

MAXIM'S SHOP N SAVE 7-ELEVEN IKEA
OLIVE YOUNG WELLCOME THREESIXTY
IKEA HERO MANNINGS FOODWORLD
GUARDIAN GNC HEALTH AND GLOW
COLD STORAGE THREESIXTY JASONS
MAXIM'S SHOP N SAVE OLIVE YOUNG
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CORPORATE INFORMATION

DIRECTORS

SIMON KESWICK
Chairman

A J L N IGHTINGALE
Managing Director

MICHAEL KOK
Group Chief Executive

RONALD J F LOTO

JONATHAN GOULD

MARK GREENBERG

GEORGE JOSEPH HO

HENRY KESWICK

DR GEORGE C G K OO

R C K WOK

LORD LEACH OF FAIRFORD

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JAMES RILEY

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DAIRY FARM MANAGEMENT SERVICES LIMITED

DIRECTORS

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Chairman

MICHAEL KOK
Group Chief Executive

HOWARD M OWLEM
Group Finance Director

JOHN COYLE
Regional Director, East Asia

CAROLINE MAK
Group Specialty Retail Director

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Regional Director, South Asia

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JONATHAN GOULD

MARK GREENBERG

JAMES RILEY

CORPORATE SECRETARY

N M McNAMARA

INTERNET WEBSITE:

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Dairy Farm International Holdings Limited

Dairy Farm is a leading pan-Asian retailer. At 31st December 2006, the Group and its associates operated 3,573 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants; employed over 64,000 people in the region; and had 2006 total sales of US\$6.0 billion.

The Group operates under well-known local brands, including:

- Supermarkets – Wellcome in Hong Kong and Taiwan, ThreeSixty in Hong Kong, Jasons in Singapore and Taiwan, Cold Storage in Singapore and Malaysia, Giant in Malaysia, Shop N Save in Singapore, Hero in Indonesia, G-Mart in Vietnam, and Foodworld in India;
- Hypermarkets – Giant in Malaysia, Singapore and Indonesia;
- Health and beauty stores – Mannings in Hong Kong, Macau and Southern China, Guardian in Singapore, Malaysia, Indonesia and Thailand, Health and Glow in India, and Olive Young in South Korea;
- Convenience stores – 7-Eleven in Hong Kong, Macau, Southern China and Singapore, 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 its primary share listing on the London Stock Exchange, and secondary listings on the Bermuda and Singapore stock exchanges. The Group's businesses are managed from Hong Kong by Dairy Farm Management Services Limited through its regional offices. Dairy Farm is a member of the Jardine Matheson Group.

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Jardines

A member of the Jardine Matheson Group

Highlights

- Underlying earnings per share up 10%
- Good results in all major markets
- Maxim's performing strongly
- Full year dividend per share up 11%

- Results

| | 2006 US\$m | 2005 US\$m | Change % |
|--|---------------|---------------|-------------|
| Sales | | | |
| – subsidiaries | 5,175 | 4,749 | 9 |
| – including 100% of associates | 6,010 | 5,539 | 9 |
| Underlying profit attributable to shareholders | 211 | 190 | 11 |
| Underlying PBIT to sales | 4.5% | 4.7% | (0.2%) |
| | US¢ | US¢ | % |
| Underlying earnings per share | 15.70 | 14.23 | 10 |
| Dividends per share | 9.40 | 8.50 | 11 |

Chairman's Statement

OVERVIEW

Dairy Farm celebrated its 120th anniversary in 2006 with another year of good growth in sales and earnings. The investment the Group has made to develop its businesses in major markets in Asia, assisted by generally favourable economic conditions, has continued to be rewarding.

PERFORMANCE

Sales, including 100% of those of associate companies, increased by 9% to US\$6.0 billion in 2006. Underlying profit for the year rose by 11% to US\$211 million as both the North Asia and South Asia regions achieved improved results. Underlying earnings per share were 10% higher at US¢15.70. The inclusion of a non-trading gain of US\$15 million in the prior year meant that the increase in net profit was 3%. The Group's financial position remains sound, with ample cash flow to fund its investment requirements and net cash of US\$20 million at the end of 2006.

The Board is recommending a final dividend of US¢6.80 per share, bringing the total dividend for 2006 to US¢9.40 per share, 11% higher than 2005.

OPERATIONS

Dairy Farm's strategy, which has been applied consistently in recent years, is to build leading retail businesses that meet the needs of Asia's growing consumer markets. Dairy Farm now has 27 operations in nine countries across North Asia and South Asia.

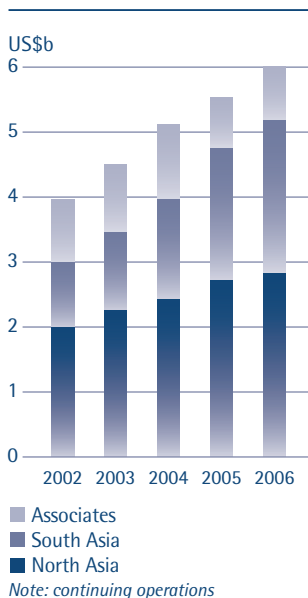
In North Asia, sales growth of 4% was achieved in 2006 and operating profit rose by 6%. All Hong Kong retail formats – Wellcome, 7-Eleven, Mannings, and IKEA – enjoyed improved operating results. At 7-Eleven in Southern China, sales increased strongly and the level of overall loss was again reduced.

In Taiwan, Wellcome maintained its profit despite poor consumer sentiment. IKEA Taiwan made significant investments in two new large stores, including one in Kaohsiung. While the associated pre-opening costs affected IKEA's overall result, this expansion is providing broader market coverage and lays the foundation for future growth.

Hong Kong restaurant associate, Maxim's, produced a strong improvement in underlying profit due in part to the excellent progress made by Genki Sushi, which was acquired early in 2006. Most of Maxim's other divisions achieved good results.

In South Asia, the Group's businesses generally performed well with sales increasing by 15%. The overall profit growth was, however, held back to 3% by a weak result from Giant hypermarkets in Singapore where the business was affected by store pre-opening costs and provisions for closure costs for two underperforming stores. Active expansion programmes are being pursued in Malaysia by Giant and Guardian, both of which enjoyed substantial increases in sales and operating profit in 2006. Income from property ownership was reduced following the sale and leaseback of most of Giant's property portfolio in late 2005.

Total Sales



While the trading results in Indonesia are showing improvement, levels of operating profitability remain inadequate. Nevertheless, the medium-term prospects for the market are attractive and the Group will continue to add stores in all its major formats. There was an encouraging growth in sales in India as nine supermarkets and eight health and beauty stores were added. The Indian market is, however, becoming more competitive and experiencing a significant increase in operating costs.

The Group's development of new markets continues. It entered the Macau and Thai markets in 2005, and in 2006 began operations in Vietnam with the acquisition of a small chain of supermarkets. In addition, a first site has been secured in Brunei for a hypermarket that will open in 2008.

PEOPLE

On 1st April 2006 Anthony Nightingale took over as Joint Managing Director from Percy Weatherall, who remains on the Board. Mark Greenberg joined the Board in June.

Ron Floto will retire as Group Chief Executive and Joint Managing Director at the end of March 2007 after ten years in the role. On behalf of the Board, I would like to record our appreciation of his valuable contribution to the development of the Group. He will remain as a non-executive director. We also welcome his successor Michael Kok, previously the Group's Regional Director for South Asia, who will join the Board as Group Chief Executive on 1st April 2007.

On behalf of the Board, I also thank the Dairy Farm employees for their efforts in achieving another successful year of growth in 2006.

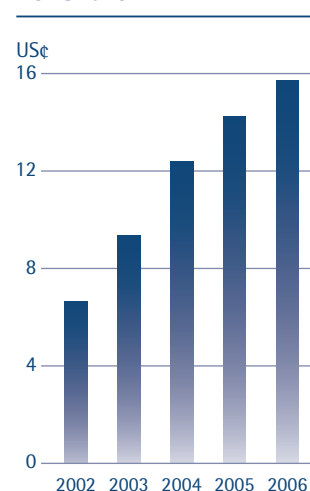
PROSPECTS

Dairy Farm is in a strong financial position and operates retail businesses that enjoy leading positions in their major markets. We shall continue to invest and expand in all our current markets to take advantage of the expected growth in demand from Asian consumers.

SIMON KESWICK
Chairman

5th March 2007

Underlying Earnings Per Share



Group Chief Executive's Review

Dairy Farm made solid progress in 2006. We increased sales and earnings in our operations in North Asia, South Asia and Maxim's. At year end, we operated 27 separate businesses across nine countries, and improved the earnings in the majority of these businesses. This was accomplished by remaining committed to the strategy that has served us well in recent years. In summary, this strategy has been to:

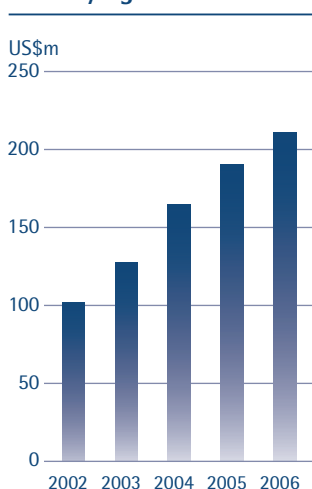
- Focus exclusively on operating retail businesses in Asia;
- Operate in multiple retail formats, where we have established expertise;
- Build leading market positions in each country and format; and
- Support these formats with efficient shared services.

A number of important steps were taken in 2006 to continue the implementation of this strategy:

- We opened six Giant hypermarkets in Malaysia, bringing our total to 28. These included three hypermarkets in East Malaysia, where Giant is becoming established as the region's leading retailer. We will continue to expand into this attractive market. Also in Malaysia, our Guardian business expanded, adding 57 stores to bring its total to 228 at year end.
- We received a licence to operate a number of supermarkets in Vietnam on a wholly-owned basis, and completed the acquisition of the Citimart chain. This business comprises six stores, predominantly in Ho Chi Minh City, and two of these had been transferred to our operation by year end.

- We opened the new ThreeSixty supermarket format in Hong Kong, offering shoppers an extensive range of natural and organic foods and associated products, many of which are exclusive to ThreeSixty.
- We now have six 7-Eleven franchisees in China, following approval of the concept by the government. Many more are planned for the future.
- In Singapore, we took control of the convenience stores managed by Shell. We converted five of these stores to the 7-Eleven banner by year end, and conversion of the remaining 60 stores will be completed by mid-2007.
- In Brunei, construction of our first hypermarket commenced in January 2007.
- Our associate company, Maxim's, completed the acquisition of a majority shareholding in the 18-outlet Genki Sushi chain early in 2006. This business has achieved strong growth in sales and profit. A further five stores were added during the year and there is scope for continued expansion.

