

GILES WHITE

CORPORATE SECRETARY

N M McNAMARA

Dairy Farm International Holdings Limited

Dairy Farm is a leading pan-Asian retailer. At 31st December 2010, the Group and its associates operated over 5,300 outlets; employed over 80,000 people in the region; and had total annual sales exceeding US\$9 billion.

The Group operates supermarkets, hypermarkets, health and beauty stores, convenience stores and home furnishings stores under well-known local brands, including:

- Supermarkets – Wellcome in Hong Kong, Taiwan and Vietnam, ThreeSixty and Oliver's The Delicatessen in Hong Kong, Jasons MarketPlace in Singapore, Hong Kong and Taiwan, Cold Storage in Singapore and Malaysia, Giant in Malaysia, Indonesia and Brunei, Shop N Save in Singapore, Hero in Indonesia, and Foodworld in India;
- Hypermarkets – Giant in Malaysia, Indonesia, Singapore and Brunei;
- Health and beauty stores – Mannings in Hong Kong, mainland China and Macau, Guardian in Malaysia, Singapore, Indonesia and Brunei, and Health and Glow in India;
- Convenience stores – 7-Eleven in Hong Kong, Singapore, Southern China and Macau, and Starmart in Indonesia; and
- Home furnishings stores – IKEA in Hong Kong and Taiwan.

The Group has a 50% interest in Maxim's, Hong Kong's leading restaurant chain.

Dairy Farm International Holdings Limited is incorporated in Bermuda and has a Premium 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.

Corporate Overview

“Our goal is to satisfy the appetites of Asian shoppers for wholesome food and quality consumer and durable goods at competitive prices.”

HIGH-QUALITY, LOW-COST RETAILING

Dairy Farm aims to be a leader in all its market sectors. Our focus is retailing and we strive to offer consumers value-for-money through efficient, low-cost distribution of high-quality fresh foods, and consumer and durable goods in our supermarkets, hypermarkets, health and beauty stores, convenience stores and home furnishings stores.

ASIA FOCUS

We are geographically committed to Asia. In addition to developing our existing operations, we aim to achieve growth by exploring new investment opportunities within the region.

MULTIPLE FORMATS, SHARED SERVICES

We operate multiple formats in most markets and achieve economies of scale by supporting these with shared infrastructure for logistics, human resources, finance, procurement, and information technology systems.

LONG-TERM SHAREHOLDER VALUE CREATION

We aim to maintain financial strength through prudent balance sheet management. We take a long-term view of business development and believe in striking a balance between investment in mature cash-flow activities and investment in new businesses. Shareholder value creation is the performance yardstick for the long-term incentive programme of the Company's management.

Highlights

- Underlying earnings up 13%
- Profit growth in all regions
- Maxim's achieved excellent results
- Continued business expansion

Results

| | 2010 US\$m | 2009 US\$m (restated*) | Change % |
|--|---------------|------------------------------|-------------|
| Sales | | | |
| – subsidiaries | 7,971 | 7,029 | 13 |
| – including associates | 9,113 | 8,053 | 13 |
| Underlying profit attributable to shareholders | 410 | 364 | 13 |
| Non-trading items | 1 | – | n/a |
| Profit attributable to shareholders | 411 | 364 | 13 |
| | US¢ | US¢ | % |
| Underlying earnings per share | 30.38 | 27.02 | 12 |
| Basic earnings per share | 30.50 | 27.02 | 13 |
| Dividends per share | 18.00 | 16.00 | 13 |

* Restated due to changes in accounting policies as set out in note 1 to the financial statements.

Chairman's Statement

OVERVIEW

Dairy Farm experienced another good year in 2010 as generally favourable trading conditions persisted in its Asian markets. The Group's core business of selling everyday basic products at competitive prices enjoyed strong recognition and support from consumers.

PERFORMANCE

Sales, including 100% of associates, increased by 13% to US\$9.1 billion in 2010, while underlying profit at US\$410 million was up 13%. Favourable exchange movements enhanced both sales and profit by some 5%. Underlying earnings per share were US¢30.38, up 12%. The profit attributable to shareholders at US\$411 million included US\$1 million of net non-trading gain.

The Group continued to generate positive cash flows and ended the year with net cash of US\$223 million, compared with US\$34 million at the end of 2009. Capital expenditure, including two acquisitions, amounted to US\$276 million, while an asset disposal produced an inflow of US\$37 million.

The Board is recommending a final dividend of US¢13.00 per share, bringing the total ordinary dividend for 2010 to US¢18.00 per share, up 13% on 2009.

OPERATIONS

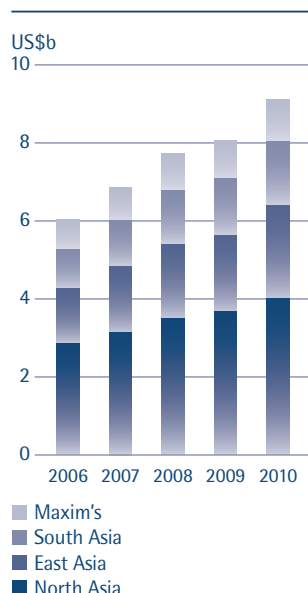
Dairy Farm continued to expand organically and through acquisitions in 2010, increasing its total number of outlets by 315 to 5,386. In the larger format segment, the Group operated 113 Giant hypermarkets at the year end, comprising 67 in Malaysia, 38 in Indonesia, seven in Singapore and one in Brunei.

There were mixed performances from the Group's operations in North Asia, with overall sales increasing by 9% and operating profit by 4%. In Hong Kong, Mannings achieved excellent results, as did IKEA which enjoyed a good response to its relocated 13,900 sq. m. store that opened in June. Wellcome traded reasonably, while 7-Eleven had a more challenging year. In Taiwan, Wellcome's earnings declined in a difficult market segment, but IKEA improved its profitability further.

In Southern China, 7-Eleven was adversely affected by the restrictions on sale of tobacco products, although the business stabilized in the second half. Mannings continued to expand its health and beauty business on the Mainland and added 43 outlets to bring its network to 163.

Restaurant associate, Maxim's, produced another excellent result with good performances from all its operations in Hong Kong. Expansion in mainland China continued as, in addition to its cake shop

Total Sales



chain, Maxim's opened its first Genki Sushi and SimplyLife outlets in Shenzhen. Maxim's also operated a food hall at the World Expo 2010 in Shanghai.

In South Asia, sales increased by 12% while operating profit rose by 7%. The buoyant economy in Singapore enabled the Group's operations to achieve further growth in sales and trading profit despite some demand moving from supermarkets to dining-out. The overall contribution benefited from the strong Singaporean dollar, but this was offset by employment incentives offered by the government being lower than in 2009. In the Indian joint ventures, the 73-outlet health and beauty business is now trading profitably, while the operating losses have been reduced in the supermarket operation.

Sales in East Asia increased by 22% and operating profit by 27%. In Malaysia, the health and beauty stores produced an excellent result and there was a satisfactory performance from hypermarkets and supermarkets, while the country network grew to over 500 stores by the year end. All formats performed well in Indonesia, with particularly strong results from hypermarkets, and the total number of stores increased to 489 with further expansion planned in 2011. The first two supermarkets were opened in Brunei to complement the existing hypermarket and health and beauty formats.

PEOPLE

Dairy Farm's good results achieved in 2010 reflect the dedication and hard work of all employees. On behalf of the Board, I would like to thank them for their efforts and wish them well in the year ahead.

Alec Tong was appointed as the Group Finance Director in September upon the retirement of Howard Mowlem. We would like to thank Howard for his significant contribution over the past ten years with the Group.

PROSPECTS

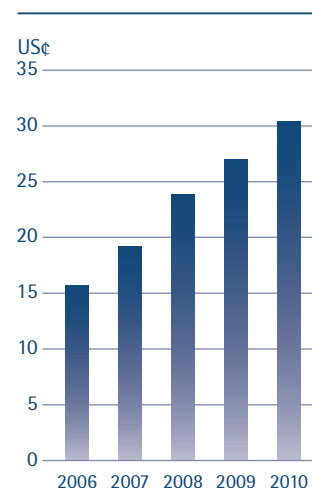
Dairy Farm's major businesses enjoy leading positions in their respective market segments. The Group's prospects for 2011 are positive as the economic environments in most of the countries where it operates are expected to remain favourable.

SIMON KESWICK

Chairman

3rd March 2011

Underlying Earnings Per Share



Group Chief Executive's Review

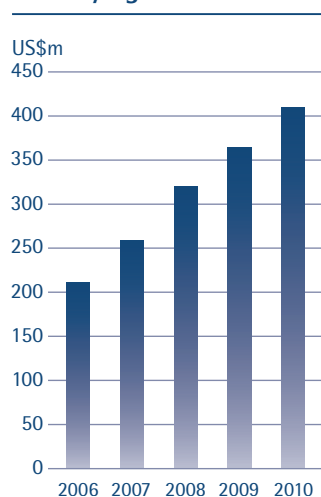
Dairy Farm achieved further growth in sales and earnings in each of its three operating regions in 2010. The Group's prime strategy is to grow its retailing businesses in Asia, while at the same time introducing new concepts and implementing initiatives to improve operational efficiencies and enhance the attractiveness of stores.

A number of important developments took place in 2010:

- We added a net 315 stores, to reach a total of 5,386 by the year end.
- We completed the acquisitions of 16 hypermarkets and supermarkets in Malaysia and eight supermarkets in Singapore.
- In Hong Kong, IKEA successfully relocated its Kowloon Bay store to the Megabox complex producing enhanced results.
- In mainland China, we expanded our Mannings health and beauty business to 163 stores.
- In Malaysia, we opened seven Giant hypermarkets and completed the sale and leaseback of a major hypermarket development. We have crossed the 500 store milestone in the country.

- In Brunei, we opened our first two supermarkets to complement our existing hypermarket and health and beauty stores.
- Our restaurant associate, Maxim's, operated a 1,850 sq. m. food hall at the World Expo 2010 in Shanghai where it promoted its brand equity and Hong Kong's unique culinary culture.
- After the successful implementation of the SAP merchandising systems in Malaysia, the IT modernization programme continued in Indonesia.
- We increased further the investment in private label development and supply chain management to deliver additional value from these important areas.

Underlying Net Profit



REGIONAL REVIEW

NORTH ASIA

Hong Kong

The businesses in Hong Kong faced cost increases as rental levels escalated in a buoyant property market. **Wellcome** supermarkets experienced very competitive trading conditions, although tight controls over operating costs enabled an acceptable result to be achieved. In a challenging year, **7-Eleven** convenience stores focused on driving their ready-to-eat business.

Mannings health and beauty stores produced another good performance with the addition of 29 stores and the benefit of growth in Mainland tourist numbers. The first two health stores under the 'Mannings Plus' banner were opened, offering services ranging from free professional consultations to health tests. Mannings also launched a loyalty card programme which received good responses from customers.

IKEA had an excellent year with encouraging trading results from its newly relocated store at Kowloon Bay.

Our associate, **Maxim's**, continued its strong progress and made significant gains in sales and profitability in 2010. Several new concept restaurants and products were introduced in Hong Kong, while the important mid-Autumn mooncake sales achieved another record volume with good growth on the Mainland.

Macau

Both **7-Eleven** and **Mannings** in Macau produced satisfactory earnings growth during the year.

Mainland China

In a competitive market, **7-Eleven** in Southern China is concentrating on growing its share in the ready-to-eat food business. **Mannings** achieved good growth in sales as it made progress in its development plan with the addition of 43 stores.

In Southern China, **Maxim's** launched three Genki Sushi outlets and its first SimplyLife bakery café. Overall, it increased its market penetration by doubling the number of its cake shops and bakeries to 89 stores.

Taiwan

Wellcome supermarkets continued to face keen competition, although steps taken to consolidate the existing business produced positive results and provide a sound platform on which to develop going forward. Building on the progress made in 2009, **IKEA** achieved good growth in sales and profitability in 2010.

SOUTH ASIA

Singapore

The strong economic recovery that began in 2009 augured well for the retail industry. Businesses had benefited from temporary government subsidies in 2009 and while the subsidy for employment costs was extended to June 2010, it was scaled back significantly.

Cold Storage and **Shop N Save** supermarkets performed satisfactorily in 2010, achieving higher sales and profit despite a return to more restaurant dining as the Singapore economy improved. Ten supermarkets were added during the year, including eight acquired by Shop N Save. The **Giant** hypermarkets sustained their strong recovery with increased sales and profit in 2010.

7-Eleven produced improved earnings as it continued its growth momentum, ending the year with 549 stores after a net addition of 65 stores. **Guardian** maintained a stable profit in a very competitive segment.

India

Foodworld supermarkets made further progress as higher turnover and reduced operating costs led to lower losses, but the trading environment remains challenging.

Health and Glow achieved increases in both sales and profit from its health and beauty stores. The growth momentum is expected to continue as the store network is expanded further.

EAST ASIA

Malaysia

The **Giant** and **Cold Storage** hypermarket and supermarket businesses in Malaysia produced satisfactory growth despite customers remaining cautious in discretionary spending, especially in general merchandise. Stores acquired in 2010 were integrated successfully into the network, and eight Giant stores were opened, comprising seven hypermarkets and one supermarket. A dedicated fresh distribution centre was also established in Selangor, which should improve the fresh offer in terms of quality, purchasing and distribution costs.

Guardian, the country's leading health and beauty chain, had another strong year with new stores enhancing the good comparable store sales growth. A net 30 stores were added in 2010.

Brunei

In addition to the first two **Giant** supermarkets and one hypermarket in Brunei, the Group is well represented with the 21 **Guardian** outlets in key locations.

Indonesia

The **Giant** and **Hero** hypermarket and supermarket operations in Indonesia showed further improvements in their performances. While general merchandise sales slowed, cost controls at both the store and head office levels led to a good increase in earnings. There was a net increase of 22 stores during 2010, and the expansion programme is expected to accelerate in 2011. The upgrading of several Hero stores to provide an enhanced offering was well received, producing improvements in both sales and margins. The **Guardian** health and beauty stores recorded a satisfactory result and 11 stores were added.

Vietnam

Wellcome achieved good comparable sales growth, but its small supermarket operation suffered from lack of scale. We continue to explore opportunities to develop our multi-format stores.

THE YEAR AHEAD

While food inflation and labour cost pressures are being seen in Asia, the Group's view for the economic outlook in the Region remains positive as consumer confidence is growing.

This year, Dairy Farm will continue to expand its retailing formats in existing markets and to identify new opportunities, supported by enhanced supply chain and IT systems to deliver added value. Substantial capital expenditure has been allocated to the development of hypermarkets and supermarkets in Indonesia and Malaysia, as well as to the refurbishment of existing store networks.

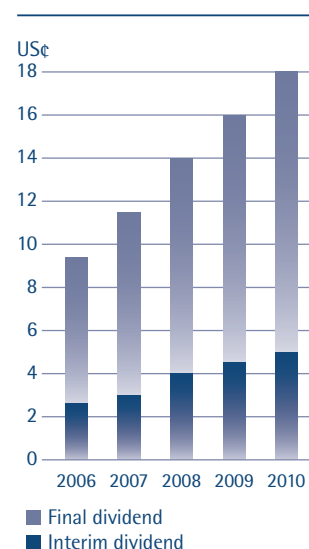
Our progress to-date has been due to the hard work and commitment of our workforce. I thank them for their efforts and for the success they have achieved for the Group.