Underlying PATAM



REGIONAL REVIEW

NORTH ASIA

Hong Kong

Wellcome supermarkets recorded another year of sales and profit growth. The network was upgraded as eight new stores were opened and seven were closed. In addition, 25 refurbishments were completed. A new promotion was launched in conjunction with Octopus, Hong Kong's most widely used stored value card, to allow customers to accumulate points for redemption on future purchases.

7-Eleven added a net 82 stores to bring its total to 747 at year end. Of these, 308 are operated by franchisees. Despite rising rental costs, the business again increased sales and earnings, assisted by a number of popular promotions including World Cup football and Hello Kitty.

Mannings health and beauty stores performed well though also being affected by increasing rents. Mannings' consistent commitment to superior service has resulted in a loyal customer base that enables its continued success.

IKEA reported improved sales, despite closing one small store in Tsuen Wan. Margins and sales improved at the remaining stores, particularly in the second half, allowing the business to complete the year with satisfactory profit growth and good momentum.

Maxim's enjoyed a very good year as most formats achieved substantial improvements. Apart from the Genki Sushi acquisition, several new format restaurants were opened and the Starbucks chain expanded to 72 outlets in Hong Kong.

Mainland China

7-Eleven convenience stores continued to expand in Guangdong Province. 284 stores were in operation by the end of 2006, an increase of a net 43 stores for the year. Following the previous year's entry into Dongguan and Zhuhai, in 2006 we opened our first store in Foshan, and will continue to open stores in each of these cities.

Mannings also expanded, but concentrated on continuing to refine its store model to suit the local market.

Maxim's expanded its bakery and related cake shop business in Guangdong, while Starbucks added another 15 stores in Southern and Western China.

Macau

7-Eleven, with 24 stores, and **Mannings** with four, continued their entry to the dynamic Macau market. We will continue to look for opportunities there.

Taiwan

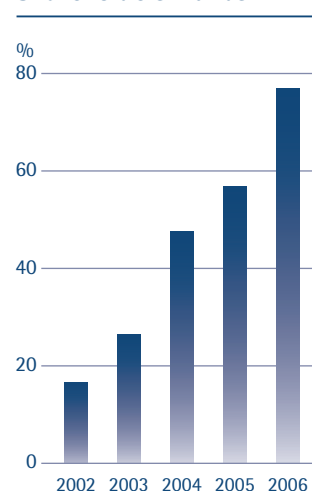
Wellcome supermarkets achieved satisfactory results in a very difficult market. Consumer sentiment was negative and competition in the food sector was severe. Constant attention to cost control was the key to achieving an acceptable result for the year. A total of 18 stores were opened, including one Jasons superstore.

IKEA opened a new large format store in Hsin Chuang in April and another in Kaohsiung in November. This completes our initial expansion phase in Taiwan, and we are now focussing on developing consumer awareness of the new stores, improving our operating efficiency, and increasing sales.

Korea

Olive Young increased its health and beauty store network to 34 and enjoyed good sales growth. However, the business needs still greater scale to reach profitability. Prospects for the joint venture remain attractive.

Return on Average Shareholders' Funds



SOUTH ASIA

Singapore

Cold Storage and **Shop N Save** supermarkets performed well in 2006, assisted by a very positive customer reaction to a number of stores that were upgraded. We finished the year with 80 stores.

Giant hypermarkets had a difficult year, absorbing substantial costs associated with the planned closure of three stores. These changes, along with the opening of the Vivo City store in late 2006 and a new store in Tampines in the first half of 2007, will position us for a much better performance in 2007.

Guardian pharmacies performed well, with an emphasis on opening larger format stores.

7-Eleven also achieved good growth, adding a net 30 stores including the first of the converted stores located at Shell petrol stations.

Malaysia

Giant opened a net 15 stores for the year, of which six were hypermarkets. Giant is the leading supermarket/hypermarket chain in Malaysia, and has an active programme of expansion in both peninsular and East Malaysia.

Guardian pharmacies added a net 57 stores and had an excellent year. Rapid expansion was accompanied by a continuation of the business's consistently high customer service standard and solid financial returns.

Indonesia

Hero supermarkets added a net four stores to finish the year with 99. We recorded an improved result even though consumer spending was affected by rising fuel costs.

Giant added a total of five hypermarkets, making a total chain of 17 stores, and recorded improved profit as this business reaches economic scale.

Guardian pharmacies and **Starmart** convenience stores also continued to expand, adding 33 and 16 stores respectively. Underlying performance was satisfactory.

Thailand

Guardian opened ten new stores, ending the year with 13 outlets in greater Bangkok.

India

Foodworld began an extensive refurbishment programme in 2006 that will continue through 2007. Retail competition has grown rapidly, with new entrants in the supermarket sector pushing rental and other costs to significantly higher levels. This is making profitability harder to achieve in the short-term, but the market continues to hold good potential.

Health and Glow showed good sales growth and its management team is continuing to search for new locations. With only 42 stores at year end, the business needs to grow to reach a fully economic scale, but shows good promise for the future.

Vietnam

We entered this market in mid-2006 through acquisition of the Citimart supermarket chain, and are progressively taking over the stores. Vietnam has great potential for expansion in the retail sector as the economy grows, providing investment regulations continue to ease.

THE YEAR AHEAD

We will again direct our efforts to expansion in the countries in which we operate.

We are fortunate to have leading positions in some of the fastest-developing markets in the world. Despite facing aggressive competition, we are confident that the strength of our businesses will allow us to continue to perform well in the coming year and beyond. As always, our progress this year has been due in large part to the abilities and commitment of our people, who now number 64,000. I thank them sincerely for their hard work and for the success they have allowed us to achieve.

RONALD J F LOTO

Group Chief Executive

5th March 2007

Milestones

Dairy Farm celebrated its 120th anniversary in 2006. From a provider of dairy products in Hong Kong, Dairy Farm has travelled far and wide to become a leading pan-Asian retailer with over 3,500 outlets in the region. The following are selected key dates and events of the Company since its incorporation.

1886 The Dairy Farm Company, Limited is incorporated in Hong Kong by Sir Patrick Manson and five businessmen, with a capital of HK\$30,000 and 80 head of cattle.

1888 Dairy Farm posts a profit of HK\$3,385, following a HK\$13,187 loss in its first year.

1892-99 Dairy Farm sets up a central depot in Lower Albert Road in 1892. The Company starts importing butter from Australia in 1899 and rearing pigs and fowl to provide pork, poultry and eggs the following year.

1904 Dairy Farm opens its first retail store at Lower Albert Road and begins importing frozen meat from Australia.

1911-18 In 1911, Dairy Farm buys Butterfield and Swire's frozen food business, its first major corporate acquisition. It acquires Hong Kong Ice Company in 1918 and changes its name to The Dairy Farm, Ice & Cold Storage Company Limited.

1936-47 Dairy Farm celebrates its 50th anniversary in 1936 and introduces protective capping on milk bottles in the same year. It launches an aircraft catering kitchen at Kai Tak Airport in 1947.

1960-64 Dairy Farm and Lane Crawford merge their food retailing operations to form Dairy Lane Limited in 1960. In 1964, it acquires Wellcome grocery chain and buys out Lane Crawford's share of Dairy Lane.

1967-70 Dairy Farm begins its overseas expansion, which includes the Simarloo fruit and nut farm, and a beef ranch in Australia. It also enters the wholesaling sector.

1972-76 Dairy Farm is acquired by Hongkong Land in 1972. A year later, Dairy Farm buys Fitzpatrick's Food Supplies in Singapore, and acquires 51% of Manning Dispensary Hong Kong in 1976.

1979 Dairy Farm signs an agreement to obtain daily milk supplies from a farm in Shenzhen. It acquires the Franklins supermarket chain in Australia.

1980-83 Dairy Farm makes history by forging the first Sino-Foreign JV in China in 1980, to operate the flight kitchen for Beijing Airport. In 1983, the Company sells its herd of cows and begins disposing of its Australian farming and ranching interests.

1986 Dairy Farm's centenary. The Company is demerged from Hongkong Land and re-listed on the Hong Kong Stock Exchange. As part of the demerger, Dairy Farm takes over a 50% interest in Maxim's from Hongkong Land.

1987-89 Dairy Farm acquires 25% of Kwik Save in the United Kingdom and commences to operate supermarkets in Taiwan in 1987. It acquires 7-Eleven convenience stores in Hong Kong and sells the Simarloo Farm in 1989.

1990 Dairy Farm obtains a dual primary share listing on the London Stock Exchange, followed by secondary listings in Australia and Singapore. Its primary listing in Hong Kong was later converted to a secondary listing, and was subsequently withdrawn in 1995. It acquires the Simago supermarket in Spain and Woolworths in New Zealand.

1992 Dairy Farm opens five 7-Eleven stores in Shenzhen and sells 51% of its dairy manufacturing business in Hong Kong and Guangzhou to Nestlé.

1993-5 In 1993, Dairy Farm buys Cold Storage Singapore, and forms a 50/50 joint venture with Cold Storage Malaysia the following year. In 1995, it opens four Wellsave supermarkets via a joint venture in Japan (closed in 1997) and five Wellcome Gintian supermarkets under a joint venture in Shenzhen (closed in 1999).

1997-99 In 1997, Dairy Farm forms a 50/50 joint venture to operate Health and Glow health and beauty stores in India, and sells its remaining 49% stake in Nestlé Dairy Farm to Nestlé. In 1998, it disposes Kwik Save and Simago, opens Géant hypermarket in Taiwan via a joint venture (sold in 2000), and increases its stakes in Wellsave and Guardian pharmacies in Malaysia. In 1999, it acquires Tops supermarket in Singapore, 90% of Giant Malaysia and a 49% holding in the Foodworld supermarket chain in India.

2000-02 In 2000, Dairy Farm acquires 23 Apex stores in Singapore which are merged with its Guardian operation, and adds 12 Maysoon stores to its Taiwan supermarket operation. In 2001, Dairy Farm completes the sale of Franklins and its wholesale business, Sims, and acquires the remaining 10% stake in Giant Malaysia. Its 65%-held joint venture obtains government approval to operate 7-Eleven in Southern China in the same year. In 2002, Dairy Farm completes the sale of Woolworths New Zealand, forms a 50/50 joint venture to operate Olive Young health and beauty stores in South Korea and acquires IKEA Hong Kong and Taiwan.

2003-05 In 2003, Dairy Farm continues its expansion by acquiring the Kayo supermarkets in Taiwan, Tops supermarkets in Malaysia and Indonesia, and Shop N Save supermarkets in Singapore. In 2004, it acquires the Daily Stop convenience stores and rebrands them to 7-Eleven, and sells its ice manufacturing business. In 2005, Dairy Farm increases its attributable interest in PT Hero to 69%, opens Guardian in Thailand and starts operating 7-Eleven and Mannings in Macau.

2006 Dairy Farm marks its 120th anniversary by sponsoring the conversion of the last two remaining Dairy Farm cowsheds in Pokfulam into a performance venue, named the Wellcome Theatre. Dairy Farm records an underlying profit of US\$211 million.