MICHAEL KOK

Group Chief Executive

3rd March 2011

**Ordinary Dividends
Per Share**



Financial Review

Dairy Farm recorded another good result in 2010 with strong profit growth in East Asia and Maxim's, together with steady performances in North Asia and South Asia. The Group continued to generate positive cash flows to fund capital expenditure and annual dividends, while still increasing the net cash position at the year end.

PERFORMANCE

Sales, excluding those of associates, were US\$7,971 million, a 13% increase over 2009. Operating profit before interest and tax ('PBIT') was US\$469 million, an increase of US\$46 million over the previous year, and the PBIT to sales ratio was 5.9% (2009: 6.0%). After including the Group's share of results of associates, underlying net profit was US\$410 million. This represents a 13% increase over 2009. There was a net non-trading gain of US\$1 million in 2010.

The tax charge for 2010 was US\$84 million, compared to US\$75 million in 2009, reflecting the Group's improved profitability in all major markets. Underlying earnings per share were US\$30.38, an increase of 12% over the previous year.

CASH FLOW

Operating cash flow was strong with a net inflow of US\$677 million, compared to the previous year's US\$481 million. The increase was mainly due to higher profit from operations and good working capital management. Two acquisitions in Malaysia and Singapore accounted for US\$52 million, while the sale and leaseback of a retail complex in Malaysia generated an inflow of US\$37 million. As a result, the Group ended the year with net cash of US\$223 million, an increase of US\$189 million from the 2009 year end.

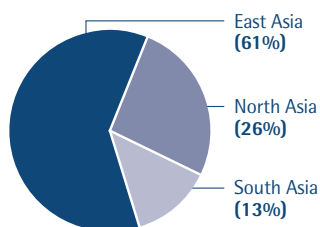
Capital expenditure, including the two acquisitions, was US\$276 million, compared to US\$292 million in 2009. The Group, including associates, added 315 outlets in 2010.

BALANCE SHEET

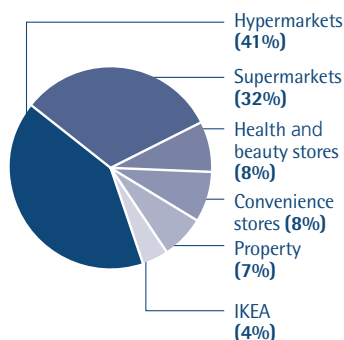
Total assets, excluding cash and bank balances, of US\$2,576 million were US\$303 million higher than 2009, mainly reflecting the investment in new and refurbished stores, the acquisitions and the associated increase in the level of stock. Net operating assets excluding net cash were US\$511 million at the end of 2010, a 3% increase over the previous year.

2010 Capital Expenditure

Total by region: US\$276m



Store capex by format



DIVIDEND

The Board is recommending a final dividend of US¢13.00 per share. This will bring the total dividend in respect of 2010 to US¢18.00 per share, an increase of 13% over 2009 and a payout of approximately 60% of the year's profit.

FINANCING

Borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund and partially hedge their local asset investments. The Group, excluding associates, had gross debt of US\$459 million at the year end, a decrease of US\$40 million. Committed banking facilities at the year end totalled US\$793 million, and had an average life to maturity of 2.3 years. Financing income remained unchanged at US\$3 million, while financing charges increased slightly from US\$24 million in 2009 to US\$26 million in 2010.

PRINCIPAL RISKS AND UNCERTAINTIES

A review of the principal risks and uncertainties facing the Group is set out on page 62.

FINANCIAL RISK MANAGEMENT

A comprehensive discussion of the Group's financial risk management policies is included in note 2 to the financial statements. The Group manages its exposure to financial risk using a

variety of techniques and instruments.

The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. As a matter of policy, the Group does not enter into speculative transactions in derivatives. The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, both short and long term, to give flexibility for the development of the business. At the year end, US\$232 million of gross debt was subject to fixed interest rates, with a remaining average tenor of 1.3 years.

ACCOUNTING POLICIES

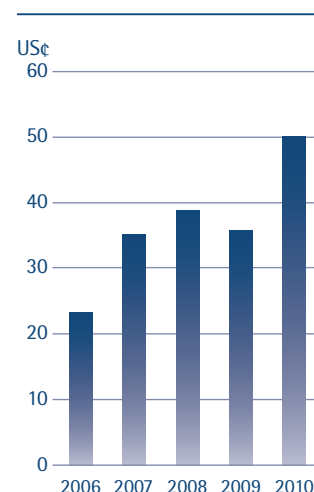
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards. During 2010, the Group adopted certain new accounting standards, but these did not have a material impact on the Group's results. Details are disclosed in note 1 to the financial statements.

ALEC TONG

Group Finance Director

3rd March 2011

Operating Cash Flow Per Share



Directors' Profiles

Simon Keswick

Chairman

Mr Simon Keswick joined the Board and became Chairman in 1986. He joined the Jardine Matheson group in 1962 and is also chairman of Hongkong Land and Mandarin Oriental, and a director of Jardine Lloyd Thompson, Jardine Matheson and Jardine Strategic.

A J L Nightingale*

Managing Director

Mr Nightingale joined the Board and was appointed as Managing Director in 2006. He has served in a number of executive positions since joining the Jardine Matheson group in 1969. He is chairman of Jardine Cycle & Carriage, Jardine Matheson Limited, Jardine Motors and Jardine Pacific, and a commissioner of Astra. He is also managing director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental. Mr Nightingale is chairman of the Business Facilitation Advisory Committee established by the Financial Secretary in Hong Kong, a member of the Commission on Strategic Development, a member of the Committee on Strategic Enhancement of Hong Kong as an International Financial Centre, a vice president of The Real Estate Developers Association of Hong Kong, a council member of the Employers' Federation of Hong Kong, a Hong Kong representative to the APEC Business Advisory Council and a member of Chongqing Mayor's International Economic Advisory Council. He is also chairman of The Sailors Home and Missions to Seamen in Hong Kong.

Michael Kok*

Group Chief Executive

Mr Kok joined the Board and was appointed Group Chief Executive in 2007. He joined Dairy Farm in 1987 and has extensive experience in the retail industry in Asia. As a director of Dairy Farm Management Services since 1997, he had prime responsibility for the Group's retail businesses in South and East Asia.

Alec Tong*

Group Finance Director

Mr Tong joined the Board as Group Finance Director in September 2010. He has been with the Jardine Matheson group since 1993 during which time he has held a number of senior finance positions, most recently group treasurer of the Jardine Matheson group. Mr Tong is a Chartered Accountant.

Ronald J Floto

Mr Floto joined the Board in 1997 and was Group Chief Executive until he retired from executive office in 2007. His extensive experience in the retail industry included senior positions in Kmart Corporation and Super Kmart in the United States.

Mark Greenberg

Mr Greenberg joined the Board in 2006. He is group strategy director of Jardine Matheson. He had previously spent 16 years in investment banking with Dresdner Kleinwort Wasserstein in London. He is also a director of Jardine Matheson Limited, Hongkong Land, Jardine Cycle & Carriage and Mandarin Oriental, and a commissioner of Astra and Bank Permata.

George J Ho

Mr Ho joined the Board in 1998. He was previously engaged in private law practice in San Francisco and is currently engaged in the broadcasting and multi-media industries. Mr Ho is also chairman of Hong Kong Commercial Broadcasting Company and a non-executive director of Enoteca Company in Japan.

Sir Henry Keswick

Sir Henry joined the Board in 1988. He is chairman of Jardine Matheson, having first joined the Jardine Matheson group in 1961, and is also chairman of Jardine Strategic. He is a director of Hongkong Land, Mandarin Oriental and Rothschilds Continuation. He is also vice chairman of the Hong Kong Association.

Dr George C G Koo

Dr Koo, a Fellow of the Royal College of Surgeons, was appointed as a Director in 1990. He is the founder and managing director of the Hong Kong Lithotripter Centre and a member of the Political Consultative Committee of Chekiang Province of the People's Republic of China. He is also a director of Jardine Strategic.

R C Kwok

Mr Kwok is a Chartered Accountant and has been a Director since 1986. He joined the Jardine Matheson group in 1964 and is a director of Jardine Matheson Limited, Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

Lord Leach of Fairford

Lord Leach joined the Board in 1987. He is deputy chairman of Jardine Lloyd Thompson, and a director of Hongkong Land, Jardine Matheson, Jardine Strategic, Mandarin Oriental and Rothschilds Continuation. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking.

James Riley

Mr Riley joined the Board in 2005. He is group finance director of Jardine Matheson. A Chartered Accountant, he joined the Jardine Matheson group from Kleinwort Benson in 1993. He was appointed chief financial officer of Jardine Cycle & Carriage in 1994, and from 1999 to 2005 he was responsible for the businesses grouped under Jardine Pacific. He is also a director of Jardine Matheson Limited.

Percy Weatherall

Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 2006. He held a number of senior positions since first joining the Jardine Matheson group in 1976 until his retirement 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 and Barrow.

Giles White

Mr White joined the Board in 2009. He is the Jardine Matheson group general counsel. He was previously Asia managing partner of Linklaters based in Hong Kong, prior to which he was the firm's head of global finance and projects in London. Mr White is also a director of Jardine Matheson Limited, Jardine Matheson and Mandarin Oriental.

* Executive Director

Consolidated Profit and Loss Account

for the year ended 31st December 2010

| | Note | 2010 US\$m | 2009 US\$m (restated) |
|---|------|---------------|-----------------------------|
| Sales | 4 | 7,970.5 | 7,028.5 |
| Cost of sales | | (5,595.5) | (4,910.9) |
| Gross margin | | 2,375.0 | 2,117.6 |
| Other operating income | | 120.7 | 117.0 |
| Selling and distribution costs | | (1,755.2) | (1,564.8) |
| Administration and other operating expenses | | (271.2) | (246.1) |
| Operating profit | 5 | 469.3 | 423.7 |
| Financing charges | | (25.5) | (24.3) |
| Financing income | | 2.9 | 3.2 |
| Net financing charges | 6 | (22.6) | (21.1) |
| Share of results of associates and joint ventures | 7 | 47.1 | 35.2 |
| Profit before tax | | 493.8 | 437.8 |
| Tax | 8 | (83.5) | (75.0) |
| Profit after tax | | 410.3 | 362.8 |
| Attributable to: | | | |
| Shareholders of the Company | | 411.4 | 364.0 |
| Minority interests | | (1.1) | (1.2) |
| | | 410.3 | 362.8 |
| | | US¢ | US¢ |
| Earnings per share | 9 | | |
| – basic | | 30.50 | 27.02 |
| – diluted | | 30.46 | 26.99 |

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2010

| | 2010 US\$m | 2009 US\$m (restated) |
|---|---------------|-----------------------------|
| Profit for the year | 410.3 | 362.8 |
| Revaluation of other investments | | |
| – gains arising during the year | 0.2 | 0.8 |
| Net actuarial (loss)/gain on employee benefit plans | (5.2) | 16.5 |
| Net exchange translation differences | | |
| – gains arising during the year | 13.6 | 21.7 |
| Cash flow hedges | | |
| – net gain/(loss) arising during the year | 2.6 | (2.5) |
| Share of other comprehensive income of associates and joint ventures | (2.7) | 3.8 |
| Tax relating to components of other comprehensive income | 0.2 | (2.7) |
| Other comprehensive income for the year | 8.7 | 37.6 |
| Total comprehensive income for the year | 419.0 | 400.4 |
| Attributable to: | | |
| Shareholders of the Company | 420.1 | 400.8 |
| Minority interests | (1.1) | (0.4) |
| | 419.0 | 400.4 |

Consolidated Balance Sheet

at 31st December 2010

| | Note | At 31st December | | At 1st January |
|--|------|------------------|-----------------------------|-----------------------------|
| | | 2010 US\$m | 2009 US\$m (restated) | 2009 US\$m (restated) |
| Net operating assets | | | | |
| Intangible assets | 11 | 343.9 | 278.1 | 242.9 |
| Tangible assets | 12 | 920.8 | 732.7 | 680.1 |
| Associates and joint ventures | 13 | 160.6 | 145.8 | 128.7 |
| Other investments | 14 | 3.3 | 3.1 | 2.3 |
| Non-current debtors | 15 | 123.5 | 113.3 | 105.3 |
| Deferred tax assets | 16 | 19.2 | 19.1 | 18.0 |
| Pension assets | 17 | 27.1 | 24.8 | 8.8 |
| Non-current assets | | 1,598.4 | 1,316.9 | 1,186.1 |
| Stocks | | 816.3 | 709.9 | 649.0 |
| Current debtors | 15 | 160.4 | 139.9 | 120.6 |
| Current tax assets | | 0.9 | 1.2 | 4.9 |
| Bank balances and other liquid funds | 18 | 681.8 | 532.8 | 462.9 |
| | | 1,659.4 | 1,383.8 | 1,237.4 |
| Non-current assets classified as held for sale | 19 | – | 105.2 | 65.2 |
| Current assets | | 1,659.4 | 1,489.0 | 1,302.6 |
| Current creditors | 20 | (1,869.9) | (1,605.5) | (1,537.9) |
| Current borrowings | 21 | (120.5) | (133.8) | (62.6) |
| Current tax liabilities | | (69.0) | (63.0) | (65.0) |
| Current provisions | 22 | (5.8) | (3.2) | (2.0) |
| Current liabilities | | (2,065.2) | (1,805.5) | (1,667.5) |
| Net current liabilities | | (405.8) | (316.5) | (364.9) |
| Long-term borrowings | 21 | (337.9) | (365.4) | (404.5) |
| Deferred tax liabilities | 16 | (48.8) | (40.6) | (33.4) |
| Pension liabilities | 17 | (33.9) | (31.1) | (27.0) |
| Non-current creditors | 20 | (16.4) | (16.9) | (20.7) |
| Non-current provisions | 22 | (21.4) | (18.6) | (17.0) |
| Non-current liabilities | | (458.4) | (472.6) | (502.6) |
| | | 734.2 | 527.8 | 318.6 |
| Total equity | | | | |
| Share capital | 23 | 75.0 | 74.9 | 74.8 |
| Share premium and capital reserves | 25 | 46.4 | 36.6 | 32.6 |
| Revenue and other reserves | | 611.7 | 414.1 | 208.6 |
| Shareholders' funds | | 733.1 | 525.6 | 316.0 |
| Minority interests | 27 | 1.1 | 2.2 | 2.6 |
| | | 734.2 | 527.8 | 318.6 |

Approved by the Board of Directors

A J L NIGHTINGALE

MICHAEL KOK

Directors

3rd March 2011

Consolidated Statement of Changes in Equity

for the year ended 31st December 2010

| | Attributable to shareholders of the Company | | | | | | | Total US\$m | Attributable to minority interests US\$m | Total equity US\$m |
|--|---|---------------------------|------------------------------|------------------------------|---|------------------------------|-------------------------------|----------------|---|--------------------------|
| | Share capital US\$m | Share premium US\$m | Capital reserves US\$m | Revenue reserves US\$m | Asset revaluation reserves US\$m | Hedging reserves US\$m | Exchange reserves US\$m | | | |
| 2010 | | | | | | | | | | |
| At 1st January 2010 | | | | | | | | | | |
| – as previously reported | 74.9 | 9.9 | 26.7 | 436.3 | 15.8 | (5.5) | (17.3) | 540.8 | 2.2 | 543.0 |
| – change in accounting policy for owner- occupied properties | – | – | – | (0.2) | (15.8) | – | 0.8 | (15.2) | – | (15.2) |
| – as restated | 74.9 | 9.9 | 26.7 | 436.1 | – | (5.5) | (16.5) | 525.6 | 2.2 | 527.8 |
| Total comprehensive income | – | – | – | 404.1 | – | 1.9 | 14.1 | 420.1 | (1.1) | 419.0 |
| Dividends paid by the Company | – | – | – | (222.5) | – | – | – | (222.5) | – | (222.5) |
| Issue of shares | 0.1 | 8.1 | – | – | – | – | – | 8.2 | – | 8.2 |
| Employee share option schemes | – | – | 1.7 | – | – | – | – | 1.7 | – | 1.7 |
| At 31st December 2010 | 75.0 | 18.0 | 28.4 | 617.7 | – | (3.6) | (2.4) | 733.1 | 1.1 | 734.2 |
| 2009 | | | | | | | | | | |
| At 1st January 2009 | | | | | | | | | | |
| – as previously reported | 74.8 | 7.4 | 25.2 | 248.8 | 16.8 | (3.6) | (38.5) | 330.9 | 2.6 | 333.5 |
| – change in accounting policy for owner- occupied properties | – | – | – | 0.8 | (16.8) | – | 1.1 | (14.9) | – | (14.9) |
| – as restated | 74.8 | 7.4 | 25.2 | 249.6 | – | (3.6) | (37.4) | 316.0 | 2.6 | 318.6 |
| Total comprehensive income | – | – | – | 381.8 | – | (1.9) | 20.9 | 400.8 | (0.4) | 400.4 |
| Dividends paid by the Company | – | – | – | (195.3) | – | – | – | (195.3) | – | (195.3) |
| Issue of shares | 0.1 | 2.5 | – | – | – | – | – | 2.6 | – | 2.6 |
| Employee share option schemes | – | – | 1.5 | – | – | – | – | 1.5 | – | 1.5 |
| At 31st December 2009 | 74.9 | 9.9 | 26.7 | 436.1 | – | (5.5) | (16.5) | 525.6 | 2.2 | 527.8 |

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US\$411.4 million (2009: US\$364.0 million), net fair value gain on revaluation of other investments of US\$0.2 million (2009: US\$0.7 million) and net actuarial loss on employee benefit plans of US\$7.5 million (2009: net gain of US\$17.1 million).

Consolidated Cash Flow Statement

for the year ended 31st December 2010

| | Note | 2010 US\$m | 2009 US\$m (restated) |
|--|-------|----------------|-----------------------------|
| Operating activities | | | |
| Operating profit | 5 | 469.3 | 423.7 |
| Depreciation and amortization | 29(a) | 167.3 | 143.4 |
| Other non-cash items | 29(b) | 6.0 | 9.2 |
| Decrease/(increase) in working capital | 29(c) | 100.5 | (28.2) |
| Interest received | | 2.9 | 3.6 |
| Interest and other financing charges paid | | (25.5) | (24.0) |
| Tax paid | | (73.6) | (70.9) |
| | | 646.9 | 456.8 |
| Dividends from associates and joint ventures | | 29.6 | 24.5 |
| Cash flows from operating activities | | 676.5 | 481.3 |
| Investing activities | | | |
| Purchase of tangible assets | | (210.8) | (262.2) |
| Purchase of subsidiaries | 29(d) | (52.2) | - |
| Purchase of associates and joint ventures | | - | (2.6) |
| Purchase of intangible assets | | (13.0) | (27.0) |
| Sale of properties | 29(e) | 37.3 | 47.0 |
| Sale of other tangible assets | | 0.8 | 0.6 |
| Cash flows from investing activities | | (237.9) | (244.2) |
| Financing activities | | | |
| Issue of shares | | 8.2 | 2.6 |
| Drawdown of borrowings | | 1,480.4 | 1,202.4 |
| Repayment of borrowings | | (1,555.5) | (1,181.9) |
| Dividends paid by the Company | 26 | (222.5) | (195.3) |
| Cash flows from financing activities | | (289.4) | (172.2) |
| Effect of exchange rate changes | | 9.9 | 2.7 |
| Net increase in cash and cash equivalents | | 159.1 | 67.6 |
| Cash and cash equivalents at 1st January | | 520.8 | 453.2 |
| Cash and cash equivalents at 31st December | 29(f) | 679.9 | 520.8 |

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The 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. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Previously, the Group's freehold land and buildings, and the building component of owner-occupied leasehold properties were stated at valuation. Independent valuations were performed every three years on an open market basis, and in the case of the building component of leasehold properties, on the basis of depreciated replacement cost. In the intervening years, the Directors reviewed the carrying values and adjustments were made where there were material changes. Revaluation surpluses and deficits were recognized in other comprehensive income and accumulated in equity under asset revaluation reserves, except for movements on individual properties below depreciated cost which were recognized in profit and loss. Leasehold land was carried at amortized cost.

With effect from 1st January 2010, the Group revised its accounting policy in respect of its freehold land and buildings and the building component of owner-occupied leasehold properties to the cost model, under which these assets are carried at cost less any accumulated depreciation and impairment. This change harmonizes the treatment of land and buildings, both freehold and leasehold, and aligns the Group's accounting policy with industry practice, enhancing the comparability of the Group's financial statements with those of its international peers. The Directors believe that the new policy provides reliable and more relevant financial information to the users of the financial statements.

This change in accounting policy has been accounted for retrospectively, and the comparative financial statements have been restated.

Standards, amendments and interpretations effective in 2010 which are relevant to the Group's operations

| | |
|------------------------------|---|
| Amendments to IFRS 2 | Group Cash-settled Share-based Payment Transactions |
| Amendment to IAS 39 | Eligible Hedged Items |
| IFRIC 17 | Distributions of Non-cash Assets to Owners |
| IFRIC 18 | Transfers of Assets from Customers |
| Improvements to IFRSs (2009) | |

IAS 17 (amendment) 'Leases' is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of title at the end of the lease term. Previously, all of the Group's leasehold land was included under land use rights in intangible assets and stated at cost less accumulated amortization. In accordance with the amendment, certain long-term interests in leasehold land have been classified as finance leases and grouped under tangible assets if substantially all risks and rewards relating to the land have been transferred to the Group. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

(a) Basis of preparation (continued)

The adoption of the following standards, amendments and interpretations does not have a material impact on the Group's accounting policies.

The amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions' incorporate the guidance provided in IFRIC 8 'Scope of IFRS 2' and IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' and expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

The amendment to IAS 39 'Eligible Hedged Items' gives additional guidance on the designation of a hedged item and how hedged accounting should be applied in particular situations.

IFRIC 17 'Distribution of Non-cash Assets to Owners' requires that a non-cash dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend should be measured at the fair values of the net assets to be distributed. Any difference between the dividend paid and the carrying amount of the net assets distributed should be included in profit and loss.

IFRIC 18 'Transfers of Assets from Customers' addresses the accounting by recipients for transfers of property, plant and equipment from customers and concludes that when an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of transfer, with the credit being recognized as revenue in accordance with IAS 18 'Revenue'.

IFRS 5 (amendment) 'Non-current Assets Held for Sale and Discontinued Operations' is part of the 2009 improvement project. It clarifies that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale of discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

IAS 1 (amendment) 'Presentation of Financial Statements' is part of the 2009 improvement project. It clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

IAS 36 (amendment) 'Impairment of Assets' is part of the 2009 improvement project. It clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8.

IFRIC 16 (amendment) 'Hedges of a Net Investment in a Foreign Operation' is part of the 2009 improvement project. It states that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

(a) Basis of preparation (continued)

Effects of change in accounting policies:

(i) On the consolidated profit and loss account for the year ended 31st December

There is no material impact on the consolidated profit and loss account arising from the change to the cost model for owner-occupied properties or the amendment to IAS 17 for the year ended 31st December 2010 and 2009.

(ii) On the consolidated balance sheet at 31st December

| | Increase/(decrease) in assets | | Decrease in equity/liabilities | |
|---|-------------------------------|--------------------------|--|-----------------------------------|
| | Intangible assets US\$m | Tangible assets US\$m | Revenue and other reserves US\$m | Deferred tax liabilities US\$m |
| 2010 | | | | |
| Effect of: | | | | |
| Change to cost model for owner-occupied properties | - | (19.0) | 15.9 | 3.1 |
| Adopting IAS 17 (amendment) | (84.7) | 84.7 | - | - |
| Total | (84.7) | 65.7 | 15.9 | 3.1 |
| 2009 | | | | |
| Effect of: | | | | |
| Change to cost model for owner-occupied properties | - | (18.2) | 15.2 | 3.0 |
| Adopting IAS 17 (amendment) | (41.2) | 41.2 | - | - |
| Total | (41.2) | 23.0 | 15.2 | 3.0 |
| 2008 | | | | |
| Effect of: | | | | |
| Change to cost model for owner-occupied properties | - | (18.1) | 14.9 | 3.2 |
| Adopting IAS 17 (amendment) | (61.3) | 61.3 | - | - |
| Total | (61.3) | 43.2 | 14.9 | 3.2 |

Standards, amendments and interpretations effective after 2010 which are relevant to the Group's operations and yet to be adopted

| | |
|------------------------------|---|
| IFRS 9 | Financial Instruments |
| Revised IAS 24 | Related Party Disclosures |
| Amendment to IAS 32 | Classification of Rights Issues |
| Amendments to IFRIC 14 | Prepayments of a Minimum Funding Requirement |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |
| Improvements to IFRSs (2010) | |

IFRS 9 'Financial Instruments' (effective from 1st January 2013) is the first part of a project to replace IAS 39. It addresses the classification and measurement of financial assets. IFRS 9 is likely to affect the Group's accounting for its financial assets. The Group will apply IFRS 9 from 1st January 2013 and is yet to assess IFRS 9's full impact.

(a) Basis of preparation (continued)

Revised IAS 24 'Related Party Disclosures' (effective from 1st January 2011) supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply IAS 24 and provide the required disclosure from 1st January 2011.

Amendment to IAS 32 'Classification of Rights Issues' (effective from 1st February 2010) clarifies that rights issues are equity instruments when they are denominated in a currency other than the issuer's functional currency and are issued pro-rata to an entity's existing shareholders for a fixed amount of currency. The Group will apply amendment to IAS 32 from 1st January 2011. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective from 1st January 2011) require an entity to recognize an asset for a prepayment that will reduce future minimum funding contributions required by the entity. The Group will apply amendments to IFRIC 14 from 1st January 2011, but it is not expected to have any significant impact on the results of the Group.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1st July 2010) provides guidance on the application of IAS 39 and IAS 32 when an entity issues its own equity instruments to extinguish all or part of a financial liability. The Group will apply IFRIC 19 from 1st January 2011 and is in the process of making an assessment of the impact of this interpretation.

The Improvements to IFRSs (2010) comprise a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include IFRS 3 (amendments) 'Business Combinations', IFRS 7 (amendments) 'Financial Instruments: Disclosures', IAS 1 (amendments) 'Presentation of Financial Statements', IAS 34 (amendments) 'Interim Financial Reporting' and IFRIC 13 (amendment) 'Customer Loyalty Programmes'. The adoption of these amendments is not expected to have any significant impact on the results of the Group.

IFRS 3 (amendments) 'Business Combinations' (effective from 1st July 2010) clarify the transition requirements for contingent consideration from business combination that occurred before the effective date of the revised IFRS, the measurement of non-controlling interests and un-replaced and voluntarily replaced share-based payment awards. The Group will apply the amendments from 1st January 2011.

IFRS 7 (amendments) 'Financial Instruments: Disclosures' (effective from 1st January 2011) emphasize the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments. The Group will apply the amendments from 1st January 2011.

IAS 1 (amendments) 'Presentation of Financial Statements' (effective from 1st January 2011) clarify that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group will apply the amendments from 1st January 2011.

IAS 34 (amendments) 'Interim Financial Reporting' (effective from 1st January 2011) provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The Group will apply the amendments from 1st January 2011.

IFRIC 13 (amendment) 'Customer Loyalty Programmes' (effective from 1st January 2011) clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The Group will apply the amendment from 1st January 2011.

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

The Group's reportable segments are set out in notes 4, 5 and 7 and are described on page 31.

(b) Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and its associates and joint ventures.

(ii) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. 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. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognized in profit and loss.

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

(iii) Associates are entities, not being subsidiaries or joint ventures, over which the Group exercises significant influence. Joint ventures are entities which the Group jointly controls with one or more other venturers. Associates and joint ventures are included on the equity basis of accounting.

(iv) Minority 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.

(c) Foreign currencies

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

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

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

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

(d) Impairment

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

(e) Intangible assets

(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the effective date of acquisition. Minority interests are measured at their proportionate share of the net identifiable assets at the acquisition dates. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

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

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

(iii) Other intangible assets are stated at cost less accumulated amortization. Amortization is calculated on the straight line basis to allocate the cost of intangible assets over their estimated useful lives.

(f) Tangible fixed assets and depreciation

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

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

| | |
|---|---------------------|
| Buildings | 30 - 50 years |
| Leasehold improvements | period of the lease |
| Leasehold land | period of the lease |
| Plant and machinery | 3 - 20 years |
| Furniture, equipment and motor vehicles | 3 - 15 years |

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

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

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

(g) Investments

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

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

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

(h) Stocks

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

(i) Debtors

Trade debtors are measured at amortized cost except where the effect of discounting would be immaterial. Provision for impairment is established when there is objective evidence that the outstanding amounts will not be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the debt is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in arriving at operating profit. When a debt 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 twelve months after the balance sheet date are classified under non-current assets.

(j) Cash and cash equivalents

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

(k) Provisions

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

(l) Deferred tax

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

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

(m) 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 are recognized in other comprehensive income in the year in which they occur.

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

(m) 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 options in respect of options granted after 7th November 2002 is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted as determined on the grant date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognized in profit and loss.

(n) Dividends

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

(o) Sales

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

(p) Leases

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

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

(q) Pre-operating costs

Pre-operating costs are expensed as they are incurred.

(r) Borrowings and borrowing costs

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

Borrowing costs relating to major development projects are capitalized during the construction period until the asset is substantially completed. Capitalized borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

Borrowings are classified under non-current liabilities unless these are due to be settled within twelve months after the balance sheet date.

(s) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use.

(t) Derivative financial instruments

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

(t) Derivative financial instruments (continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recognized in profit and loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit and loss over the residual period to maturity.

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

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

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in exchange reserves; the gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

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

(u) Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognized when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

(v) Non-trading items

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

(w) 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 Company's share of the shares held by the Trustee under the Senior Executive Share Incentive Schemes. 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 Senior Executive Share Incentive Schemes based on the average share price during the year.