Financial Review

Dairy Farm enjoyed another year of solid growth in sales and profit in 2006, with correspondingly strong operating cash flows. This good performance enabled the Group to support an increase in capital expenditure and to increase dividends, while still ending the year with no net debt and strong financial ratios.

PERFORMANCE

Sales, excluding sales by associate companies, were US\$5,175 million, a 9% increase over 2005. Operating profit before interest and tax ('PBIT') was US\$234 million, an increase of US\$10 million on 2005's underlying result. This represents a PBIT to sales ratio of 4.5% in 2006, compared to 4.7% in the previous year. After including the Group's share of results of associates, the profit attributable to shareholders was US\$211 million, an 11% increase over the underlying result in 2005 (which excludes a non-trading gain of US\$15 million).

The tax charge for 2006 was US\$45 million, the same as in 2005. Earnings per share ('EPS') were US¢15.70, an increase of 10% over the previous year's underlying EPS of US¢14.23.

CASH FLOW

The Group ended the year with net cash of US\$20 million, compared to US\$1 million in 2005. Operating cash flows remained strong with a net inflow of US\$312 million. The working capital position remained favourable despite a small net cash outflow of

US\$11 million which had resulted from the reversal of some unusually favourable seasonal factors at the end of 2005.

Normal capital expenditure was US\$159 million compared to US\$112 million in 2005, an increase of 42%. The Group's subsidiaries opened 409 outlets in 2006, which accounted for the major part of the increase. The larger stores opened were two new IKEA stores in Taiwan, the ThreeSixty store in Hong Kong, and nine Giant hypermarkets in Malaysia, Indonesia and Singapore. In addition, three sites were purchased for development as hypermarkets in Malaysia.

A total of US\$18 million was paid for acquisitions of hypermarkets and supermarkets in East Malaysia and Vietnam.

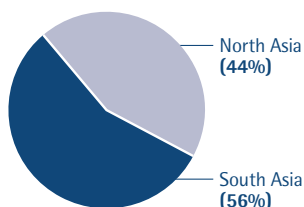
Net cash inflow after capital expenditure and dividend payments was US\$29 million in 2006 compared to an outflow of US\$100 million in the previous year, which had included a special dividend of US\$334 million. The higher level of cash inflow was mainly due to improved operating results, offset by lower proceeds on sales of properties and reversal of the working capital position mentioned above.

BALANCE SHEET

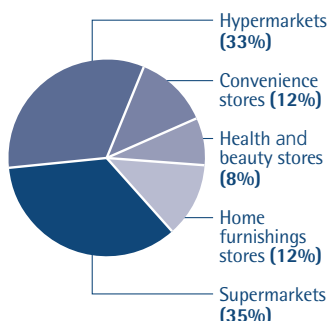
Total assets, excluding cash, of US\$1,670 million were 16% higher than 2005. The increase was mainly a result of investment in new and refurbished stores. Net operating assets excluding net cash were US\$308 million at the end of 2006, a 27% increase from the previous year.

2006 Capital Expenditure

Total by region: US\$177m



Store capex by format



DIVIDEND

The Board is recommending a final dividend of US¢6.80 per share. This will bring the total dividend in respect of 2006 to US¢9.40 per share, representing an increase of 11% over 2005 and a payout ratio of 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\$437 million at year end and committed banking facilities of US\$697 million with an average life to maturity of 3.2 years. There was an increase in gross borrowings of US\$49 million during 2006 and an increase in committed facilities of US\$73 million. Interest income increased from US\$16 million in 2005 to US\$17 million in 2006, while financing charges decreased from US\$26 million to US\$23 million. Net interest cover for the year remained strong at 61 times.

FINANCIAL RISK MANAGEMENT

The main financial risks faced by the Group arise from movements in interest rates and exchange rates. The Group uses financial instruments, including derivatives, to manage these risks, but avoids the use of complex financial instruments and has a policy not to engage in speculative activity. Derivatives, predominantly interest rate swaps, are used to manage exposure to interest rates. As a broad guideline, the Group

aims to fix or cap between 40% and 60% of the interest exposure on gross outstanding debt, although approval can be given to move outside this range from time to time. At year end, US\$240 million of gross debt was subject to fixed interest rates, with a remaining average tenor of 1.7 years.

The risk of exchange rate movements affecting asset values is significantly offset by entering into local currency borrowings. The Group does not hedge exposures to currency movements that arise from the translation of profits earned in foreign currencies, except to the extent that those profits are expected to be distributed to the holding company. Transactional currency exposures, resulting predominantly from purchases in currencies other than the subsidiaries' reporting currencies, are selectively hedged through forward foreign currency transactions.

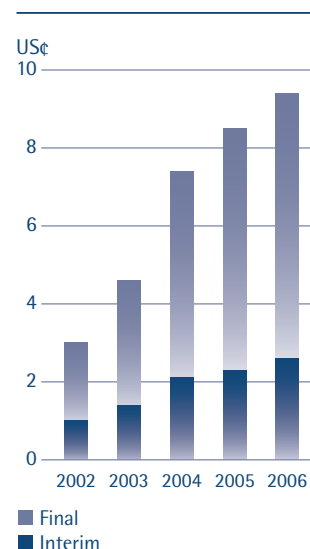
ACCOUNTING POLICIES

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards. There were no changes in accounting policies in 2006.

HOWARD M OWLEM
Group Finance Director

5th March 2007

Ordinary Dividends 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 Holdings, Mandarin Oriental, and a director of Jardine Lloyd Thompson, Jardine Matheson and Jardine Strategic. He is also a director of The Fleming Mercantile Investment Trust.

A J L Nightingale*

Managing Director

Mr Nightingale joined the Board and was appointed as Managing Director in April 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 Group and Jardine Pacific; and a commissioner of Astra. He is also managing director of Hongkong Land Holdings, 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 council member of the Hong Kong Trade Development Council, a Hong Kong representative to the APEC Business Advisory Council and a member of the Greater Pearl River Delta Business Council.

Michael Kok*

Group Chief Executive

Mr Kok joined the Board and was appointed Group Chief Executive in April 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 Asia.

Howard Mowlem*

Group Finance Director

Mr Mowlem was appointed as Group Finance Director in 2001. He joined the Group in 2000 as finance director, North Asia. He previously held a number of senior financial positions in the Australian retail sector. Mr Mowlem is a Fellow of the Australia Society of CPAs.

Ronald J Floto

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

Jonathan Gould

Mr Gould joined the Board in 2004. He is group general counsel of Jardine Matheson. He qualified as an English solicitor in 1976 and as a Hong Kong solicitor in 1988. He was previously a senior corporate partner of Allen & Overy based in both Hong Kong and London. Mr Gould is also a director of Jardine Matheson Limited and Mandarin Oriental.

Mark Greenberg

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

George Joseph 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, multi-media and telecommunications industries. Mr Ho is also chairman of Hong Kong Commercial Broadcasting Company and executive director of ABC Communications (Holdings).

Henry Keswick

Mr Henry Keswick 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 Holdings, Mandarin Oriental and Rothschilds Continuation Holdings. 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 Holdings, 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 Holdings, Jardine Matheson, Jardine Strategic, Mandarin Oriental and Rothschilds Continuation Holdings. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking.

Owen Price

Mr Price joined The Dairy Farm Group in 1974. He was previously chief executive of Woolworths Ltd, Australia. After 18 years service with Dairy Farm, he retired as joint Managing Director in 1993. Mr Price is also a director of Jardine Cycle & Carriage.

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 a director of Jardine Matheson Limited.

Percy Weatherall

Mr Weatherall joined the Board in 2000 and was Managing Director from February 2000 to March 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 Holdings, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

* Executive Director

Consolidated Profit and Loss Account

for the year ended 31st December 2006

| | Note | 2006 US\$m | 2005 US\$m |
|---|------|---------------|---------------|
| Sales | 1 | 5,175.0 | 4,749.4 |
| Cost of sales | | (3,604.0) | (3,334.9) |
| Gross margin | | 1,571.0 | 1,414.5 |
| Other operating income | | 13.7 | 32.0 |
| Selling and distribution costs | | (1,155.2) | (1,034.8) |
| Administration and other operating expenses | | (195.7) | (179.2) |
| Operating profit | 1 | 233.8 | 232.5 |
| Financing charges | | (23.0) | (25.7) |
| Financing income | | 17.0 | 16.3 |
| Net financing charges | 2 | (6.0) | (9.4) |
| Share of results of associates and joint ventures | 3 | 27.7 | 28.5 |
| Profit before tax | | 255.5 | 251.6 |
| Tax | 4 | (44.5) | (45.0) |
| Profit for the year | | 211.0 | 206.6 |
| Attributable to: | | | |
| Shareholders of the Company | | 210.8 | 205.3 |
| Minority interests | | 0.2 | 1.3 |
| | | 211.0 | 206.6 |
| | | US¢ | US¢ |
| Earnings per share | 5 | | |
| – basic | | 15.70 | 15.34 |
| – diluted | | 15.66 | 15.25 |

Consolidated Balance Sheet

at 31st December 2006

| | Note | 2006 US\$m | 2005 US\$m |
|---|------|------------------|---------------|
| Net operating assets | | | |
| Intangible assets | 6 | 266.1 | 226.8 |
| Tangible assets | 7 | 540.0 | 463.4 |
| Associates and joint ventures | 8 | 113.9 | 106.6 |
| Deferred tax assets | 9 | 9.4 | 7.0 |
| Other non-current assets | 10 | 62.2 | 54.3 |
| Non-current assets | | 991.6 | 858.1 |
| Stocks | | 472.1 | 423.8 |
| Debtors and prepayments | 12 | 200.9 | 157.3 |
| Current tax assets | | 5.0 | 2.1 |
| Bank balances | 13 | 456.5 | 389.1 |
| Non-current assets classified as held for sale | | 1,134.5 | 972.3 |
| | 14 | 0.5 | 2.2 |
| Current assets | | 1,135.0 | 974.5 |
| Creditors and accruals | 15 | (1,219.6) | (1,116.9) |
| Current borrowings | 16 | (47.0) | (35.9) |
| Current tax liabilities | | (33.7) | (31.8) |
| Liabilities directly associated with non-current assets classified as held for sale | | (1,300.3) | (1,184.6) |
| | 14 | (0.1) | (0.5) |
| Current liabilities | | (1,300.4) | (1,185.1) |
| Net current liabilities | | (165.4) | (210.6) |
| Long-term borrowings | 16 | (389.5) | (352.1) |
| Deferred tax liabilities | 9 | (41.3) | (34.9) |
| Other non-current liabilities | 17 | (67.1) | (17.4) |
| | | 328.3 | 243.1 |
| Total equity | | | |
| Share capital | 19 | 74.7 | 74.5 |
| Share premium and capital reserves | 21 | 27.8 | 26.1 |
| Revenue and other reserves | 22 | 221.5 | 123.5 |
| Shareholders' funds | | 324.0 | 224.1 |
| Minority interests | 24 | 4.3 | 19.0 |
| | | 328.3 | 243.1 |

Approved by the Board of Directors

A J L NIGHTINGALE
RONALD J FLOTO
Directors

5th March 2007

Consolidated Statement of Recognized Income and Expense

for the year ended 31st December 2006

| | 2006 US\$m | 2005 US\$m |
|--|---------------|---------------|
| Surplus on revaluation of intangible assets | – | 3.0 |
| Net (deficit)/surplus on revaluation of properties | (2.6) | 7.6 |
| Net actuarial gains on defined benefit pension plans | 11.7 | 3.0 |
| Net exchange translation differences | 2.8 | (8.7) |
| (Losses)/gains on cash flow hedges | (2.8) | 5.0 |
| Tax on items taken directly to equity | (1.9) | (3.9) |
| Net income recognized directly in equity | 7.2 | 6.0 |
| Profit for the year | 211.0 | 206.6 |
| Total recognized income and expense for the year | 218.2 | 212.6 |
| Attributable to: | | |
| Shareholders of the Company | 216.1 | 213.0 |
| Minority interests | 2.1 | (0.4) |
| | 218.2 | 212.6 |

Surplus on revaluation of intangible assets in 2005 represented the increase in fair value attributable to the Group's previously held interests in PT Hero Supermarket on the date it became a subsidiary.