(x) Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

2. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The Group's treasury function co-ordinates financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, caps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in profit and loss. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2010 are disclosed in note 30.

(i) Market risk

Foreign exchange risk

Entities within the Group are exposed to foreign exchange risk 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.

Entities in the Group use forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments and manage their foreign exchange risk arising from future commercial transactions. Group companies are required to manage their foreign exchange risk against their functional currency. 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 2010 that are denominated in a non-functional currency.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps and caps. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings in fixed rate instruments with an average tenor of one to three years. At 31st December 2010 the Group's interest rate hedge was 52% (2009: 60%), with an average tenor of 1.3 years (2009: 1.4 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions is set out in note 21.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by entering into interest rate swaps and caps for a maturity of up to five years. Interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, whilst caps provide protection against a rise in floating rates above a pre-determined rate.

(a) Financial risk factors (continued)

At 31st December 2010, 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\$3.9 million (2009: US\$2.8 million) higher/lower, and hedging reserves would have been US\$3.2 million (2009: US\$4.1 million) higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States and Hong Kong rates over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

(ii) Credit risk

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

The Group manages its deposits with banks and transactions involving derivative financial instruments by monitoring credit ratings, capital adequacy ratios, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2010, 99% (2009: 99%) of deposits and balances with banks were made to institutions with credit ratings of no less than A- (Fitch). Similarly, transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however, the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

Sales to customers are made in cash or by major credit cards. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group's exposure to credit risk arising from debtors is set out in note 15 and totals US\$283.9 million (2009: US\$253.2 million). The Group's exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value is disclosed in note 15 as a component of other debtors and totals US\$0.2 million (2009: nil). The Group's exposure to credit risk arising from deposits and balances with banks is set out in note 18 and totals US\$598.8 million (2009: US\$468.8 million).

(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. In addition long-term cash flows are projected to assist with the Group's long-term debt financing plans.

At 31st December 2010, total available borrowing facilities amounted to US\$1,179.6 million (2009: US\$1,185.8 million), of which US\$458.4 million (2009: US\$499.2 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US\$404.7 million (2009: US\$381.3 million).

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in notes 20, 21 and 30.

(b) Capital management

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

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

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying business performance divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2010 and 2009 are as follows:

| | 2010 | 2009 |
|------------------------|-----------|------|
| Gearing ratio (%) | n/a | n/a |
| Interest cover (times) | 23 | 22 |

The net cash position at 31st December 2010 is primarily due to better operating results and working capital position. The slight increase in interest cover is mainly due to better operating results.

(c) Fair value estimation

The fair value of interest rate swaps and caps is calculated by reference to the present value of the estimated future cash flows, taking into account current interest rates as observed from the market. The fair value of forward foreign exchange contracts is determined using forward exchange market rates of the same remaining tenor at the balance sheet date.

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Acquisition of subsidiaries, associates and joint ventures

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

(b) Tangible fixed assets and depreciation

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) 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.

(d) 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 income tax and deferred tax provisions in the period in which such determination is made.

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

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

(e) 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 expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

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 liability.

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

(f) 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.

| 4. SALES | Including associates and joint ventures | | Subsidiaries | |
|---------------------------------------|---|----------------|----------------|----------------|
| | 2010 US\$m | 2009 US\$m | 2010 US\$m | 2009 US\$m |
| <i>Analysis by operating segment:</i> | | | | |
| North Asia | 4,009.8 | 3,666.7 | 4,009.8 | 3,666.7 |
| East Asia | 2,395.8 | 1,957.8 | 2,395.8 | 1,957.8 |
| South Asia | 1,629.9 | 1,459.8 | 1,564.9 | 1,404.0 |
| | 8,035.5 | 7,084.3 | 7,970.5 | 7,028.5 |
| Maxim's | 1,077.6 | 968.3 | – | – |
| | 9,113.1 | 8,052.6 | 7,970.5 | 7,028.5 |
| <i>Analysis by format:</i> | | | | |
| Supermarkets/hypermarkets | 4,848.6 | 4,311.9 | 4,807.6 | 4,275.1 |
| Health and beauty stores | 1,454.6 | 1,232.8 | 1,430.6 | 1,213.8 |
| Convenience stores | 1,426.2 | 1,282.2 | 1,426.2 | 1,282.2 |
| Home furnishings stores | 306.1 | 257.4 | 306.1 | 257.4 |
| | 8,035.5 | 7,084.3 | 7,970.5 | 7,028.5 |
| Restaurants | 1,077.6 | 968.3 | – | – |
| | 9,113.1 | 8,052.6 | 7,970.5 | 7,028.5 |

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

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board for the purpose of resource allocation and performance assessment. Dairy Farm operates in four operating segments: North Asia, East Asia, South Asia and Maxim's. North Asia comprises Hong Kong, mainland China, Macau and Taiwan. East Asia comprises Malaysia, Indonesia, Vietnam and Brunei. South Asia comprises Singapore and India. Maxim's is the Group's major associate, a leading Hong Kong restaurant chain. No operating segments have been aggregated to form the reportable segments.

| 5. OPERATING PROFIT | 2010 US\$m | 2009 US\$m |
|--|---------------|---------------|
| <i>Analysis by operating segment:</i> | | |
| North Asia | 215.9 | 208.2 |
| East Asia | 178.0 | 140.4 |
| South Asia | 107.0 | 101.0 |
| | 500.9 | 449.6 |
| Support office | (31.2) | (25.9) |
| | 469.7 | 423.7 |
| Non-trading items in East Asia: | | |
| – Acquisition-related costs in business combinations | (0.7) | – |
| – Profit on sale of a property | 0.3 | – |
| | 469.3 | 423.7 |
| <i>Analysis by format:</i> | | |
| Supermarkets/hypermarkets | 266.9 | 251.7 |
| Health and beauty stores | 131.2 | 108.9 |
| Convenience stores | 55.3 | 60.8 |
| Home furnishings stores | 32.2 | 12.3 |
| Other | 15.3 | 15.9 |
| | 500.9 | 449.6 |

5. OPERATING PROFIT (continued)

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

| | 2010 US\$m | 2009 US\$m |
|---|---------------|---------------|
| Cost of stocks recognized as expense | 5,584.0 | 4,901.8 |
| Amortization of intangible assets (note 11) | 5.9 | 3.4 |
| Depreciation of tangible assets (note 12) | 161.4 | 140.0 |
| Employee benefit expense | | |
| – salaries and benefits in kind | 657.7 | 584.8 |
| – share options granted (note 25) | 1.7 | 1.5 |
| – defined benefit pension plans (note 17) | 10.3 | 10.9 |
| – defined contribution pension plans | 30.6 | 30.3 |
| | 700.3 | 627.5 |
| Operating leases | | |
| – minimum lease payments | 617.9 | 542.1 |
| – contingent rents | 6.0 | 4.7 |
| – subleases | (41.6) | (31.6) |
| | 582.3 | 515.2 |
| Concession and service income | (94.2) | (81.0) |
| Rental income | (15.3) | (15.9) |
| Net foreign exchange gains | (1.1) | (0.6) |
| Loss on sale of tangible assets | 4.7 | 3.4 |

6. NET FINANCING CHARGES

| | 2010 US\$m | 2009 US\$m |
|--|---------------|---------------|
| Interest expense – bank loans and advances | 23.8 | 23.4 |
| Commitment and other fees | 1.7 | 0.9 |
| Financing charges | 25.5 | 24.3 |
| Interest income on bank deposits | (2.9) | (3.2) |
| | 22.6 | 21.1 |

7. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

| | 2010 US\$m | 2009 US\$m |
|---------------------------------------|---------------|---------------|
| <i>Analysis by operating segment:</i> | | |
| Maxim's | 49.1 | 38.2 |
| South Asia | (2.0) | (3.0) |
| | 47.1 | 35.2 |
| <i>Analysis by format:</i> | | |
| Restaurants | 49.1 | 38.2 |
| Supermarkets | (2.4) | (2.9) |
| Health and beauty stores | 0.4 | (0.1) |
| | 47.1 | 35.2 |

Results are shown after tax and minority interests in the associates and joint ventures.

| 8. TAX | 2010 US\$m | 2009 US\$m |
|---|-----------------------|-----------------------|
| <i>Tax charged to profit and loss is analyzed as follows:</i> | | |
| Current tax | 76.2 | 71.5 |
| Deferred tax | 7.3 | 3.5 |
| | 83.5 | 75.0 |
| <i>Geographical analysis:</i> | | |
| North Asia | 31.9 | 32.8 |
| East Asia | 35.4 | 25.7 |
| South Asia | 16.2 | 16.5 |
| | 83.5 | 75.0 |
| <i>Reconciliation between tax expense and tax at the applicable tax rate*:</i> | | |
| Tax at applicable tax rate | 72.8 | 65.7 |
| Income not subject to tax | (0.4) | (1.3) |
| Expenses not deductible for tax purposes | 7.0 | 4.4 |
| Tax losses not recognized | 5.0 | 4.6 |
| Utilization of previously unrecognized tax losses | (1.4) | (0.4) |
| Recognition of previously unrecognized tax losses and temporary differences | (0.5) | (0.5) |
| (Over)/under provision in prior years | (3.2) | 0.3 |
| Change in tax rates | 0.2 | (0.4) |
| Withholding tax | 2.4 | 2.1 |
| Other | 1.6 | 0.5 |
| | 83.5 | 75.0 |
| <i>Tax relating to components of other comprehensive income is analyzed as follows:</i> | | |
| Employee benefit plans | 0.9 | (3.2) |
| Cash flow hedges | (0.7) | 0.6 |
| Revaluation of other investments | – | (0.1) |
| | 0.2 | (2.7) |

Share of tax charge of associates and joint ventures of US\$11.6 million (2009: US\$9.3 million) related to Maxim's is included in share of results of associates and joint ventures.

* The applicable tax rate for the year was 16.3% (2009: 16.3%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

The Group has no tax payable in the United Kingdom (2009: nil).

9. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US\$411.4 million (2009: US\$364.0 million), and on the weighted average number of 1,349.0 million (2009: 1,347.0 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$411.4 million (2009: US\$364.0 million), and on the weighted average number of shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

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

| | Ordinary shares in millions | |
|---|-----------------------------|---------|
| | 2010 | 2009 |
| Weighted average number of shares for basic earnings per share calculation | 1,349.0 | 1,347.0 |
| Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes | 1.8 | 1.8 |
| Weighted average number of shares for diluted earnings per share calculation | 1,350.8 | 1,348.8 |

Additional basic and diluted earnings per share are also calculated for the year ended 31st December 2010 based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

| | US\$m | Basic earnings per share US¢ | Diluted earnings per share US¢ |
|--|-------|------------------------------|--------------------------------|
| Profit attributable to shareholders | 411.4 | 30.50 | 30.46 |
| Non-trading items (note 10) | (1.6) | | |
| Underlying profit attributable to shareholders | 409.8 | 30.38 | 30.34 |

There were no non-trading items in 2009.

10. NON-TRADING ITEMS

An analysis of non-trading items after interest, tax and minority interests (2009: nil) is set out below:

| | 2010 US\$m |
|--|------------|
| Release of over-provision for a business disposal in prior years | 2.0 |
| Profit on sale of a property | 0.3 |
| Acquisition-related costs in business combinations | (0.7) |
| | 1.6 |

| 11. INTANGIBLE ASSETS | Goodwill US\$m | Leasehold land US\$m | Other US\$m | Total US\$m |
|---|-------------------|-------------------------|----------------|----------------|
| 2010 | | | | |
| Cost | | | | |
| – as previously reported | 234.1 | 73.5 | 28.9 | 336.5 |
| – change in accounting policies for long-term interests in leasehold land | – | (44.6) | – | (44.6) |
| – as restated | 234.1 | 28.9 | 28.9 | 291.9 |
| Amortization and impairment | | | | |
| – as previously reported | (0.4) | (4.5) | (12.3) | (17.2) |
| – change in accounting policies for long-term interests in leasehold land | – | 3.4 | – | 3.4 |
| – as restated | (0.4) | (1.1) | (12.3) | (13.8) |
| Net book value at 1st January | 233.7 | 27.8 | 16.6 | 278.1 |
| Exchange differences | 12.4 | 1.3 | 1.6 | 15.3 |
| New subsidiaries acquired | – | – | 0.2 | 0.2 |
| Additions | 43.7 | 2.7 | 9.8 | 56.2 |
| Amortization | – | (0.8) | (5.1) | (5.9) |
| Net book value at 31st December | 289.8 | 31.0 | 23.1 | 343.9 |
| Cost | | | | |
| | 290.2 | 32.9 | 41.4 | 364.5 |
| Amortization and impairment | (0.4) | (1.9) | (18.3) | (20.6) |
| | 289.8 | 31.0 | 23.1 | 343.9 |
| 2009 | | | | |
| Cost | | | | |
| – as previously reported | 224.5 | 71.5 | 21.0 | 317.0 |
| – change in accounting policies for long-term interests in leasehold land | – | (64.7) | – | (64.7) |
| – as restated | 224.5 | 6.8 | 21.0 | 252.3 |
| Amortization and impairment | | | | |
| – as previously reported | (0.4) | (4.2) | (8.2) | (12.8) |
| – change in accounting policies for long-term interests in leasehold land | – | 3.4 | – | 3.4 |
| – as restated | (0.4) | (0.8) | (8.2) | (9.4) |
| Net book value at 1st January | 224.1 | 6.0 | 12.8 | 242.9 |
| Exchange differences | 9.6 | 2.9 | 0.8 | 13.3 |
| Additions | – | 19.1 | 6.2 | 25.3 |
| Amortization | – | (0.2) | (3.2) | (3.4) |
| Net book value at 31st December | 233.7 | 27.8 | 16.6 | 278.1 |
| Cost | | | | |
| | 234.1 | 28.9 | 28.9 | 291.9 |
| Amortization and impairment | (0.4) | (1.1) | (12.3) | (13.8) |
| | 233.7 | 27.8 | 16.6 | 278.1 |

| 11. INTANGIBLE ASSETS (continued) | 2010 US\$m | 2009 US\$m |
|---|---------------|---------------|
| <i>Analysis of goodwill by operating segment:</i> | | |
| North Asia | 42.2 | 41.0 |
| East Asia | 162.7 | 119.4 |
| South Asia | 84.9 | 73.3 |
| | 289.8 | 233.7 |

Other intangible assets comprised trademarks and computer software.

Additions of goodwill in 2010 mainly related to the acquisition of Bintang stores in Malaysia and MCP stores in Singapore (note 29(d)).

Goodwill is allocated to cash-generating units identified as banners or group of stores acquired. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include budgeted gross margins of between 23% and 51% and growth rates of up to 6% to extrapolate cash flows, which vary across the Group's business segments and geographical locations, over a five year period, and are based on management expectations for the market development; and pre-tax discount rates of between 7% and 19% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment is required.