Consolidated Cash Flow Statement

for the year ended 31st December 2006

| | Note | 2006 US\$m | 2005 US\$m |
|--|--------|---------------|---------------|
| Operating activities | | | |
| Operating profit | 1 | 233.8 | 232.5 |
| Depreciation and amortization | 25 (a) | 110.3 | 103.2 |
| Other non-cash items | 25 (b) | 10.3 | (5.9) |
| (Increase)/decrease in working capital | 25 (c) | (11.4) | 40.3 |
| Interest received | | 15.7 | 15.8 |
| Interest and other financing charges paid | | (21.9) | (25.6) |
| Tax paid | | (45.8) | (31.8) |
| | | 291.0 | 328.5 |
| Dividends from associates and joint ventures | | 21.2 | 23.8 |
| Cash flows from operating activities | | 312.2 | 352.3 |
| Investing activities | | | |
| Purchase of tangible assets | | (156.6) | (112.2) |
| Purchase of subsidiaries | 25 (d) | (0.3) | (38.4) |
| Store acquisitions | 25 (e) | (17.3) | (0.9) |
| Purchase of associates and joint ventures | | (0.5) | (3.0) |
| Purchase of intangible assets | | (2.6) | - |
| Sale of subsidiaries | 25 (f) | 0.6 | 95.9 |
| Sale of properties | 25 (g) | 8.0 | 37.0 |
| Sale of other tangible assets | | 0.9 | 1.3 |
| Sale of other investments | | - | 2.3 |
| Cash flows from investing activities | | (167.8) | (18.0) |
| Financing activities | | | |
| Issue of shares | | 1.1 | 1.4 |
| Capital contribution from minority shareholders | | 1.1 | - |
| Drawdown of borrowings | | 682.8 | 1,386.4 |
| Repayment of borrowings | | (651.4) | (1,362.7) |
| Dividends paid by the Company | 23 | (118.1) | (435.3) |
| Cash flows from financing activities | | (84.5) | (410.2) |
| Effect of exchange rate changes | | 3.8 | (0.4) |
| Net increase/(decrease) in cash and cash equivalents | | 63.7 | (76.3) |
| Cash and cash equivalents at 1st January | | 378.3 | 454.6 |
| Cash and cash equivalents at 31st December | 25 (h) | 442.0 | 378.3 |

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.

In 2006, the Group adopted the following amendments and interpretation to existing standards which are relevant to its operations:

IAS 21 (amended 2005), Net Investment in a Foreign Operation
IAS 39 (amended 2005), Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (amended 2005), The Fair Value Option
IAS 39 and IFRS 4 (amended 2005), Financial Guarantee Contracts
IFRIC 4, Determining whether an Arrangement contains a Lease

There have been no changes to the accounting policies as a result of adoption of the above amendments and interpretation.

The following standards, and amendment and interpretations to existing standards, which are relevant to the Group's operations, were published but are not yet effective in 2006:

IFRS 7, Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1st January 2007). IFRS 7 introduces new disclosures relating to financial instruments. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from 1st January 2007.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1st January 2009) supersedes IAS 14, Segment Reporting and requires the reporting of financial and descriptive information about an entity's reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group assessed the impact of IFRS 8 and concluded that the main additional disclosures will be an analysis of the Group's non-current assets by geographical area. The Group will apply IFRS 8 from 1st January 2009.

IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1st May 2006) requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1st June 2006) prohibits reassessment of any embedded derivatives contained in a contract since becoming a party to the contract unless there is a change in the terms of the host contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply IFRIC 9 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November 2006) prohibits the impairment losses recognized in an interim period in respect of goodwill, investments in equity instruments and investments in financial assets carried at cost from being reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1st January 2007, but it is not expected to have any significant impact on the results of the Group.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007) addresses the accounting for share-based payment transactions involving two or more entities within a group. The Group will apply IFRIC 11 from 1st January 2008, but it is not expected to have any significant impact on the results of the Group.

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 consolidated financial statements are presented in United States Dollars.

The Group's reportable segments are set out in note 1 and are described on pages 23, 25, 33 and 39.

B. BASIS OF CONSOLIDATION

(i) The consolidated financial statements include the financial statements of the Company, its subsidiaries and, on the basis set out in (ii) below, its associates and joint ventures. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

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

(ii) 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.

(iii) Minority interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

(iv) The results of entities other than subsidiaries, associates and joint ventures are included only to the extent of dividends received.

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.

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 taken directly to exchange reserves. On the disposal of these investments, such exchange differences are recognized in the consolidated profit and loss account as part of the profit or loss on disposal. All other exchange differences are dealt with in the consolidated profit and loss account.

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. 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. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

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, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognized directly in the consolidated profit and loss account. 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 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.

E. INTANGIBLE ASSETS (continued)

(ii) Land use rights are payments to third parties to acquire long-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) Intangible assets other than goodwill and land use rights 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 valuation. Independent valuations are 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. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years the Directors review the carrying values and adjustment is made where there has been a material change. Revaluation surpluses and deficits are dealt with in asset revaluation reserves except for movements on individual properties below depreciated cost which are dealt with in the consolidated profit and loss account. Grants related to tangible fixed 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 is calculated on the straight line basis at annual rates estimated to write down the cost or valuation 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 principal rates in use are as follows:

| | |
|---|--|
| Buildings | 2% to 3 ¹ / ₃ % |
| Leasehold improvements | over period of the lease |
| Plant and machinery | 5% - 33 ¹ / ₃ % |
| Furniture, equipment and motor vehicles | 6 ² / ₃ % - 33 ¹ / ₃ % |

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. 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.

H. DEBTORS

Trade debtors are carried 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 or based on an assessment with reference to historical loss experience. Bad debts are written off during the year in which they are identified.

I. 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.

J. 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.

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. Provision for withholding tax which could arise on the remittance of retained earnings relating to subsidiaries is only made where there is a current intention to remit such earnings. Deferred tax assets relating to the carry forward 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.

K. EMPLOYEE BENEFITS

(i) Pension obligations

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate 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 the consolidated profit and loss account 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 full in the year in which they occur, outside the consolidated profit and loss account, in the consolidated statement of recognized income and expense.

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

(ii) Share-based compensation

The Company operates a number of 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. At each balance sheet date, the Company 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 the consolidated profit and loss account.

L. DIVIDENDS

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

M. SALES

Sales consist of the gross 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.

N. OPERATING LEASES

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account 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.

O. PRE-OPERATING COSTS

Pre-operating costs are expensed as they are incurred.

P. BORROWINGS AND BORROWING COSTS

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 their maturities are within 12 months after the balance sheet date.

Q. 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 recovered principally through a sale transaction rather than through continuing use.

R. 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the consolidated profit and loss account, 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 the consolidated profit and loss account 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 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 the consolidated profit and loss account and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the consolidated profit and loss account. 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 recognised in the consolidated profit and loss account. 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 the consolidated profit and loss account.

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 the consolidated profit and loss account.

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 the consolidated profit and loss account.

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 12 months after the balance sheet date.

S. 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.

T. 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; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

U. 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.

V. 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.

(i) 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 land use rights 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.

When the Group enters into agreements to enable it to acquire an additional interest in a subsidiary, management will determine whether the Group has a present interest in the economic benefits associated with the additional interest, in which case it will be accounted for as a purchase of the minority interests and the excess of the financial liability over the carrying amount of minority interests will be recorded as goodwill.

(ii) Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are valued every three years by independent valuers. In the intervening years the Group reviews the carrying values and adjustment is made where there has been a material change. In arriving at the valuation of land and buildings, assumptions and economic estimates have to be made.

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.

(iii) 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.

The guidance of IAS 39 (amended 2004) is followed in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

V. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(iv) 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.

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.

(v) 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 plans 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.

(vi) 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.

W. COMPARATIVE FIGURES

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

Notes to the Financial Statements

| 1. SALES AND OPERATING PROFIT | Sales | | Operating Profit | |
|--|----------------|----------------|------------------|---------------|
| | 2006 US\$m | 2005 US\$m | 2006 US\$m | 2005 US\$m |
| Analysis by geographical area: | | | | |
| North Asia | 2,822.2 | 2,709.7 | 140.4 | 132.5 |
| South Asia | 2,352.8 | 2,039.7 | 113.3 | 109.7 |
| | 5,175.0 | 4,749.4 | 253.7 | 242.2 |
| Support office | | | (18.3) | (18.8) |
| | | | 235.4 | 223.4 |
| Profit on sale of other investments (note 10) | | | – | 2.0 |
| (Loss)/profit on sale of properties (note 25(g)) | | | (1.6) | 11.1 |
| Loss on sale of subsidiaries (note 25(f)) | | | – | (4.0) |
| | | | 233.8 | 232.5 |
| Analysis by business: | | | | |
| Supermarkets/hypermarkets | 3,226.3 | 2,993.4 | 132.8 | 124.3 |
| Health and beauty stores | 792.3 | 728.3 | 65.1 | 56.6 |
| Convenience stores | 966.6 | 855.4 | 52.2 | 45.4 |
| Home furnishings stores/other | 189.8 | 172.3 | 3.6 | 15.9 |
| | 5,175.0 | 4,749.4 | 253.7 | 242.2 |

Dairy Farm operates in two regions: North Asia and South Asia, and accordingly, its primary segment reporting is by geographical areas with secondary segment information reported by business. North Asia comprises Hong Kong, Mainland China, Macau, Taiwan and South Korea. South Asia comprises Singapore, Malaysia, Indonesia, India, Thailand and Vietnam.

In 2005, a cost of US\$3.3 million was included under support office in respect of restructuring of the joint ventures in India.

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

| | 2006 US\$m | 2005 US\$m |
|---|---------------|---------------|
| Cost of stocks recognized as expense | 3,599.3 | 3,332.3 |
| Depreciation and impairment of tangible assets (note 7) | 112.1 | 102.6 |
| Amortization of intangible assets (note 6) | 1.4 | 1.1 |
| Employee benefit expense | | |
| – salaries and benefits in kind | 442.9 | 413.3 |
| – share options granted (note 21) | 0.8 | 0.4 |
| – defined benefit pension plans (note 11) | 8.7 | 8.5 |
| – defined contribution pension plans | 20.2 | 17.0 |
| | 472.6 | 439.2 |
| Operating leases | | |
| – minimum lease payments | 406.1 | 351.0 |
| – contingent rents | 2.9 | 2.8 |
| – subleases | (22.7) | (13.6) |
| | 386.3 | 340.2 |
| Reversal of impairment on land use rights (note 6) | – | (0.3) |
| Net reversal of impairment on properties (note 7) | – | (0.2) |
| Profit on sale of other investments (note 10) | – | (2.0) |
| Loss/(profit) on sale of properties (note 25(g)) | 1.6 | (11.1) |
| Loss on sale of subsidiaries (note 25(f)) | – | 4.0 |
| Net foreign exchange gains | (0.9) | (2.4) |
| Compensation from landlord | (1.8) | – |
| Rental income | (8.1) | (16.0) |

| 2. NET FINANCING CHARGES | 2006 US\$m | 2005 US\$m |
|--|-----------------------|-----------------------|
| Interest expense - bank loans and advances | 21.9 | 24.6 |
| Commitment and other fees | 1.1 | 1.1 |
| Financing charges | 23.0 | 25.7 |
| Interest income on bank deposits | (17.0) | (16.3) |
| | 6.0 | 9.4 |

| 3. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES | 2006 US\$m | 2005 US\$m |
|---|-----------------------|-----------------------|
| Analysis by geographical area: | | |
| North Asia | 29.0 | 30.0 |
| South Asia | (1.3) | (1.5) |
| | 27.7 | 28.5 |
| Analysis by business: | | |
| Restaurants | 30.8 | 31.1 |
| Retailing | (3.1) | (2.6) |
| | 27.7 | 28.5 |

Results are shown after tax and minority interests.

In 2005, a reversal of impairment on land use rights of US\$3.9 million was included under North Asia and Restaurants.

Retailing is predominantly supermarkets and health and beauty stores.

| 4. TAX | 2006 US\$m | 2005 US\$m |
|---|-----------------------|-----------------------|
| Current tax | | |
| - Charge for the year | 44.0 | 41.1 |
| - (Over)/under-provision in prior years | (0.4) | 1.0 |
| Deferred tax | | |
| - Charge for the year | 1.1 | 3.9 |
| - Over-provision in prior years | (0.2) | (1.0) |
| | 44.5 | 45.0 |
| <i>By geographical area</i> | | |
| North Asia | 25.5 | 23.0 |
| South Asia | 19.0 | 22.0 |
| | 44.5 | 45.0 |
| <i>Reconciliation between tax expense and tax at the applicable tax rate:</i> | | |
| Tax at applicable tax rate | 33.8 | 36.1 |
| Over-provision in prior years | (0.6) | - |
| Income not subject to tax relating to profit on sale of properties | - | (1.8) |
| Non-taxable items: loss on sale of subsidiaries | - | 1.1 |
| Other income not subject to tax | (1.6) | (2.2) |
| Other expenses not deductible for tax purposes | 5.2 | 6.4 |
| Tax losses not recognized | 4.7 | 2.6 |
| Deductible temporary differences not recognized | (0.3) | 0.3 |
| Utilization of previously unrecognized tax losses | - | (0.3) |
| Deferred tax liabilities written back | - | (0.8) |
| Withholding tax | 1.6 | 1.5 |
| Other | 1.7 | 2.1 |
| | 44.5 | 45.0 |

The applicable tax rate 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 (2005: nil).

5. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US\$210.8 million (2005: US\$205.3 million) and on the weighted average number of 1,342.9 million (2005: 1,338.2 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$210.8 million (2005: US\$205.3 million), and on the weighted average number of 1,346.3 million (2005: 1,345.8 million) shares in issue during the year. The number of shares for basic and diluted earnings per share is reconciled as follows:

| | Ordinary shares in millions | |
|---|-----------------------------|---------|
| | 2006 | 2005 |
| Weighted average number of shares in issue | 1,342.9 | 1,338.2 |
| Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes | 3.4 | 7.6 |
| Weighted average number of shares for diluted earnings per share | 1,346.3 | 1,345.8 |

There were no material non-trading items in 2006. Additional basic and diluted earnings per share were calculated for 2005 based on underlying profit attributable to shareholders of US\$190.4 million, and the reconciliation of earnings is set out below:

| | US\$m | 2005 | |
|---|-------|------------------------------|--------------------------------|
| | | Basic earnings per share US¢ | Diluted earnings per share US¢ |
| Underlying profit attributable to shareholders | 190.4 | 14.23 | 14.15 |
| Non-trading items: | | | |
| – Reversal of impairment on properties (notes 3, 6 and 7) | 4.4 | | |
| – Profit on sale of investments | 4.2 | | |
| – Profit on sale of properties (note 25(g)) | 10.3 | | |
| – Loss on sale of subsidiaries (note 25(f)) | (4.0) | | |
| | 14.9 | | |
| Profit attributable to shareholders | 205.3 | 15.34 | 15.25 |

| 6. INTANGIBLE ASSETS | Goodwill US\$m | Land use rights US\$m | Trademarks/ Others US\$m | Total US\$m |
|--|-------------------|--------------------------|--------------------------------|-----------------------|
| 2006 | | | | |
| Net book value at 1st January | 181.0 | 38.6 | 7.2 | 226.8 |
| Exchange differences | 7.1 | 2.2 | 0.6 | 9.9 |
| Additions | 34.8 | – | 2.6 | 37.4 |
| Disposals | – | (1.4) | – | (1.4) |
| Classified as non-current assets held for sale | – | (5.2) | – | (5.2) |
| Amortization | – | (0.6) | (0.8) | (1.4) |
| Net book value at 31st December | 222.9 | 33.6 | 9.6 | 266.1 |
| Cost | 222.9 | 36.9 | 10.8 | 270.6 |
| Amortization and impairment | – | (3.3) | (1.2) | (4.5) |
| | 222.9 | 33.6 | 9.6 | 266.1 |
| 2005 | | | | |
| Net book value at 1st January | 146.7 | 36.9 | – | 183.6 |
| Exchange differences | (1.9) | (1.7) | (0.5) | (4.1) |
| Additions | 36.2 | 19.3 | 8.0 | 63.5 |
| Disposals | – | (15.4) | – | (15.4) |
| Amortization | – | (0.8) | (0.3) | (1.1) |
| Reversal of impairment | – | 0.3 | – | 0.3 |
| Net book value at 31st December | 181.0 | 38.6 | 7.2 | 226.8 |
| Cost | 181.0 | 41.2 | 7.5 | 229.7 |
| Amortization and impairment | – | (2.6) | (0.3) | (2.9) |
| | 181.0 | 38.6 | 7.2 | 226.8 |
| | | | 2006 US\$m | 2005 US\$m |
| <i>Goodwill allocation by geographical area:</i> | | | | |
| North Asia | | | 36.1 | 35.9 |
| South Asia | | | 186.8 | 145.1 |
| | | | 222.9 | 181.0 |

In 2006, the Group granted a put option, exercisable during periods in either 2007 or 2008, in respect of a 25.5% shareholding in PT Hero Supermarket. The present value of the expected payment is US\$45.2 million, which is included under non-current liabilities (note 17). The Group received a call option over a 15% shareholding, exercisable upon lapse of the put option. The Group expects the put option to be exercised in 2008. As the Group has a present interest in the economic benefits of the 25.5%, the put option is treated as a purchase of minority interests, with a carrying amount of US\$17.6 million (note 24). The excess of the expected payment over this amount is recorded as goodwill.

In 2006, additions of goodwill included US\$8.1 million arising from the acquisition of three hypermarkets and seven supermarkets in Malaysia (note 25(e)). In 2005, additions of goodwill included reclassification of goodwill from associates and joint ventures relating to PT Hero Supermarket of US\$4.8 million. Additions to trademarks represented Hero and Starmart in Indonesia, which are amortized over 20 years.

The Directors have performed an impairment review of the carrying amount of goodwill at 31st December 2006 and have concluded that no impairment is required. For the purposes of the impairment testing, goodwill acquired has been allocated to individual cash-generating units identified by business or geographical segments which are reviewed for impairment based on forecast operating performance and cash flows.

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 margin and average growth rates to extrapolate cash flows which vary across the Group's business segments and geographical locations, and are based on management expectations for the market development; and pre-tax discounted rates of between 9% and 27% 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.

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

| 7. 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 |
|---|---------------------------------|----------------------------------|------------------------------------|-------------------------------|---|----------------|
| 2006 | | | | | | |
| Cost and valuation | 28.2 | 103.1 | 330.9 | 300.7 | 355.3 | 1,118.2 |
| Depreciation and impairment | - | (5.4) | (211.5) | (195.4) | (242.5) | (654.8) |
| Net book value at 1st January | 28.2 | 97.7 | 119.4 | 105.3 | 112.8 | 463.4 |
| Exchange differences | 0.7 | 5.4 | 1.8 | 2.9 | 7.6 | 18.4 |
| New subsidiaries and stores acquired | - | - | 1.0 | 2.1 | 3.2 | 6.3 |
| Additions | 15.3 | 1.0 | 65.3 | 38.4 | 53.8 | 173.8 |
| Disposals | (0.2) | (0.2) | (1.4) | (1.6) | (2.9) | (6.3) |
| Reclassified from non-current assets held for sale | - | 1.5 | - | - | - | 1.5 |
| Classified as non-current assets held for sale | - | (2.3) | - | - | (0.1) | (2.4) |
| Depreciation and impairment | (0.2) | (3.6) | (38.0) | (30.7) | (39.6) | (112.1) |
| Net revaluation deficit | (2.6) | - | - | - | - | (2.6) |
| Net book value at 31st December | 41.2 | 99.5 | 148.1 | 116.4 | 134.8 | 540.0 |
| Cost or valuation | 41.2 | 107.9 | 386.9 | 332.3 | 403.7 | 1,272.0 |
| Depreciation and impairment | - | (8.4) | (238.8) | (215.9) | (268.9) | (732.0) |
| | 41.2 | 99.5 | 148.1 | 116.4 | 134.8 | 540.0 |
| 2005 | | | | | | |
| Cost and valuation | 26.9 | 76.7 | 302.9 | 286.0 | 257.6 | 950.1 |
| Depreciation and impairment | (0.2) | (2.8) | (179.0) | (182.3) | (187.4) | (551.7) |
| Net book value at 1st January | 26.7 | 73.9 | 123.9 | 103.7 | 70.2 | 398.4 |
| Exchange differences | (1.0) | (1.5) | (0.4) | (0.3) | (2.5) | (5.7) |
| New subsidiaries and stores acquired | - | 14.5 | 1.0 | 1.6 | 29.6 | 46.7 |
| Additions | - | 10.8 | 32.4 | 32.1 | 49.5 | 124.8 |
| Disposals | - | (4.7) | (1.5) | (1.4) | (1.0) | (8.6) |
| Reclassified from non-current assets held for sale | - | 6.5 | - | - | - | 6.5 |
| Classified as non-current assets held for sale | - | (1.5) | - | - | - | (1.5) |
| Depreciation and impairment | (0.1) | (3.1) | (36.0) | (30.4) | (33.0) | (102.6) |
| Net revaluation surplus | 2.6 | 2.8 | - | - | - | 5.4 |
| Net book value at 31st December | 28.2 | 97.7 | 119.4 | 105.3 | 112.8 | 463.4 |
| Cost or valuation | 28.2 | 103.1 | 330.9 | 300.7 | 355.3 | 1,118.2 |
| Depreciation and impairment | - | (5.4) | (211.5) | (195.4) | (242.5) | (654.8) |
| | 28.2 | 97.7 | 119.4 | 105.3 | 112.8 | 463.4 |