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

| 12. TANGIBLE ASSETS | Freehold properties US\$m | Leasehold properties US\$m | Leasehold improvements US\$m | Plant & machinery US\$m | Furniture, equipment & motor vehicles US\$m | Total US\$m |
|---|---------------------------------|----------------------------------|------------------------------------|-------------------------------|---|----------------|
| 2010 | | | | | | |
| Cost | | | | | | |
| – as previously reported | 47.2 | 144.9 | 465.2 | 425.5 | 579.7 | 1,662.5 |
| – change in accounting policies for | | | | | | |
| – owner-occupied properties | 1.0 | 5.3 | – | – | – | 6.3 |
| – long-term interests in leasehold land | – | 44.6 | – | – | – | 44.6 |
| – as restated | 48.2 | 194.8 | 465.2 | 425.5 | 579.7 | 1,713.4 |
| Depreciation and impairment | | | | | | |
| – as previously reported | (0.6) | (18.2) | (301.5) | (265.2) | (367.3) | (952.8) |
| – change in accounting policies for | | | | | | |
| – owner-occupied properties | (1.1) | (23.4) | – | – | – | (24.5) |
| – long-term interests in leasehold land | – | (3.4) | – | – | – | (3.4) |
| – as restated | (1.7) | (45.0) | (301.5) | (265.2) | (367.3) | (980.7) |
| Net book value at 1st January | 46.5 | 149.8 | 163.7 | 160.3 | 212.4 | 732.7 |
| Exchange differences | 6.5 | 13.9 | 6.4 | 9.2 | 14.1 | 50.1 |
| New subsidiaries acquired | – | 15.3 | 1.9 | 2.0 | 1.1 | 20.3 |
| Additions | 32.4 | 30.0 | 33.1 | 43.7 | 71.3 | 210.5 |
| Disposals | – | – | (3.3) | (1.0) | (1.5) | (5.8) |
| Depreciation charge | (0.1) | (8.1) | (41.8) | (46.2) | (65.2) | (161.4) |
| Reversal of impairment charge | – | – | 0.4 | – | – | 0.4 |
| Reclassified from non-current assets held for sale | – | 74.0 | – | – | – | 74.0 |
| Net book value at 31st December | 85.3 | 274.9 | 160.4 | 168.0 | 232.2 | 920.8 |
| Cost | | | | | | |
| | 87.4 | 331.3 | 505.3 | 482.8 | 664.5 | 2,071.3 |
| Depreciation and impairment | (2.1) | (56.4) | (344.9) | (314.8) | (432.3) | (1,150.5) |
| | 85.3 | 274.9 | 160.4 | 168.0 | 232.2 | 920.8 |

| 12. TANGIBLE ASSETS (continued) | Freehold properties US\$m | Leasehold properties US\$m | Leasehold improvements US\$m | Plant & machinery US\$m | Furniture, equipment & motor vehicles US\$m | Total US\$m |
|---|---------------------------------|----------------------------------|------------------------------------|-------------------------------|---|----------------|
| 2009 | | | | | | |
| Cost | | | | | | |
| - as previously reported | 41.3 | 119.2 | 442.3 | 390.4 | 504.8 | 1,498.0 |
| - change in accounting policies for | | | | | | |
| - owner-occupied properties | 1.1 | 5.3 | - | - | - | 6.4 |
| - long-term interests in leasehold land | - | 64.7 | - | - | - | 64.7 |
| - as restated | 42.4 | 189.2 | 442.3 | 390.4 | 504.8 | 1,569.1 |
| Depreciation and impairment | | | | | | |
| - as previously reported | (0.5) | (12.4) | (288.2) | (243.0) | (317.0) | (861.1) |
| - change in accounting policies for | | | | | | |
| - owner-occupied properties | (1.2) | (23.3) | - | - | - | (24.5) |
| - long-term interests in leasehold land | - | (3.4) | - | - | - | (3.4) |
| - as restated | (1.7) | (39.1) | (288.2) | (243.0) | (317.0) | (889.0) |
| Net book value at 1st January | 40.7 | 150.1 | 154.1 | 147.4 | 187.8 | 680.1 |
| Exchange differences | 0.9 | 5.6 | 1.0 | 1.8 | 12.9 | 22.2 |
| Additions | 21.7 | 66.9 | 51.0 | 52.6 | 70.7 | 262.9 |
| Disposals | - | - | (1.7) | (1.4) | (1.0) | (4.1) |
| Depreciation charge | (0.2) | (5.3) | (40.7) | (38.9) | (54.9) | (140.0) |
| Impairment charge | - | - | - | (1.2) | (3.1) | (4.3) |
| Classified as non-current assets held for sale | (16.6) | (67.5) | - | - | - | (84.1) |
| Net book value at 31st December | 46.5 | 149.8 | 163.7 | 160.3 | 212.4 | 732.7 |
| Cost | 48.2 | 194.8 | 465.2 | 425.5 | 579.7 | 1,713.4 |
| Depreciation and impairment | (1.7) | (45.0) | (301.5) | (265.2) | (367.3) | (980.7) |
| | 46.5 | 149.8 | 163.7 | 160.3 | 212.4 | 732.7 |

Net book value of leasehold properties acquired under finance leases amounted to US\$84.7 million (2009: US\$41.2 million).

| 13. ASSOCIATES AND JOINT VENTURES | 2010 US\$m | 2009 US\$m |
|---|-----------------------|-----------------------|
| Unlisted associates | 157.4 | 143.1 |
| Joint ventures | 3.2 | 2.7 |
| Share of attributable net assets | 160.6 | 145.8 |
| <i>The Group's share of assets, liabilities, capital commitments, contingent liabilities and results of associates and joint ventures are summarized below:</i> | | |
| Non-current assets | 163.7 | 146.7 |
| Current assets | 140.0 | 117.6 |
| Non-current liabilities | (29.8) | (23.9) |
| Current liabilities | (109.5) | (91.6) |
| Total equity | 164.4 | 148.8 |
| Attributable to minority interests | (3.8) | (3.0) |
| Attributable net assets | 160.6 | 145.8 |
| Sales | 570.9 | 511.6 |
| Profit after tax | 47.8 | 35.9 |
| Capital commitments | 34.4 | 25.5 |
| Contingent liabilities | - | - |
| <i>Movements of share of attributable net assets for the year:</i> | | |
| At 1st January | 145.8 | 128.7 |
| Share of results after tax and minority interests | 47.1 | 35.2 |
| Share of other comprehensive income after tax and minority interests | (2.7) | 3.8 |
| Dividends received | (29.6) | (24.5) |
| Capital injections | - | 2.6 |
| At 31st December | 160.6 | 145.8 |
| <i>Analysis by operating segment:</i> | | |
| Maxim's | 161.8 | 145.0 |
| South Asia | (1.2) | 0.8 |
| At 31st December | 160.6 | 145.8 |

| 14. OTHER INVESTMENTS | 2010 US\$m | 2009 US\$m |
|--------------------------------|-----------------------|-----------------------|
| <i>Movements for the year:</i> | | |
| At 1st January | 3.1 | 2.3 |
| Revaluation surplus | 0.2 | 0.8 |
| At 31st December | 3.3 | 3.1 |

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

| 15. DEBTORS | 2010 US\$m | 2009 US\$m |
|-------------------------------|-----------------------|-----------------------|
| Trade debtors | | |
| – third parties | 50.7 | 36.4 |
| – provision for impairment | (0.6) | (0.6) |
| | 50.1 | 35.8 |
| Other debtors | | |
| – third parties | 234.2 | 217.6 |
| – provision for impairment | (0.4) | (0.2) |
| | 233.8 | 217.4 |
| | 283.9 | 253.2 |
| Non-current | 123.5 | 113.3 |
| Current | 160.4 | 139.9 |
| | 283.9 | 253.2 |
| <i>Geographical analysis:</i> | | |
| North Asia | 114.8 | 107.0 |
| East Asia | 106.0 | 99.5 |
| South Asia | 63.1 | 46.7 |
| | 283.9 | 253.2 |

Sales to customers are 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.

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

15. DEBTORS (continued)

At 31st December 2010, trade debtors of US\$0.6 million (2009: US\$0.6 million) were impaired, which have been fully provided for in both years. The ageing analysis of these trade debtors is as follows:

| | 2010 US\$m | 2009 US\$m |
|--------------|---------------|---------------|
| Over 90 days | 0.6 | 0.6 |

At 31st December 2010, trade debtors of US\$3.3 million (2009: US\$2.9 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

| | | |
|------------------------|------------|------------|
| Below 30 days | 2.9 | 2.5 |
| Between 31 and 60 days | 0.2 | 0.2 |
| Between 61 and 90 days | 0.1 | 0.2 |
| Over 90 days | 0.1 | - |
| | 3.3 | 2.9 |

The risk of trade debtors that are neither past due nor impaired at 31st December 2010 becoming impaired is low as most of the balances have been settled subsequent to the year end.

Other debtors are further analyzed as follows:

| | | |
|----------------------------------|--------------|--------------|
| Prepayments | 56.9 | 64.0 |
| Rental and other deposits | 121.5 | 106.7 |
| Derivative financial instruments | 0.2 | - |
| Loans to employees | 0.2 | 0.2 |
| Other | 55.0 | 46.5 |
| | 233.8 | 217.4 |

Movements on the provision for impairment are as follows:

| | Trade debtors | | Other debtors | |
|-------------------------|---------------|---------------|---------------|---------------|
| | 2010 US\$m | 2009 US\$m | 2010 US\$m | 2009 US\$m |
| At 1st January | (0.6) | (0.6) | (0.2) | (0.2) |
| Additional provisions | (0.3) | (0.1) | (0.2) | (0.2) |
| Unused amounts reversed | 0.2 | 0.1 | - | 0.2 |
| Amounts written off | 0.1 | - | - | - |
| At 31st December | (0.6) | (0.6) | (0.4) | (0.2) |

There were no debtors pledged as security for borrowings as at 31st December 2010 and 2009.

| 16. DEFERRED TAX ASSETS/ (LIABILITIES) | Accelerated tax depreciation US\$m | Fair value gains/losses US\$m | Employee benefits US\$m | Provisions and other temporary differences US\$m | Total US\$m |
|--|---|-------------------------------------|-------------------------------|--|----------------|
| 2010 | | | | | |
| At 1st January | | | | | |
| – as previously reported | (27.9) | (6.8) | 3.4 | 6.8 | (24.5) |
| – change in accounting policies for owner-occupied properties | – | 3.0 | – | – | 3.0 |
| – as restated | (27.9) | (3.8) | 3.4 | 6.8 | (21.5) |
| Exchange differences | (1.6) | (0.1) | 0.4 | 0.4 | (0.9) |
| New subsidiary acquired | (0.1) | – | – | – | (0.1) |
| Charged to profit and loss | (6.2) | – | (1.7) | 0.6 | (7.3) |
| Credited to other comprehensive income | – | (0.8) | 1.0 | – | 0.2 |
| At 31st December | (35.8) | (4.7) | 3.1 | 7.8 | (29.6) |
| Deferred tax assets | 1.2 | 0.6 | 7.6 | 9.8 | 19.2 |
| Deferred tax liabilities | (37.0) | (5.3) | (4.5) | (2.0) | (48.8) |
| | (35.8) | (4.7) | 3.1 | 7.8 | (29.6) |
| 2009 | | | | | |
| At 1st January | | | | | |
| – as previously reported | (23.1) | (6.9) | 5.5 | 5.9 | (18.6) |
| – change in accounting policies for owner-occupied properties | – | 3.2 | – | – | 3.2 |
| – as restated | (23.1) | (3.7) | 5.5 | 5.9 | (15.4) |
| Exchange differences | (1.1) | (0.6) | 0.8 | 1.0 | 0.1 |
| Charged to profit and loss | (3.7) | – | 0.3 | (0.1) | (3.5) |
| Charged to other comprehensive income | – | 0.5 | (3.2) | – | (2.7) |
| At 31st December | (27.9) | (3.8) | 3.4 | 6.8 | (21.5) |
| Deferred tax assets | 0.7 | 1.3 | 8.1 | 9.0 | 19.1 |
| Deferred tax liabilities | (28.6) | (5.1) | (4.7) | (2.2) | (40.6) |
| | (27.9) | (3.8) | 3.4 | 6.8 | (21.5) |

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\$14.6 million (2009: US\$14.2 million) arising from unused tax losses of US\$60.6 million (2009: US\$60.3 million) have not been recognized in the financial statements. Included in the unused tax losses, US\$8.6 million have no expiry date and the balance will expire at various dates up to and including 2018.

17. PENSION PLANS

The Group has defined benefit pension plans relating to employees in Hong Kong, Indonesia and Taiwan. These plans are final salary defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

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

| | 2010 Weighted average % | 2009 Weighted average % |
|--|-------------------------------|-------------------------------|
| Discount rate applied to pension obligations | 5.2 | 5.5 |
| Expected return on plan assets | 7.7 | 7.4 |
| Future salary increases | 5.2 | 5.1 |

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 4.3% to 11.4% per annum and global bonds of 3.6% to 5.2% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

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

| | 2010 US\$m | 2009 US\$m |
|---|---------------|---------------|
| Fair value of plan assets | 173.9 | 154.6 |
| Present value of funded obligations | (146.8) | (129.9) |
| | 27.1 | 24.7 |
| Present value of unfunded obligations | (33.5) | (30.7) |
| Unrecognized past service cost | (0.4) | (0.3) |
| Net pension liabilities | (6.8) | (6.3) |
| <i>Analysis of net pension liabilities:</i> | | |
| Pension assets | 27.1 | 24.8 |
| Pension liabilities | (33.9) | (31.1) |
| | (6.8) | (6.3) |
| <i>Movements in the fair value of plan assets:</i> | | |
| At 1st January | 154.6 | 122.7 |
| Exchange differences | (0.2) | (0.1) |
| Expected return on plan assets | 11.5 | 8.8 |
| Actuarial gains | 2.9 | 20.7 |
| Contributions from sponsoring companies | 16.7 | 8.7 |
| Benefits paid | (8.9) | (6.2) |
| Transfer to other plans | (2.7) | - |
| At 31st December | 173.9 | 154.6 |
| <i>Movements in the present value of obligations:</i> | | |
| At 1st January | (160.6) | (140.5) |
| Exchange differences | (2.0) | (3.1) |
| Current service cost | (12.9) | (11.1) |
| Interest cost | (8.5) | (8.6) |
| Past service cost | (0.4) | - |
| Actuarial losses | (8.1) | (4.2) |
| Benefits paid | 9.5 | 6.9 |
| Transfer to other plans | 2.7 | - |
| At 31st December | (180.3) | (160.6) |

17. PENSION PLANS (continued)

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

| | 2010 US\$m | 2009 US\$m |
|--------------------|---------------|---------------|
| Equity instruments | 93.6 | 84.6 |
| Debt instruments | 54.6 | 46.2 |
| Other assets | 25.7 | 23.8 |
| | 173.9 | 154.6 |

The five year history of experience adjustments is as follows:

| | 2010 US\$m | 2009 US\$m | 2008 US\$m | 2007 US\$m | 2006 US\$m |
|--|---------------|---------------|---------------|---------------|---------------|
| Fair value of plan assets | 173.9 | 154.6 | 122.7 | 184.2 | 166.5 |
| Present value of obligations | (180.3) | (160.6) | (140.5) | (136.7) | (126.3) |
| (Deficit)/surplus | (6.4) | (6.0) | (17.8) | 47.5 | 40.2 |
| Experience adjustments on plan assets | 2.9 | 20.7 | (69.9) | 12.4 | 16.4 |
| Percentage of plan assets (%) | 2 | 13 | (57) | 7 | 10 |
| Experience adjustments on plan obligations | (1.5) | 3.5 | (3.9) | (2.3) | (3.4) |
| Percentage of plan obligations (%) | 1 | (2) | 3 | 2 | 3 |

The estimated amount of contributions expected to be paid to the plans in 2011 is US\$14.4 million.