The Group's freehold properties and the building component of leasehold properties were revalued at 31st December 2005 by independent professionally qualified valuers. The Directors have reviewed the carrying value at 31st December 2006 and, as a result, a revaluation deficit of US\$2.6 million has been taken directly to asset revaluation reserves. In 2005, a net reversal of impairment of US\$0.2 million was credited directly to the consolidated profit and loss account and a net revaluation surplus of US\$5.2 million has been taken directly to asset revaluation reserves.

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost less depreciation, the carrying value would have been US\$123.2 million (2005: US\$108.0 million).

| 8. ASSOCIATES AND JOINT VENTURES | 2006 US\$m | 2005 US\$m |
|---|-----------------------|-----------------------|
| Unlisted associates | 109.3 | 100.7 |
| Joint ventures | 4.6 | 5.9 |
| Share of attributable net assets | 113.9 | 106.6 |
| <i>The Group's share of assets and liabilities and results of associates and joint ventures are summarized below:</i> | | |
| Non-current assets | 131.1 | 105.3 |
| Current assets | 86.9 | 74.4 |
| Current liabilities | (88.2) | (68.5) |
| Non-current liabilities | (11.6) | (0.3) |
| Share of total equity | 118.2 | 110.9 |
| Attributable to minority interests | (4.3) | (4.3) |
| Share of attributable net assets | 113.9 | 106.6 |
| Sales | 417.2 | 377.6 |
| Profit after tax and minority interests | 27.7 | 28.5 |
| Capital commitments | 16.8 | 32.3 |
| Contingent liabilities | 3.6 | 3.6 |
| <i>Movements of share of attributable net assets for the year:</i> | | |
| At 1st January | 106.6 | 122.2 |
| Exchange differences | 0.6 | 0.7 |
| Fair value adjustments | - | 2.1 |
| Share of results after tax and minority interests | 27.7 | 28.5 |
| Dividends received | (21.2) | (23.8) |
| Change in holding | 0.5 | 3.0 |
| Share of actuarial loss on pension plans | (0.2) | (1.9) |
| Share of fair value loss on investment | (0.1) | - |
| Share of asset revaluation | - | 2.4 |
| Share of deferred tax on property revaluation | - | (0.7) |
| Reclassification as subsidiary | - | (25.9) |
| At 31st December | 113.9 | 106.6 |

PT Hero Supermarket became a subsidiary in 2005. Accordingly, the Group's share of attributable net assets and goodwill at the date on which the Group obtained control were reclassified and included in the separate assets and liabilities of the Group.

| 9. DEFERRED TAX ASSETS/(LIABILITIES) | Accelerated tax depreciation US\$m | Asset revaluation US\$m | Losses US\$m | Other temporary differences US\$m | Total US\$m |
|---|---|-------------------------------|-----------------|--|-----------------------|
| 2006 | | | | | |
| At 1st January | (15.6) | (10.6) | 0.1 | (1.8) | (27.9) |
| Exchange differences | (0.7) | (0.8) | – | 0.6 | (0.9) |
| (Charged)/credited to consolidated profit and loss account | (3.0) | 0.4 | (0.1) | 0.2 | (2.5) |
| Charged to equity | – | 0.4 | – | (2.3) | (1.9) |
| Classified as held for sale | – | 1.3 | – | – | 1.3 |
| At 31st December | (19.3) | (9.3) | – | (3.3) | (31.9) |
| 2005 | | | | | |
| At 1st January | (17.6) | (2.5) | 8.6 | (7.7) | (19.2) |
| Exchange differences | 0.2 | 0.7 | (0.1) | (0.5) | 0.3 |
| New subsidiaries | (2.9) | (8.2) | 1.4 | 6.8 | (2.9) |
| (Charged)/credited to consolidated profit and loss account | 4.7 | 0.5 | (9.8) | 0.5 | (4.1) |
| Charged to equity | – | (1.4) | – | (0.9) | (2.3) |
| Classified as liabilities associated with non-current assets held for sale | – | 0.3 | – | – | 0.3 |
| At 31st December | (15.6) | (10.6) | 0.1 | (1.8) | (27.9) |
| | | | | 2006 US\$m | 2005 US\$m |
| <i>Analysis of net book value:</i> | | | | | |
| Deferred tax assets | | | | 9.4 | 7.0 |
| Deferred tax liabilities | | | | (41.3) | (34.9) |
| | | | | (31.9) | (27.9) |

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\$9.0 million (2005: US\$8.0 million) arising from unused tax losses of US\$31.5 million (2005: US\$18.8 million) and temporary differences of US\$8.8 million (2005: US\$9.9 million) have not been recognized in the financial statements. Included in the unused tax losses, US\$1.3 million (2005: US\$1.8 million) have no expiry date and the balance will expire at various dates up to and including 2011.

| 10. OTHER NON-CURRENT ASSETS | 2006 US\$m | 2005 US\$m |
|-------------------------------------|-----------------------|-----------------------|
| Pension assets (note 11) | 61.6 | 52.4 |
| Interest rate swaps | 0.2 | 1.5 |
| Other investments | 0.4 | 0.4 |
| | 62.2 | 54.3 |

In 2005, the Group disposed of its 17.5% interest in Reid Street Properties for US\$2.3 million and realized a profit of US\$2.0 million (note 29).

11. 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:

| | 2006 Weighted average % | 2005 Weighted average % |
|--|-------------------------------|-------------------------------|
| Discount rate applied to pension obligations | 5.1 | 5.9 |
| Expected return on plan assets | 5.9 | 5.9 |
| Future salary increases | 5.2 | 5.2 |

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 6% to 9% per annum and global bonds of 3.5% to 5.5% 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:

| | 2006 US\$m | 2005 US\$m |
|---|---------------|---------------|
| Fair value of plan assets | 166.5 | 144.9 |
| Present value of funded obligations | (119.1) | (104.5) |
| | 47.4 | 40.4 |
| Present value of unfunded obligations | (7.2) | (6.0) |
| Unrecognized past service cost | 1.1 | 1.1 |
| Net pension assets | 41.3 | 35.5 |
| <i>Analysis of net pension assets:</i> | | |
| Pension assets (note 10) | 61.6 | 52.4 |
| Pension liabilities (note 17) | (20.3) | (16.9) |
| | 41.3 | 35.5 |
| <i>Movements in the fair value of plan assets:</i> | | |
| At 1st January | 144.9 | 131.4 |
| Exchange differences | (0.4) | 0.4 |
| Expected return on plan assets | 8.5 | 7.8 |
| Actuarial gains | 16.4 | 4.9 |
| Contributions from sponsoring companies | 2.7 | 5.8 |
| Benefits paid | (5.8) | (5.4) |
| Transfer from other plans | 0.2 | - |
| At 31st December | 166.5 | 144.9 |
| <i>Movements in the present value of obligations:</i> | | |
| At 1st January | 110.5 | 90.2 |
| Exchange differences | 0.8 | (0.8) |
| New subsidiaries | - | 10.4 |
| Current service cost | 10.7 | 10.4 |
| Interest cost | 6.4 | 5.8 |
| Past service cost | 0.1 | 0.1 |
| Actuarial loss | 4.5 | - |
| Benefits paid | (6.9) | (5.6) |
| Transfer from other plans | 0.2 | - |
| At 31st December | 126.3 | 110.5 |

11. PENSION PLANS (continued)

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

| | 2006 US\$m | 2005 US\$m |
|--------------------|-----------------------|---------------|
| Equity instruments | 117.6 | 100.8 |
| Debt instruments | 37.6 | 41.2 |
| Other assets | 11.3 | 2.9 |
| | 166.5 | 144.9 |

The five year history of experience adjustments is as follows:

| | 2006 US\$m | 2005 US\$m | 2004 US\$m | 2003 US\$m | 2002 US\$m |
|--|-----------------------|---------------|---------------|---------------|---------------|
| Fair value of plan assets | 166.5 | 144.9 | 131.4 | 114.6 | 82.7 |
| Present value of obligations | (126.3) | (110.5) | (90.2) | (85.8) | (82.8) |
| Surplus/(deficit) | 40.2 | 34.4 | 41.2 | 28.8 | (0.1) |
| Experience adjustments on plan assets | 16.4 | 4.9 | 8.7 | 18.8 | (13.6) |
| Percentage of plan assets | 10% | 3% | 7% | 16% | 16% |
| Experience adjustments on plan obligations | (3.4) | - | 4.5 | 5.2 | 5.5 |
| Percentage of plan obligations | 3% | - | 5% | 6% | 7% |

The estimated amount of contributions expected to be paid to the plans in 2007 is US\$3.0 million.

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

| | 2006 US\$m | 2005 US\$m |
|--|-----------------------|---------------|
| Current service cost | 10.7 | 10.4 |
| Interest cost | 6.4 | 5.8 |
| Expected return on plan assets | (8.5) | (7.8) |
| Past service cost | 0.1 | 0.1 |
| | 8.7 | 8.5 |
| Actual return on plan assets in the year | 24.9 | 12.7 |

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

| 12. DEBTORS AND PREPAYMENTS | 2006 US\$m | 2005 US\$m |
|--|-----------------------|-----------------------|
| Trade debtors | 45.1 | 28.8 |
| Other debtors | 21.2 | 19.3 |
| Prepayments | 50.4 | 40.5 |
| Rental and other deposits | 83.6 | 68.3 |
| Interest rate swaps/forward foreign exchange contracts | 0.6 | 0.4 |
| | 200.9 | 157.3 |

| 13. BANK BALANCES | 2006 US\$m | 2005 US\$m |
|--------------------------|-----------------------|-----------------------|
| Deposits with banks | 353.6 | 323.9 |
| Bank and cash balances | 102.9 | 65.2 |
| | 456.5 | 389.1 |

The weighted average interest rate on deposits with banks is 5.0% (2005: 4.1%).