The amounts recognized in profit and loss account are as follows:

| | 2010 US\$m | 2009 US\$m |
|--|---------------|---------------|
| Current service cost | 12.9 | 11.1 |
| Interest cost | 8.5 | 8.6 |
| Expected return on plan assets | (11.5) | (8.8) |
| Past service cost | 0.4 | - |
| | 10.3 | 10.9 |
| Actual return on plan assets in the year | 14.4 | 29.5 |

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

| 18. BANK BALANCES AND OTHER LIQUID FUNDS | 2010 US\$m | 2009 US\$m |
|---|-----------------------|-----------------------|
| Deposits with banks | 569.6 | 442.6 |
| Bank balances | 29.2 | 26.2 |
| Cash balances | 83.0 | 64.0 |
| | 681.8 | 532.8 |
| <i>Geographical analysis:</i> | | |
| North Asia | 589.1 | 471.7 |
| East Asia | 45.2 | 20.0 |
| South Asia | 47.5 | 41.1 |
| | 681.8 | 532.8 |

The weighted average interest rate on deposits with banks is 0.5% (2009: 0.4%) per annum.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 31st December 2009, the non-current assets classified as held for sale represented a retail property and a distribution centre in Malaysia. The retail property was sold to a third party for cash in March 2010 for US\$37.3 million, generated a profit of US\$0.3 million. The distribution centre remained unsold was reclassified to tangible assets in 2010.

| 20. CREDITORS | 2010 US\$m | 2009 US\$m |
|--------------------------------------|-----------------------|-----------------------|
| Trade creditors | 1,296.8 | 1,110.9 |
| Accruals | 554.6 | 478.9 |
| Rental and other refundable deposits | 18.9 | 15.7 |
| Derivative financial instruments | 4.4 | 6.8 |
| Other creditors | 8.0 | 7.5 |
| Financial liabilities | 1,882.7 | 1,619.8 |
| Rental income received in advance | 2.3 | 1.4 |
| Other income received in advance | 1.3 | 1.2 |
| | 1,886.3 | 1,622.4 |
| Non-current | 16.4 | 16.9 |
| Current | 1,869.9 | 1,605.5 |
| | 1,886.3 | 1,622.4 |
| <i>Geographical analysis:</i> | | |
| North Asia | 954.4 | 839.5 |
| East Asia | 555.2 | 462.2 |
| South Asia | 376.7 | 320.7 |
| | 1,886.3 | 1,622.4 |

The remaining contractual maturities of financial liabilities other than derivative financial instruments included in creditors are analyzed as follows:

| | | |
|-----------------------------|----------------|---------|
| Within one year | 1,863.3 | 1,600.8 |
| Between one and two years | 10.4 | 9.2 |
| Between two and three years | 1.2 | 0.4 |
| Beyond five years | 3.4 | 2.6 |
| | 1,878.3 | 1,613.0 |

Derivative financial instruments are stated at fair values, which are calculated by reference to quoted prices in active markets. Other creditors are stated at amortized cost. The fair values of these creditors approximate their carrying amounts.

| 21. BORROWINGS | 2010 US\$m | 2009 US\$m |
|---------------------------|-----------------------|-----------------------|
| Current | | |
| – bank overdrafts | 1.9 | 12.0 |
| – other bank advances | 118.6 | 121.8 |
| | 120.5 | 133.8 |
| Long-term bank borrowings | 337.9 | 365.4 |
| | 458.4 | 499.2 |

The Group's borrowings are further summarized as follows:

| Currency | Weighted average interest rates % | Fixed rate borrowings | | Floating rate borrowings US\$m | Total US\$m |
|-------------------|--|---|--------------|--------------------------------------|----------------|
| | | Weighted average period outstanding Years | US\$m | | |
| 2010 | | | | | |
| Brunei Dollar | 1.8 | – | – | 6.0 | 6.0 |
| Chinese Renminbi | 5.0 | – | – | 36.9 | 36.9 |
| Hong Kong Dollar | 4.3 | 0.5 | 32.1 | – | 32.1 |
| Indonesian Rupiah | 9.0 | – | – | 41.7 | 41.7 |
| Malaysian Ringgit | 4.4 | 1.5 | 154.7 | 132.8 | 287.5 |
| New Taiwan Dollar | 2.4 | 0.9 | 33.9 | 8.6 | 42.5 |
| Singapore Dollar | 3.6 | 1.8 | 11.7 | – | 11.7 |
| | | | 232.4 | 226.0 | 458.4 |
| 2009 | | | | | |
| Brunei Dollar | 2.0 | – | – | 4.4 | 4.4 |
| Chinese Renminbi | 5.3 | – | – | 28.4 | 28.4 |
| Hong Kong Dollar | 4.1 | 0.8 | 77.4 | – | 77.4 |
| Indonesian Rupiah | 9.8 | – | – | 42.2 | 42.2 |
| Malaysian Ringgit | 4.4 | 1.4 | 160.7 | 105.4 | 266.1 |
| New Taiwan Dollar | 2.4 | 1.7 | 39.5 | 21.4 | 60.9 |
| Singapore Dollar | 2.4 | 2.8 | 10.7 | 9.1 | 19.8 |
| | | | 288.3 | 210.9 | 499.2 |

The remaining contractual maturities of the borrowings, including related interest payments, are analyzed below. The interest payments are computed using contractual rates and, in the case of floating rate borrowings, based on market rates at the balance sheet date before taking into account hedging transactions. Cash flows denominated in currencies other than United States dollars are converted into United States dollars at the rates of exchange ruling at the balance sheet date.

| | | |
|------------------------------|--------------|-------|
| Within one year | 136.6 | 147.8 |
| Between one and two years | 136.9 | 57.8 |
| Between two and three years | 156.5 | 108.9 |
| Between three and four years | 7.3 | 163.8 |
| Between four and five years | 42.3 | 46.0 |
| Beyond five years | 17.9 | 16.5 |
| | 497.5 | 540.8 |

All borrowings are unsecured.

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

The fair value of borrowings is not materially different from their carrying values.

| 22. PROVISIONS | Closure cost provisions US\$m | Obligations under onerous leases US\$m | Reinstatement and restoration costs US\$m | Total US\$m |
|-------------------------------|-------------------------------------|--|--|-----------------------|
| 2010 | | | | |
| At 1st January | 1.1 | 0.1 | 20.6 | 21.8 |
| Exchange differences | 0.1 | – | 1.7 | 1.8 |
| Additional provisions | 3.5 | – | 1.7 | 5.2 |
| New subsidiaries acquired | – | – | 0.9 | 0.9 |
| Unused amounts reversed | (0.2) | – | (0.8) | (1.0) |
| Utilized | (0.9) | (0.1) | (0.5) | (1.5) |
| At 31st December | 3.6 | – | 23.6 | 27.2 |
| Non-current | – | – | 21.4 | 21.4 |
| Current | 3.6 | – | 2.2 | 5.8 |
| | 3.6 | – | 23.6 | 27.2 |
| 2009 | | | | |
| At 1st January | 0.5 | 0.3 | 18.2 | 19.0 |
| Exchange differences | – | – | 0.4 | 0.4 |
| Additional provisions | 1.0 | – | 2.2 | 3.2 |
| Unused amounts reversed | (0.2) | – | – | (0.2) |
| Utilized | (0.2) | (0.2) | (0.2) | (0.6) |
| At 31st December | 1.1 | 0.1 | 20.6 | 21.8 |
| Non-current | – | – | 18.6 | 18.6 |
| Current | 1.1 | 0.1 | 2.0 | 3.2 |
| | 1.1 | 0.1 | 20.6 | 21.8 |
| | | | 2010 US\$m | 2009 US\$m |
| <i>Geographical analysis:</i> | | | | |
| North Asia | | | 7.1 | 5.8 |
| East Asia | | | 14.9 | 11.3 |
| South Asia | | | 5.2 | 4.7 |
| | | | 27.2 | 21.8 |

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

Provisions are made for obligations under onerous operating leases when the properties are not used by the Group and the net costs of exiting from the leases exceed the economic benefits expected to be received.

| 23. SHARE CAPITAL | | 2010 | 2009 |
|---|----------------|--------------|--------------|
| | | US\$m | US\$m |
| Authorized: | | | |
| 2,250,000,000 shares of US¢5 5/9 each | | 125.0 | 125.0 |
| 500,000 shares of US\$800 each | | 400.0 | 400.0 |
| | | 525.0 | 525.0 |
| | | 2010 | 2009 |
| | | US\$m | US\$m |
| Issued and fully paid: | | | |
| Ordinary shares of US¢5 5/9 each | | | |
| At 1st January | 1,347.7 | 1,347.0 | 74.9 |
| Issued under employee share option schemes | 2.1 | 0.7 | 0.1 |
| At 31st December | 1,349.8 | 1,347.7 | 75.0 |
| Outstanding under employee share option schemes | – | (0.4) | – |
| | 1,349.8 | 1,347.3 | 74.9 |

24. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES

The Senior Executive Share Incentive Schemes were set up in order to provide selected executives with options to purchase ordinary shares in the Company.

The exercise price of the granted options is based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested in tranches over a period of up to five years and exercisable for up to ten years following the date of grant. Prior to the adoption of the 2005 Plan on 4th May 2005, ordinary shares were issued on the date of grant of the options to the Trustee of the Schemes, The Verandah Company (PTC) Limited, a wholly-owned subsidiary, which holds the ordinary shares until the options are exercised. Under the 2005 Plan, ordinary shares may be issued upon exercise of the options.

The shares issued under the Schemes held on trust by the wholly-owned subsidiary are, for presentation purposes, netted off the Company's share capital in the consolidated balance sheet (*note 23*) and the premium attached to them is netted off the share premium account (*note 25*).

Movements for the year:

| | 2010 | | 2009 | |
|------------------|--|------------------------|--|------------------------|
| | Weighted average exercise price US\$ | Options in millions | Weighted average exercise price US\$ | Options in millions |
| At 1st January | 3.7552 | 5.3 | 3.6072 | 5.2 |
| Granted | 6.2500 | 1.4 | 4.4640 | 1.2 |
| Exercised | 3.3020 | (2.5) | 3.4199 | (0.7) |
| Lapsed | – | – | 4.5162 | (0.4) |
| At 31st December | 4.8624 | 4.2 | 3.7552 | 5.3 |

The average share price during the year was US\$7.18 (2009: US\$5.44) per share.

24. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES (continued)

Outstanding at 31st December:

| Expiry date | Exercise price | Options in millions | |
|----------------------|----------------|---------------------|------|
| | US\$ | 2010 | 2009 |
| 2011 | 0.0600 | – | 0.1 |
| 2015 | 2.4954 | – | 0.3 |
| 2016 | 3.2497 | 0.1 | 1.3 |
| 2017 | 3.5569 | 0.9 | 1.7 |
| 2018 | 4.6280 | 0.9 | 1.0 |
| 2019 | 4.4640 | 0.9 | 0.9 |
| 2020 | 6.2500 | 1.4 | – |
| Total outstanding | | 4.2 | 5.3 |
| of which exercisable | | 1.0 | 1.5 |

The fair value of options granted during the year, determined using the trinomial valuation model, was US\$2.5 million (2009: US\$1.4 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US\$6.19 (2009: US\$4.53) at the grant dates, exercise price shown above, expected volatility based on the last seven years of 29.0% (2009: 28.9%), dividend yield of 2.3% (2009: 3.1%), option life disclosed above, and annual risk-free interest rate of 3.1% (2009: 2.9%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

| 25. SHARE PREMIUM AND CAPITAL RESERVES | Share premium US\$m | Capital reserves US\$m | Total US\$m |
|---|------------------------|---------------------------|----------------|
| 2010 | | | |
| At 1st January | 9.9 | 26.7 | 36.6 |
| Employee share option schemes | | | |
| – value of employee services | – | 1.7 | 1.7 |
| – shares issued | 8.1 | – | 8.1 |
| At 31st December | 18.0 | 28.4 | 46.4 |
| Outstanding under employee share option schemes | – | – | – |
| | 18.0 | 28.4 | 46.4 |
| 2009 | | | |
| At 1st January | 8.1 | 25.2 | 33.3 |
| Employee share option schemes | | | |
| – value of employee services | – | 1.5 | 1.5 |
| – shares issued | 2.5 | – | 2.5 |
| At 31st December | 10.6 | 26.7 | 37.3 |
| Outstanding under employee share option schemes | (0.7) | – | (0.7) |
| | 9.9 | 26.7 | 36.6 |

Capital reserves comprise contributed surplus of US\$20.1 million (2009: US\$20.1 million) and capital reserves of US\$8.3 million (2009: US\$6.6 million), which represent the value of services under the Company's Senior Executive Share Incentive Schemes. 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

| | 2010 US\$m | 2009 US\$m |
|--|---------------|---------------|
| Final dividend in respect of 2009 of US¢11.50 (2008: US¢10.00) per share | 155.0 | 134.7 |
| Interim dividend in respect of 2010 of US¢5.00 (2009: US¢4.50) per share | 67.5 | 60.6 |
| | 222.5 | 195.3 |

A final dividend in respect of 2010 of US¢13.00 (2009: US¢11.50) per share amounting to a total of US\$175.5 million (2009: US\$155.0 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2011.

| 27. MINORITY INTERESTS | 2010 US\$m | 2009 US\$m |
|-------------------------------|-----------------------|-----------------------|
| <i>Geographical analysis:</i> | | |
| North Asia | (6.2) | (3.6) |
| East Asia | 7.3 | 5.8 |
| | 1.1 | 2.2 |

| 28. GEOGRAPHICAL ANALYSIS OF NON-CURRENT ASSETS | 2010 US\$m | 2009 US\$m |
|--|-----------------------|-----------------------|
| Set out below is an analysis of the Group's non-current assets, excluding financial instruments, deferred tax assets and pension assets, by geographical area. | | |
| North Asia | 513.0 | 500.3 |
| East Asia | 685.3 | 452.7 |
| South Asia | 227.0 | 203.6 |
| At 31st December | 1,425.3 | 1,156.6 |

| 29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT | 2010 US\$m | 2009 US\$m |
|--|-----------------------|-----------------------|
| (a) Depreciation and amortization | | |
| <i>Geographical analysis:</i> | | |
| North Asia | 74.7 | 67.3 |
| East Asia | 64.5 | 50.7 |
| South Asia | 28.1 | 25.4 |
| | 167.3 | 143.4 |
| (b) Other non-cash items | | |
| <i>By nature:</i> | | |
| Loss on sale of tangible assets | 4.7 | 3.4 |
| (Reversal of impairment)/impairment of tangible assets | (0.4) | 4.3 |
| Options granted under employee share option schemes | 1.7 | 1.5 |
| | 6.0 | 9.2 |
| <i>Geographical analysis:</i> | | |
| North Asia | 5.7 | 4.2 |
| East Asia | (0.3) | 0.3 |
| South Asia | 0.6 | 4.7 |
| | 6.0 | 9.2 |
| (c) Decrease/(increase) in working capital | | |
| Increase in stocks | (48.9) | (41.9) |
| Increase in debtors and prepayments | (13.6) | (21.7) |
| Increase in creditors and accruals | 163.0 | 35.4 |
| | 100.5 | (28.2) |

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

| | 2010 | | |
|---------------------------------------|---------------------|------------------------------------|---------------------|
| | Book value US\$m | Fair value adjustments US\$m | Fair value US\$m |
| (d) Purchase of subsidiaries | | | |
| Intangible assets | – | 0.2 | 0.2 |
| Tangible assets | 19.5 | 0.8 | 20.3 |
| Current assets | 23.4 | (3.3) | 20.1 |
| Non-current liabilities | (1.0) | 0.5 | (0.5) |
| Current liabilities | (29.9) | (1.0) | (30.9) |
| Net assets acquired | 12.0 | (2.8) | 9.2 |
| Goodwill | | | 43.7 |
| Total consideration | | | 52.9 |
| Adjustment for deferred consideration | | | (0.4) |
| Cash and cash equivalents acquired | | | (0.3) |
| Net cash outflow | | | 52.2 |

In 2010, the Group acquired a 100% interest in MCP Supermarket with eight supermarkets in Singapore and a 100% interest in Bintang Retail Industries with ten hypermarkets and six supermarkets in Malaysia, from third parties for total cash consideration of US\$52.2 million.

Sales and loss before tax since acquisitions in respect of subsidiaries acquired during the year amounted to US\$50.5 million and US\$0.5 million respectively. Had the acquisitions occurred on 1st January 2010, consolidated sales and consolidated profit after tax for the year ended 31st December 2010 would have been US\$8.0 billion and US\$408.4 million respectively.

(e) Sale of properties

In 2010, the Group disposed of a retail property in Malaysia classified as non-current assets held for sale for a cash consideration of US\$37.3 million.

In 2009, the Group disposed of two retail properties in Malaysia classified as non-current assets held for sale for a cash consideration of US\$47.0 million.

| | 2010 US\$m | 2009 US\$m |
|--|---------------|---------------|
| (f) Analysis of balances of cash and cash equivalents | | |
| Bank balances and other liquid funds (note 18) | 681.8 | 532.8 |
| Bank overdrafts (note 21) | (1.9) | (12.0) |
| | 679.9 | 520.8 |

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

| | 2010 | | 2009 | |
|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 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 | | | | |
| – interest rate swaps | 0.1 | 2.5 | – | 5.8 |
| – forward foreign exchange contracts | 0.1 | 1.9 | – | 1.0 |
| | 0.2 | 4.4 | – | 6.8 |

30. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The remaining contractual maturities of derivative financial instruments, based on their undiscounted cash outflows, are analyzed as follows:

| | Within one year US\$m | Between one and two years US\$m | Between two and five years US\$m |
|--------------------------------------|--------------------------------|--|---|
| 2010 | | | |
| Net settled | | | |
| - Interest rate swaps | 2.0 | 0.5 | 0.1 |
| - forward foreign exchange contracts | 2.1 | - | - |
| Gross settled | | | |
| - forward foreign exchange contracts | 26.8 | - | - |
| | 30.9 | 0.5 | 0.1 |
| 2009 | | | |
| Net settled | | | |
| - Interest rate swaps | 4.4 | 1.3 | 0.2 |
| - forward foreign exchange contracts | 0.2 | - | - |
| Gross settled | | | |
| - forward foreign exchange contracts | 48.6 | - | - |
| | 53.2 | 1.3 | 0.2 |

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2010 were US\$67.5 million (2009: US\$56.1 million).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2010 were US\$232.4 million (2009: US\$288.3 million). At 31st December 2010, the fixed interest rates relating to interest rate swaps vary from 1.1% to 4.8% (2009: 1.1% to 4.8%) per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 3.5% (2009: 0.3% to 3.3%) per annum.

| 31. COMMITMENTS | 2010 US\$m | 2009 US\$m |
|---|-----------------------|-----------------------|
| Capital commitments | | |
| Authorized not contracted | 243.6 | 270.2 |
| Contracted not provided | 18.2 | 13.2 |
| | 261.8 | 283.4 |
| Operating lease commitments | | |
| <i>Total commitments under operating leases</i> | | |
| Due within one year | 552.4 | 507.9 |
| Due between one and two years | 394.5 | 357.8 |
| Due between two and three years | 247.5 | 214.5 |
| Due between three and four years | 155.4 | 134.2 |
| Due between four and five years | 117.8 | 112.0 |
| Due beyond five years | 675.5 | 679.4 |
| | 2,143.1 | 2,005.8 |

Total future sublease payments receivable relating to the above operating leases amounted to US\$42.5 million (2009: US\$31.3 million).

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

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 ('JMHS'). Both companies are incorporated in Bermuda.

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

Under the terms of a Management Services Agreement, the Group paid a management fee of US\$2.0 million (2009: US\$1.8 million) to Jardine Matheson Limited ('JML'), a wholly-owned subsidiary of JMHS, 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\$0.3 million in 2010 (2009: US\$0.3 million) to JML.

The Group rents properties from Hongkong Land Holdings Limited ('HKL'), a subsidiary of JMHS. The gross annual rentals paid by the Group to HKL in 2010 were US\$5.4 million (2009: US\$5.2 million).

The Group uses Jardine Lloyd Thompson Limited ('JLT'), an associate of JMHS, to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group to JLT in 2010 were US\$1.5 million (2009: US\$1.5 million).

Amounts of outstanding balances with group companies of JMHS are included in debtors and creditors, as appropriate.

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 58 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

Balances with group companies of JMHS as at 31st December 2010 and 2009 are immaterial, unsecured, and have no fixed terms of repayment.

34. SUMMARIZED BALANCE SHEET OF THE COMPANY

| | 2010 US\$m | 2009 US\$m |
|---|----------------|---------------|
| Included below is certain summarized balance sheet information of the Company disclosed in accordance with Bermuda law. | | |
| Subsidiaries, at cost less provision | 1,376.7 | 1,246.1 |
| Current liabilities | (0.8) | (0.9) |
| Net operating assets | 1,375.9 | 1,245.2 |
| Share capital (note 23) | 75.0 | 74.9 |
| Share premium and capital reserves (note 25) | 46.4 | 37.3 |
| Revenue and other reserves | 1,254.5 | 1,133.0 |
| Shareholders' funds | 1,375.9 | 1,245.2 |

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

A list of principal subsidiaries, associates and joint ventures at 31st December 2010 is presented below.

| Company name | Country of incorporation | Particulars of issued capital | | | Attributable interests (%) | | Nature of business |
|---|--------------------------|-------------------------------|-----------------|-----------------------|----------------------------|------|--|
| | | | | | 2010 | 2009 | |
| Dairy Farm Management Limited** | Bermuda | HKD | 100,000 | Ordinary | 100 | 100 | Holding company |
| | | USD | 100 | Ordinary | | | |
| Dairy Farm Management Services Limited** | Bermuda | USD | 12,000 | Ordinary | 100 | 100 | Group management |
| DFI Treasury Limited** | British Virgin Islands | USD | 1 | Ordinary | 100 | 100 | Treasury company |
| NORTH ASIA | | | | | | | |
| Guangdong Sai Yi Convenience Stores Limited | Mainland China | HKD | 75,000,000 | Ordinary | 65 | 65 | Convenience stores |
| Mannings Guangdong Retail Company Limited | Mainland China | HKD | 42,500,000 | Ordinary | 100 | 100 | Health and beauty stores |
| Maxim's Caterers Limited* | Hong Kong | HKD | 60,000,000 | Ordinary | 50 | 50 | Restaurants |
| The Dairy Farm Company, Limited | Hong Kong | HKD | 60,000,000 | Ordinary | 100 | 100 | Investment holding, supermarkets, health and beauty, convenience and home furnishings stores |
| Wellcome Company Limited | Hong Kong | HKD | 255,000 | Ordinary | 100 | 100 | Property and food processing |
| Wellcome Taiwan Company Limited | Taiwan | TWD | 850,000,000 | Ordinary | 100 | 100 | Supermarkets |
| DFI Home Furnishings Taiwan Limited | Taiwan | TWD | 171,000,000 | Ordinary | 100 | 100 | Home furnishings stores |
| EAST ASIA | | | | | | | |
| GCH Retail (Malaysia) Sdn Bhd | Malaysia | MYR | 491,300,000 | Ordinary | 100 | 100 | Supermarkets, hypermarkets and health and beauty stores |
| | | MYR | 1,640 | Redeemable Preference | | | |
| PT Hero Supermarket Tbk | Indonesia | IDR | 164,710,000,000 | Ordinary | 94 | 94 | Supermarkets, hypermarkets, health and beauty and convenience stores |
| Giant South Asia (Vietnam) Limited | Vietnam | VND | 24,013,500,000 | Ordinary | 100 | 100 | Supermarkets |
| Giant TMC (B) Sdn Bhd | Brunei | BND | 500,002 | Ordinary | 100 | 100 | Hypermarkets, supermarkets and health and beauty stores |
| | | BND | 45,000 | Redeemable Preference | | | |
| SOUTH ASIA | | | | | | | |
| Cold Storage Singapore (1983) Pte Limited | Singapore | SGD | 25,685,000 | Ordinary | 100 | 100 | Supermarkets, hypermarkets, health and beauty and convenience stores |
| Shop N Save Pte Limited | Singapore | SGD | 25,773,000 | Ordinary | 100 | 100 | Supermarkets |
| Foodworld Supermarkets Private Limited* | India | INR | 1,660,613,240 | Ordinary | 49 | 49 | Supermarkets |
| Health and Glow Retailing Private Limited* | India | INR | 510,000,000 | Ordinary | 50 | 50 | Health and beauty stores |

* Associates or joint ventures. All other companies are subsidiaries.

** Owned directly.

Independent Auditors' Report

To the members of Dairy Farm International Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Dairy Farm International Holdings Limited and its subsidiaries (the 'Group') which comprise the Consolidated Balance Sheet as of 31st December 2010 and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31st December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

REPORT ON LEGAL AND REGULATORY REQUIREMENTS

We have nothing to report in respect of the following matters that under the UK Listing Rules we are required to review:

- Directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK June 2008 Combined Code specified for our review.

OTHER MATTERS

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

PricewaterhouseCoopers LLP

Chartered Accountants

London
United Kingdom

3rd March 2011

Five Year Summary

| | 2010 US\$m | 2009 US\$m | 2008 US\$m | 2007 US\$m | 2006 US\$m |
|---|---------------|---------------|---------------|---------------|---------------|
| Profit and Loss* | | | | | |
| Sales | 7,970.5 | 7,028.5 | 6,732.5 | 5,887.2 | 5,175.0 |
| Sales including associates | 9,113.1 | 8,052.6 | 7,741.6 | 6,845.3 | 6,042.3 |
| Profit attributable to shareholders | 411.4 | 364.0 | 333.4 | 258.6 | 211.2 |
| Underlying profit attributable to shareholders | 409.8 | 364.0 | 320.5 | 258.6 | 211.2 |
| Underlying earnings per share (US¢) | 30.38 | 27.02 | 23.80 | 19.22 | 15.73 |
| Basic earnings per share (US¢) | 30.50 | 27.02 | 24.76 | 19.22 | 15.73 |
| Dividends per share (US¢) | 18.00 | 16.00 | 14.00 | 11.50 | 9.40 |
| Special dividend per share (US¢) | – | – | – | 16.00 | – |
| Balance Sheet* | | | | | |
| Total assets | 3,257.8 | 2,805.9 | 2,488.7 | 2,284.6 | 2,109.1 |
| Total liabilities | (2,523.6) | (2,278.1) | (2,170.1) | (2,058.4) | (1,794.8) |
| Net operating assets | 734.2 | 527.8 | 318.6 | 226.2 | 314.3 |
| Shareholders' funds | 733.1 | 525.6 | 316.0 | 223.2 | 310.0 |
| Minority interests | 1.1 | 2.2 | 2.6 | 3.0 | 4.3 |
| Total equity | 734.2 | 527.8 | 318.6 | 226.2 | 314.3 |
| Net cash/(debt) | 223.4 | 33.6 | (4.2) | (83.2) | 20.0 |
| Net asset value per share (US¢) | 54.31 | 39.01 | 23.47 | 16.58 | 23.05 |
| Cash Flow | | | | | |
| Cash flows from operating activities | 676.5 | 481.3 | 523.2 | 473.5 | 312.2 |
| Cash flows from investing activities | (237.9) | (244.2) | (285.9) | (217.3) | (167.8) |
| Cash flows before financing activities | 438.6 | 237.1 | 237.3 | 256.2 | 144.4 |
| Cash flow per share from operating activities (US¢) | 50.15 | 35.73 | 38.86 | 35.20 | 23.25 |

* Figures prior to 2010 have been restated to reflect the change in accounting policy for owner-occupied properties. On the adoption of IAS 17 (amendment) 'Leases', there is no impact on the five year summary.

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 and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Services Authority of the United Kingdom.

For and on behalf of the Board

MICHAEL KOK

ALEC TONG

Directors

3rd March 2011

Corporate Governance

Dairy Farm International Holdings Limited is incorporated in Bermuda. The Group's retailing interests are entirely in Asia. The Company's equity shares have a Premium Listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue a long-term strategy in Asian markets. It is committed to high standards of governance. Its approach, however, developed over many years, differs from that envisaged by the UK Corporate Governance Code (the 'UK Code'), which was originally introduced as a guide for United Kingdom incorporated companies listed on the London Stock Exchange. Following a change in the Listing Rules issued by the Financial Services Authority in the United Kingdom with effect from 6th April 2010, the Company's Premium Listed status now requires that this Report address how the main principles of the UK Code have been applied by the Company, and explain the reasons for the different approach adopted by the Company as compared to the UK Code's provisions. The Company's governance differs from that contemplated by provisions of the UK Code on board balance and refreshment, director independence, board evaluation procedures, nomination and remuneration committees and the appointment of a senior independent director.

THE MANAGEMENT OF THE GROUP

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

THE BOARD

The Company currently has a Board of 14 Directors: the Group Chief Executive and Group Finance Director; seven executives of Jardine Matheson; and five non-executive Directors. Their names and brief biographies appear on page 12 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as described in this Report. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. Recommendations and decisions on remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate.

Among the matters which the Board of the Company decides are the Group's business strategy, its annual budget, dividends and major corporate activities. Responsibility for implementing 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. In addition, as part of the Company's tiered approach to oversight and management, certain Directors of the Company who do not serve on the board of DFMS and who are based outside Asia make regular visits to Asia and Bermuda where they will participate in four annual strategic reviews. All of these reviews precede the Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration by the Board.