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities classified as held for sale are set out below:

| | 2006 US\$m | 2005 US\$m |
|--|-----------------------|-----------------------|
| Intangible assets | 0.4 | 0.5 |
| Tangible assets | 0.1 | 1.7 |
| Total assets | 0.5 | 2.2 |
| Total liabilities - deferred tax liabilities | (0.1) | (0.5) |

In 2006, five properties in Indonesia were classified as non-current assets held for sale. Four of which, together with the property held at the end of previous year, were sold during the year and generated a net loss to the Group of US\$0.6 million. The balance at 31st December 2006 represented one retail property in Indonesia.

At 31st December 2005, the non-current assets classified as held for sale represented a property in Hong Kong and one retail property in Indonesia. The property in Hong Kong was reclassified to tangible assets in December 2006.

| 15. CREDITORS AND ACCRUALS | 2006 US\$m | 2005 US\$m |
|------------------------------------|-----------------------|-----------------------|
| Trade creditors | 843.9 | 789.7 |
| Forward foreign exchange contracts | 0.4 | 0.1 |
| Other creditors and accruals | 375.3 | 327.1 |
| | 1,219.6 | 1,116.9 |

| 16. BORROWINGS | 2006 US\$m | 2005 US\$m |
|--------------------------------|-----------------------|-----------------------|
| Current | | |
| – Bank overdrafts | 14.5 | 10.8 |
| – Other bank advances | 32.5 | 25.1 |
| | 47.0 | 35.9 |
| Long-term bank borrowings | 389.5 | 352.1 |
| | 436.5 | 388.0 |
| <i>Due dates of repayment:</i> | | |
| Within one year | 47.0 | 35.9 |
| Between one and two years | 47.4 | – |
| Between two and three years | 43.6 | 74.5 |
| Between three and four years | 268.2 | 11.3 |
| Between four and five years | 16.1 | 227.3 |
| Beyond five years | 14.2 | 39.0 |
| | 436.5 | 388.0 |

| Currency | Weighted average interest rates % | Fixed rate borrowings | | Floating rate borrowings US\$m | Total US\$m |
|-------------------|--|---|--------------|--------------------------------------|----------------|
| | | Weighted average period outstanding Years | US\$m | | |
| 2006 | | | | | |
| Chinese Renminbi | 4.9 | – | – | 6.1 | 6.1 |
| Hong Kong Dollar | 4.6 | 1.6 | 96.5 | 59.5 | 156.0 |
| Indonesian Rupiah | 13.1 | – | – | 16.1 | 16.1 |
| Malaysian Ringgit | 5.0 | 1.8 | 99.1 | 66.7 | 165.8 |
| New Taiwan Dollar | 2.5 | 2.4 | 21.4 | 38.6 | 60.0 |
| Singapore Dollar | 2.8 | 1.0 | 22.8 | 8.3 | 31.1 |
| Thailand Baht | 6.0 | – | – | 1.4 | 1.4 |
| | | | 239.8 | 196.7 | 436.5 |
| 2005 | | | | | |
| Chinese Renminbi | 4.7 | – | – | 5.4 | 5.4 |
| Hong Kong Dollar | 4.3 | 1.6 | 129.0 | 39.8 | 168.8 |
| Indonesian Rupiah | 16.0 | – | – | 10.3 | 10.3 |
| Malaysian Ringgit | 5.2 | 1.8 | 92.6 | 24.0 | 116.6 |
| New Taiwan Dollar | 2.3 | 1.6 | 16.7 | 17.5 | 34.2 |
| Singapore Dollar | 2.7 | 1.5 | 33.0 | 19.7 | 52.7 |
| | | | 271.3 | 116.7 | 388.0 |

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.

| 17. OTHER NON-CURRENT LIABILITIES | 2006 US\$m | 2005 US\$m |
|--|-----------------------|-----------------------|
| Pension liabilities (note 11) | 20.3 | 16.9 |
| Financial liabilities (note 6) | 45.2 | – |
| Interest rate swaps | 1.6 | 0.5 |
| | 67.1 | 17.4 |

| 18. NET OPERATING ASSETS | Capital expenditure US\$m | Segment assets US\$m | Segment liabilities US\$m |
|----------------------------------|---------------------------------|----------------------------|---------------------------------|
| 2006 | | | |
| By geographical area: | | | |
| North Asia | 83.4 | 680.0 | (633.1) |
| South Asia | 110.6 | 856.8 | (600.9) |
| | 194.0 | 1,536.8 | (1,234.0) |
| Support Office | | 4.6 | (52.7) |
| Segment assets/(liabilities) | | 1,541.4 | (1,286.7) |
| Associates and joint ventures | | 113.9 | – |
| Unallocated assets/(liabilities) | | 471.3 | (511.6) |
| Total assets/(liabilities) | | 2,126.6 | (1,798.3) |
| 2005 | | | |
| By geographical area: | | | |
| North Asia | 57.1 | 643.5 | (615.2) |
| South Asia | 107.1 | 678.6 | (511.4) |
| | 164.2 | 1,322.1 | (1,126.6) |
| Support Office | | 5.3 | (7.7) |
| Segment assets/(liabilities) | | 1,327.4 | (1,134.3) |
| Associates and joint ventures | | 106.6 | – |
| Unallocated assets/(liabilities) | | 398.6 | (455.2) |
| Total assets/(liabilities) | | 1,832.6 | (1,589.5) |

Capital expenditure comprises additions of intangible and tangible assets, including those arising from acquisitions of subsidiaries.

Segment assets include intangible assets, tangible assets, pension assets, interest rate swaps under other non-current assets, stocks, debtors and prepayments.

Segment liabilities include creditors and accruals and other non-current liabilities.

Associates and joint ventures include share of attributable net assets and goodwill.

Unallocated assets and liabilities include other investments, tax assets and liabilities, cash and cash equivalents, and borrowings.

All segment capital expenditure, assets and liabilities relate to retailing.

| 19. SHARE CAPITAL | 2006 US\$m | 2005 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 |

| | Ordinary shares in millions | | 2006 US\$m | 2005 US\$m |
|---|-----------------------------|---------|-----------------------|---------------|
| | 2006 | 2005 | | |
| Issued and fully paid: | | | | |
| Ordinary shares of US¢5 ⁵ / ₉ each | | | | |
| At 1st January | 1,347.3 | 1,346.5 | 74.9 | 74.8 |
| Issued under employee share option schemes | – | 0.9 | – | 0.1 |
| Adjustment due to payment of the special dividend (note 20) | – | 0.1 | – | – |
| Repurchased and cancelled | (0.4) | (0.2) | (0.1) | – |
| At 31st December | 1,346.9 | 1,347.3 | 74.8 | 74.9 |
| Outstanding under employee share option schemes | (2.1) | (6.1) | (0.1) | (0.4) |
| | 1,344.8 | 1,341.2 | 74.7 | 74.5 |

On 29th December 2006, the Company repurchased and cancelled 454,186 (2005: 210,186) ordinary shares, representing options that had ceased to be exercisable, from the Trustee of the Senior Executive Share Incentive Schemes at the original consideration of US\$0.9 million (2005: US\$0.1 million), which was dealt with by charging US\$0.1 million (2005: nil) to share capital and US\$0.8 million (2005: US\$0.1 million) to share premium.

20. 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 Trust Company 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.

20. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES (continued)

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 19) and the premium attached to them is netted off the share premium account (note 21).

Movements for the year

| | 2006 | | 2005 | |
|---|--------------------------------------|---------------------|--------------------------------------|---------------------|
| | Weighted average exercise price US\$ | Options in millions | Weighted average exercise price US\$ | Options in millions |
| At 1st January | 0.6543 | 6.1 | 0.4528 | 12.2 |
| Granted | 3.5400 | 2.5 | 2.7420 | 0.9 |
| Adjustment due to payment of the special dividend (note 19) | - | - | - | 0.1 |
| Exercised | 0.2907 | (3.6) | 0.2034 | (6.9) |
| Repurchased, cancelled and lapsed | 2.8233 | (1.0) | 0.2408 | (0.2) |
| At 31st December | 2.2239 | 4.0 | 0.6543 | 6.1 |

Due to payment of the special dividend of US\$25.00 per share in 2005, the exercise prices of outstanding share options were adjusted and an additional 133,082 share options were issued in order to preserve the value of the share options.

The average share price during the year was US\$3.37 (2005: US\$3.03) per share.

Outstanding at 31st December

| Expiry date | Exercise price | Options in millions | |
|----------------------|----------------|---------------------|------|
| | US\$ | 2006 | 2005 |
| 2008 | 0.5537 | 0.1 | 0.4 |
| 2009 | 0.5501 | 0.2 | 0.4 |
| 2010 | 0.0600 | 0.1 | 1.0 |
| 2011 | 0.0600 | 0.3 | 1.3 |
| 2012 | 0.1387 | 0.3 | 1.0 |
| 2013 | 0.3955 | 0.4 | 0.8 |
| 2014 | 1.7420 | 0.2 | 0.3 |
| 2015 | 2.7420 | 0.5 | 0.9 |
| 2016 | 3.5400 | 1.9 | - |
| Total outstanding | | 4.0 | 6.1 |
| of which exercisable | | 0.9 | 3.2 |

The fair value of options granted during the year, determined using the Trinomial valuation model, was US\$3.1 million (2005: US\$0.9 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US\$3.66 (2005: US\$2.74) at the grant dates, exercise price shown above, expected volatility based on the last three years of 31.1% (2005: 33.5%), dividend yield of 2.3% (2005: 2.7%), option life disclosed above, and annual risk-free interest rate of 4.7% (2005: 4.6%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

| 21. SHARE PREMIUM AND CAPITAL RESERVES | Share premium US\$m | Capital reserves US\$m | Total US\$m |
|---|---------------------------|------------------------------|----------------|
| 2006 | | | |
| At 1st January | 8.8 | 20.9 | 29.7 |
| Employee share option schemes | | | |
| – value of employee services | – | 0.8 | 0.8 |
| Repurchased and cancelled | (0.8) | – | (0.8) |
| At 31st December | 8.0 | 21.7 | 29.7 |
| Outstanding under employee share option schemes | (1.9) | – | (1.9) |
| | 6.1 | 21.7 | 27.8 |
| 2005 | | | |
| At 1st January | 9.0 | 20.5 | 29.5 |
| Employee share option schemes | | | |
| – value of employee services | – | 0.4 | 0.4 |
| – shares issued to the Trustee | 2.4 | – | 2.4 |
| Adjustment due to payment of the special dividend | (2.5) | – | (2.5) |
| Repurchased and cancelled | (0.1) | – | (0.1) |
| At 31st December | 8.8 | 20.9 | 29.7 |
| Outstanding under employee share option schemes | (3.6) | – | (3.6) |
| | 5.2 | 20.9 | 26.1 |