The Board is scheduled to hold four meetings in 2011 and ad hoc procedures are adopted to deal with urgent matters. In 2010 two meetings were held in Bermuda and two in Asia. All Directors attended all four Board meetings, save that R J Floto, Dr George C G Koo, and Lord Leach of Fairford attended three meetings, George J Ho attended two meetings and R C Kwok was unable to attend the meetings due to illness. Alec Tong attended one meeting following his appointment to the Board. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of DFMS. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

THE BOARD (continued)

The division of responsibilities between the Chairman, the Managing Director and the Group Chief Executive is well established. The Chairman's role is to lead the Board as it oversees the Group's strategic and financial direction. The Managing Director's principal role is to act as chairman of DFMS and of its finance committee, while the responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive.

DIRECTORS' APPOINTMENT, RETIREMENT, REMUNERATION AND SERVICE CONTRACTS

Candidates for appointment as executive Directors of the Company, as executive directors of DFMS or as senior executives elsewhere in the Group may be sourced internally, from the Jardine Matheson group or externally using the services of specialist executive search firms. The aim is to appoint individuals who combine international best practice with adaptability to Asian markets.

Each new Director is appointed by the Board and, in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 whereby one-third of the Directors retire at the Annual General Meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

Alec Tong was appointed as a Director of the Company with effect from 1st September 2010. In accordance with Bye-law 85, Dr George C G Koo, Lord Leach of Fairford and James Riley retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Alec Tong will also retire, and, being eligible, offers himself for re-election. Alec Tong has a service contract with The Dairy Farm Company, Limited that has a notice period of six months. None of the other Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognized that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this.

Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Group Finance Director, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. A motion to increase the Directors' fees to US\$45,000 each per annum and the fees for the Chairman and Managing Director to US\$65,000 each per annum with effect from 1st January 2011 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2010, the Directors received from the Group US\$6.5 million (2009: US\$6.2 million) in Directors' fees and employee benefits, being US\$0.5 million (2009: US\$0.5 million) in Directors' fees, US\$5.4 million (2009: US\$5.0 million) in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US\$0.2 million (2009: US\$0.2 million) in post-employment benefits and US\$0.4 million (2009: US\$0.5 million) in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Senior executive share incentive schemes have also been established to provide longer-term incentives for executive Directors and senior managers. Share options are granted by the scheme trustee after consultation between the Chairman, the Managing Director and the Group Chief Executive and other Directors as they consider appropriate. Share options are granted at the then prevailing market prices and the scheme rules provide that they normally vest after the third anniversary of the date of grant. Grants may be made in a number of instalments. Share options are not granted to non-executive Directors.

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required under the Bermuda Companies Act 1981 to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the Annual General Meeting. The financial statements should 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.

GOING CONCERN

The Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are going concerns. The Group prepares comprehensive financial forecasts and, based on these forecasts, cash resources and existing credit facilities, the Directors consider that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

CODE OF CONDUCT

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Jardine Matheson group Code of Conduct, a set of guidelines to which every employee must adhere. The code 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 prohibits the giving or receiving of illicit payments, and requires all employees to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organizations. The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's system of risk management and internal control. The system of internal control is 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.

The principal risks and uncertainties facing the Company are set out on page 62.

The Board has delegated to the audit committee of DFMS responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Group's system of internal control and the procedures by which these are monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The members of the audit committee of DFMS are A J L Nightingale, Mark Greenberg, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. The Board considers that the members of the audit committee of DFMS have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. All members of the audit committee attended both its meetings during the year. The group chief executive and group finance director of DFMS, together with representatives of the internal and external auditors, also attend the audit committee meetings by invitation.

Executive management is responsible for the implementation of the system 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 system. The internal audit function also monitors the approach taken by the business units to risk. The internal audit function is outside the operating businesses and reports its findings, and recommendations for any corrective action required, to the audit committee of DFMS. The audit committee of DFMS also reviews the effectiveness of the internal audit function.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, is reinforced and monitored by an annual compliance certification process.

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

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

The audit committee of DFMS keeps under review the nature, scope and results of the external audit and the audits conducted by the internal audit function. The audit committee of DFMS also keeps under review the independence and objectivity of the external auditors, and as part of that process considers and approves the level and nature of non-audit work performed. The terms of reference of the audit committee of DFMS can be found on the Company's website at www.dairyfarmgroup.com.

The Group's 50% associate, Maxim's Caterers Limited ('MCL'), has a separate board, 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 risk management committee and internal audit department responsibility for reviewing areas of major risk and the effectiveness of the internal control procedures.

DIRECTORS' SHARE INTERESTS

The Directors of the Company in office on 9th March 2011 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) as set out below in the ordinary share capital of the Company. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

| | |
|-------------------|-----------|
| Simon Keswick | 66,087 |
| A J L Nightingale | 34,183 |
| Michael Kok | 1,257,043 |
| Ronald J Floto | 1,244,000 |
| George J Ho | 489,405 |
| Dr George C G Koo | 100,329 |
| R C Kwok | 20,914 |
| Percy Weatherall | 400,000 |

In addition, Michael Kok held options in respect of 943,754 ordinary shares issued pursuant to the Company's Senior Executive Share Incentive Schemes.

SUBSTANTIAL SHAREHOLDERS

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

The Company has been informed of the following holdings of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic Holdings Limited ('Jardine Strategic') and its subsidiary undertakings are directly and indirectly interested in 1,049,589,171 ordinary shares carrying 77.76% of the voting rights and, by virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares; and (ii) Franklins Resources, Inc and its subsidiary undertakings are directly and indirectly interested in 96,918,269 ordinary shares carrying 7.18% of the voting rights. Apart from these shareholdings, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 9th March 2011.

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

RELATIONS WITH SHAREHOLDERS

The 2011 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 11th May 2011. 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. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.dairyfarmgroup.com.

SECURITIES PURCHASE ARRANGEMENTS

At the Annual General Meeting held on 5th May 2010, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

ARRANGEMENTS UNDER WHICH SHAREHOLDERS HAVE AGREED TO WAIVE DIVIDENDS

The Verandah Company (PTC) Limited (the 'Trustee') has waived the interim dividend for 2010 in respect of the issued ordinary shares in which it was interested as the Trustee of the Company's Senior Executive Share Incentive Schemes. The Trustee held no issued ordinary shares in the Company on the record date for the recommended final dividend for 2010.

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 52. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

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 pages 59 and 60 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 and Transparency Rules issued by the Financial Services Authority in the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

ECONOMIC RISK

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

COMMERCIAL AND FINANCIAL RISK

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks. These risks are further pronounced when operating in volatile markets.

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

The Group's businesses operate in areas that are highly competitive, and failure to compete effectively in terms of price, product specification or levels of service can have an adverse effect on earnings. Significant pressure from such competition may lead to reduced margins. The quality and safety of the products and services provided by the Group's businesses are also important and there is an associated risk if they are below standard.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 11 and note 2 to the financial statements on pages 27 to 29.

CONCESSIONS, FRANCHISES AND KEY CONTRACTS

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

REGULATORY AND POLITICAL RISK

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

TERRORISM, PANDEMIC AND NATURAL DISASTERS

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

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

Shareholder Information

FINANCIAL CALENDAR

| | |
|--|---------------------------|
| 2010 full-year results announced | 3rd March 2011 |
| Share registers closed | 21st to 25th March 2011 |
| Annual General Meeting to be held | 11th May 2011 |
| 2010 final dividend payable | 18th May 2011 |
| 2011 half-year results to be announced | 28th July 2011* |
| Share registers to be closed | 22nd to 26th August 2011* |
| 2011 interim dividend payable | 12th October 2011* |

* Subject to change

DIVIDENDS

Shareholders will receive their dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2010 final dividend by notifying the United Kingdom transfer agent in writing by 21st April 2011. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 4th May 2011. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States dollars unless they elect, through CDP, to receive Singapore dollars.

REGISTRARS AND TRANSFER AGENT

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

Principal Registrar

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

Jersey Branch Registrar

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

Singapore Branch Registrar

M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

United Kingdom Transfer Agent

Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
England

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

Retail Outlets Summary

| | As at 31st December | | | | |
|---|---------------------|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Hong Kong | | | | | |
| • Wellcome/MarketPlace/ThreeSixty/Oliver's supermarkets | 282 | 276 | 264 | 256 | 248 |
| • 7-Eleven convenience stores | 964 | 963 | 899 | 828 | 747 |
| • Mannings/GNC health and beauty stores | 338 | 309 | 282 | 250 | 243 |
| • IKEA home furnishings stores | 3 | 3 | 3 | 3 | 3 |
| • Maxim's | | | | | |
| Chinese restaurants | 61 | 60 | 60 | 57 | 55 |
| Fast food/catering services | 104 | 99 | 98 | 101 | 95 |
| Cake shops/bakeries | 213 | 210 | 213 | 153 | 147 |
| European restaurants/other | 29 | 29 | 28 | 29 | 27 |
| Starbucks [†] | 108 | 108 | 110 | 98 | 72 |
| Genki Sushi | 42 | 39 | 36 | 32 | 23 |
| Brunei | | | | | |
| • Giant supermarkets | 2 | – | – | – | – |
| • Giant hypermarket | 1 | 1 | 1 | – | – |
| • Guardian health and beauty stores | 21 | 18 | 10 | – | – |
| India | | | | | |
| • Foodworld supermarkets | 58 | 64 | 67 | 74 | 55 |
| • Health and Glow health and beauty stores | 73 | 64 | 60 | 57 | 42 |
| Indonesia | | | | | |
| • Hero/Giant supermarkets | 120 | 113 | 108 | 105 | 99 |
| • Giant hypermarkets | 38 | 35 | 26 | 17 | 17 |
| • Guardian health and beauty stores | 206 | 195 | 180 | 155 | 134 |
| • Starmart convenience stores | 125 | 124 | 116 | 98 | 70 |
| Macau | | | | | |
| • 7-Eleven convenience stores | 42 | 42 | 35 | 30 | 24 |
| • Mannings health and beauty stores | 13 | 10 | 7 | 5 | 4 |
| • Starbucks [†] | 4 | 4 | 4 | 4 | 2 |
| Mainland China | | | | | |
| • 7-Eleven convenience stores | 551 | 560 | 506 | 440 | 284 |
| • Mannings health and beauty stores | 163 | 120 | 70 | 30 | 12 |
| • Maxim's | | | | | |
| Cake shops | 89 | 44 | 30 | 15 | 7 |
| Starbucks [†] | 121 | 97 | 87 | 67 | 35 |
| Fast Food/Genki Sushi/other | 7 | 5 | 5 | 4 | 4 |
| Malaysia | | | | | |
| • Giant/Cold Storage supermarkets | 75 | 69 | 65 | 60 | 58 |
| • Giant hypermarkets | 67 | 51 | 44 | 41 | 28 |
| • Guardian health and beauty stores | 369 | 339 | 323 | 288 | 228 |
| Singapore | | | | | |
| • Cold Storage/MarketPlace/Shop N Save supermarkets | 105 | 95 | 91 | 85 | 80 |
| • Giant hypermarkets | 7 | 7 | 7 | 6 | 8 |
| • 7-Eleven convenience stores | 549 | 484 | 435 | 415 | 345 |
| • Guardian health and beauty stores | 135 | 128 | 120 | 118 | 123 |
| Taiwan | | | | | |
| • Wellcome/MarketPlace supermarkets | 294 | 299 | 243 | 207 | 182 |
| • IKEA home furnishings stores | 4 | 4 | 4 | 4 | 4 |
| Vietnam | | | | | |
| • Wellcome supermarkets | 3 | 3 | 3 | 3 | 2 |
| Total | 5,386 | 5,071 | 4,640 | 4,135 | 3,507 |

Note: Includes associates and joint ventures.

[†] Starbucks stores in Hong Kong, Macau, South and South West China are owned by joint venture companies established by Maxim's Caterers Limited (in Hong Kong and Macau)/Mei-Xin (International) Limited (in South and South West China) and Starbucks Coffee International, Inc.

Management and Offices

MANAGEMENT

Michael Kok *Group Chief Executive*
Alec Tong *Group Finance Director*
Dato' John Coyle *Regional Director, East Asia*
Caroline Mak *Regional Director, North Asia/
Chief Executive Officer, China*
Poh Seng Pol *Group Business Development Director*
Alex Tay *Regional Director, South Asia*

CORPORATE OFFICE

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P O Box 286, GPO
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Fax: (852) 2299 4888
Website: www.dairyfarmgroup.com

EAST ASIA

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
Dato' John Coyle

Indonesia

PT Hero Supermarket Tbk

Jl. Jend. Gatot Subroto
No. 177A
Kav. 64, Jakarta 12870
Tel : (62 21) 8378 8388
Fax: (62 21) 831 7734
Philippe Broianigo

Vietnam

Giant South Asia (Vietnam) Ltd

3/F GMA Building
307/6 Nguyen Van Troi Street
Ward 1, Tan Binh District
Ho Chi Minh City
Tel : (84 8) 3847 8988
Fax: (84 8) 3847 8333
Glyn Hughes

Brunei

Giant TMC (B) Sdn Bhd

Giant Hypermarket
Taik Rimba
Lot 58865 Kampong Rimba
Mukim Gadong
Bandar Seri Begawan
BE 3119
Negara Brunei Darussalam
Tel : (673) 246 0820
Fax: (673) 246 0821
Latip Isnin

SOUTH ASIA

Singapore

Cold Storage Singapore (1983) Pte Ltd

21 Tampines North Drive 2
#03-01
Singapore 528765
Tel : (65) 6891 8000
Fax: (65) 6784 3623
Alex Tay

India

Foodworld Supermarkets Private Ltd* Health and Glow Retailing Private Ltd*

740 Eswari Industrial Estate
Gate No. 2, Hulimavu
Bannerghatta Road
Bangalore 560076
Tel : (91 80) 3988 0707
Fax: (91 80) 3910 0611
Venkatesh Parthasarthy

NORTH ASIA

Hong Kong and Macau

The Dairy Farm Company, Ltd

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

Maxim's Caterers Ltd*

16/F Somerset House
Taikoo Place
979 King's Road
Quarry Bay
Tel : (852) 2523 4107
Fax: (852) 2845 0715
Michael Wu

Mainland China

Guangdong Sai Yi Convenience Stores Ltd

3/F Guangdong Mechanical
Sub-Building
185 Yue Hua Road
Yue Xiu District
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Tel : (86 20) 8364 7118
Fax: (86 20) 8364 7436
Paul Sheldrake

Mannings

3/F Guangdong Mechanical
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185 Yue Hua Road
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Fax: (86 20) 8318 2388
Vanny Hsiao

Taiwan

Wellcome Taiwan Company Ltd

2/F 175 Hua Ling Street
Shi Lin
Taipei
Tel : (886 2) 2883 9489
Fax: (886 2) 2881 7050
Simon Chuen

DFI Home Furnishings Taiwan Ltd

4/F No. 1 Jhong-Jheng Road
Sinjhuang District
New Taipei City 24243
Tel : (886 2) 8069 9005
Fax: (886 2) 2276 0689
Martin Lindstrom

* Associates or joint ventures