Capital reserves comprise contributed surplus of US\$20.1 million (2005: US\$20.1 million) and capital reserves of US\$1.6 million (2005: US\$0.8 million), which represent the value of services under the Group's employee share option schemes that relate to 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.

| 22. REVENUE AND OTHER RESERVES | Revenue reserves US\$m | Asset revaluation reserves US\$m | Hedging & other reserves US\$m | Exchange reserves US\$m | Total US\$m |
|--|---------------------------|-------------------------------------|-----------------------------------|----------------------------|----------------|
| 2006 | | | | | |
| At 1st January | 113.6 | 21.3 | 1.2 | (12.6) | 123.5 |
| Revaluation of properties | | | | | |
| – net revaluation deficit | – | (2.6) | – | – | (2.6) |
| – deferred tax | – | 0.4 | – | – | 0.4 |
| Transfer | | | | | |
| – additional depreciation transferred upon revaluation | 0.4 | (0.4) | – | – | – |
| – disposal of assets | 0.4 | (0.4) | – | – | – |
| Defined benefit pension plans | | | | | |
| – net actuarial gains | 11.7 | – | – | – | 11.7 |
| – deferred tax | (2.3) | – | – | – | (2.3) |
| Net exchange translation differences | | | | | |
| – amount arising in year | – | – | – | 0.9 | 0.9 |
| Cash flow hedges | | | | | |
| – fair value loss | – | – | (2.8) | – | (2.8) |
| Profit attributable to shareholders | 210.8 | – | – | – | 210.8 |
| Dividends (note 23) | (118.1) | – | – | – | (118.1) |
| At 31st December | 216.5 | 18.3 | (1.6) | (11.7) | 221.5 |
| <i>of which:</i> | | | | | |
| Company | 868.8 | – | – | – | 868.8 |
| Associates and joint ventures | 114.6 | – | – | 0.7 | 115.3 |
| 2005 | | | | | |
| At 1st January | 337.2 | 18.0 | (3.8) | (5.6) | 345.8 |
| Revaluation of intangible assets | | | | | |
| – net revaluation surplus | – | 3.0 | – | – | 3.0 |
| – deferred tax | – | (0.9) | – | – | (0.9) |
| Revaluation of properties | | | | | |
| – net revaluation surplus | – | 7.6 | – | – | 7.6 |
| – deferred tax | – | (2.1) | – | – | (2.1) |
| Transfer upon disposal of assets | 4.3 | (4.3) | – | – | – |
| Defined benefit pension plans | | | | | |
| – net actuarial gains | 3.0 | – | – | – | 3.0 |
| – deferred tax | (0.9) | – | – | – | (0.9) |
| Net exchange translation differences | | | | | |
| – amount arising in year | – | – | – | (7.0) | (7.0) |
| Cash flow hedges | | | | | |
| – fair value gain | – | – | 5.0 | – | 5.0 |
| Profit attributable to shareholders | 205.3 | – | – | – | 205.3 |
| Dividends (note 23) | (435.3) | – | – | – | (435.3) |
| At 31st December | 113.6 | 21.3 | 1.2 | (12.6) | 123.5 |
| <i>of which:</i> | | | | | |
| Company | 758.9 | – | – | – | 758.9 |
| Associates and joint ventures | 108.4 | – | – | 0.6 | 109.0 |

In 2005, surplus on revaluation of intangible assets represented the increase in fair value attributable to the Group's previously held attributable interests in PT Hero Supermarket on the date it became a subsidiary.

Asset revaluation reserves are non-distributable.

Cumulative actuarial gains as at 31st December 2006 amounted to US\$21.9 million (2005: US\$12.5 million).

| 23. DIVIDENDS | 2006 US\$m | 2005 US\$m |
|--|-----------------------|-----------------------|
| Final dividend in respect of 2005 of US¢6.20 (2004: US¢5.30) per share | 83.2 | 70.8 |
| Interim dividend in respect of 2006 of US¢2.60 (2005: US¢2.30) per share | 34.9 | 30.8 |
| | 118.1 | 101.6 |
| Special dividend of US¢25.00 per share | – | 333.7 |
| | 118.1 | 435.3 |

A final dividend in respect of 2006 of US¢6.80 (2005: US¢6.20) per share amounting to a total of US\$91.4 million (2005: US\$83.2 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 2007.

| 24. MINORITY INTERESTS | 2006 US\$m | 2005 US\$m |
|----------------------------------|-----------------------|-----------------------|
| By geographical area: | | |
| North Asia | 0.4 | (0.2) |
| South Asia | 3.9 | 19.2 |
| | 4.3 | 19.0 |
| <i>Movement for the year:</i> | | |
| At 1st January | 19.0 | 0.1 |
| Exchange differences | 1.9 | (1.7) |
| New subsidiary | – | 19.3 |
| Capital contribution | 1.1 | – |
| Change in attributable interests | (17.9) | – |
| Attributable profit/(loss) | 0.2 | 1.3 |
| At 31st December | 4.3 | 19.0 |

Change in attributable interests included US\$17.6 million, representing a 25.5% shareholding in PT Hero Supermarket (note 6).

| 25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT | 2006 US\$m | 2005 US\$m |
|--|-----------------------|-----------------------|
| a. Depreciation and amortization | | |
| <i>By geographical area:</i> | | |
| North Asia | 61.6 | 62.8 |
| South Asia | 48.7 | 40.4 |
| | 110.3 | 103.2 |
| b. Other non-cash items | | |
| <i>By nature:</i> | | |
| Loss/(profit) on sale of properties | 1.6 | (11.1) |
| Profit on sale of other investments | – | (2.0) |
| Impairment on tangible assets | 3.2 | 0.5 |
| Loss on sale of subsidiaries | – | 4.0 |
| Loss on sale of tangible assets | 5.0 | 2.7 |
| Other | 0.5 | – |
| | 10.3 | (5.9) |
| <i>By geographical area:</i> | | |
| North Asia | 3.2 | 1.3 |
| South Asia | 7.1 | (7.2) |
| | 10.3 | (5.9) |
| c. Decrease in working capital | | |
| Increase in stocks | (28.0) | (49.1) |
| Increase in debtors and prepayments | (34.9) | (27.4) |
| Increase in creditors and accruals | 51.5 | 116.8 |
| | (11.4) | 40.3 |

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued) 2005
US\$m

| d. Purchase of subsidiaries | |
|--|--------|
| Intangible assets | 27.3 |
| Tangible assets | 46.1 |
| Deferred tax assets | 5.3 |
| Current assets | 81.3 |
| Current liabilities | (76.7) |
| Long-term borrowings | (8.7) |
| Deferred tax liabilities | (8.2) |
| Other non-current liabilities | (9.1) |
| Minority interests | 7.1 |
| Fair value of net assets | 64.4 |
| Adjustment for minority interests | (26.5) |
| Net assets acquired | 37.9 |
| Goodwill | 31.4 |
| Total consideration | 69.3 |
| Adjustment for carrying value of an associate and deferred consideration | (22.1) |
| Adjustment to fair values relating to previously held interests | (3.8) |
| Cash and cash equivalents acquired | (5.0) |
| | 38.4 |

In 2005, the Group increased its attributable interests in PT Hero Supermarket to 69.1% for a total cash consideration of US\$43.3 million.

| | 2006 | | | 2005 |
|---|-------------------------|------------------------------------|------------------------|------------------------|
| | Book amount US\$m | Fair value adjustments US\$m | Fair value US\$m | Fair value US\$m |
| e. Store acquisitions | | | | |
| Tangible assets | 8.0 | (1.7) | 6.3 | 0.6 |
| Current assets | 3.6 | (0.9) | 2.7 | 0.3 |
| Fair value of operating assets acquired | 11.6 | (2.6) | 9.0 | 0.9 |
| Goodwill | | | 8.3 | - |
| Total consideration | | | 17.3 | 0.9 |

During the year, GCH Retail (Malaysia), a wholly-owned subsidiary, acquired the store operating assets of three hypermarkets and seven supermarkets in Malaysia at fair values from third parties for a total cash consideration of US\$14.0 million.

During the year, Giant South Asia (Vietnam), a wholly-owned subsidiary, acquired the store operating assets of two supermarkets in Vietnam at fair values from a third party for a cash consideration of US\$3.0 million.

In 2005, GCH Retail (Malaysia), a wholly-owned subsidiary, acquired the store operating assets of two supermarkets at fair values in Malaysia from a third party for a cash consideration of US\$0.9 million.

Sales and operating profit since acquisition amounted to US\$14.9 million and US\$2.0 million respectively. If the acquisitions had occurred on 1st January 2006, Group sales and operating profit would have been US\$5,204.5 million and US\$237.0 million respectively.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)2005
US\$m

| f. Sale of subsidiaries | |
|---------------------------------------|-------------|
| Current assets disposed of | 100.7 |
| Loss on disposal | (4.0) |
| Sale proceeds (net of expenses) | 96.7 |
| Adjustment for deferred consideration | (0.8) |
| | <u>95.9</u> |

In 2005, the Group completed the sale of its 100% interest in Hartanah Progresif, a property-owning subsidiary, to a third party for cash.

| | 2006 US\$m | 2005 US\$m |
|--|---------------|---------------|
| g. Sale of properties | | |
| Intangible assets | 1.4 | 15.4 |
| Tangible assets | 0.4 | 4.7 |
| Non-current assets classified as held for sale | 7.8 | 5.8 |
| Net book value of assets disposed of | 9.6 | 25.9 |
| (Loss)/profit on disposal | (1.6) | 11.1 |
| Sale proceeds (net of expenses) | <u>8.0</u> | <u>37.0</u> |

During the year, the Group disposed of eight properties in Indonesia for US\$7.8 million, and a property in Taiwan for US\$0.2 million. The loss attributable to the Group, after tax and minority interests, is US\$0.4 million.

In 2005, the Group disposed of 13 properties in Indonesia for US\$9.6 million, and a shopping centre in Singapore for US\$27.4 million. The profit attributable to the Group, after tax and minority interests, is US\$10.3 million.

| | 2006 US\$m | 2005 US\$m |
|---|---------------|---------------|
| h. Analysis of balances of cash and cash equivalents | | |
| Bank balances (note 13) | 456.5 | 389.1 |
| Bank overdrafts (note 16) | (14.5) | (10.8) |
| | <u>442.0</u> | <u>378.3</u> |

26. FINANCIAL INSTRUMENTS

The Group manages its exposure to financial risks using a variety of techniques and instruments. Entering into speculative transactions is specifically prohibited.

Foreign exchange risk

Foreign currency transaction exposures are covered on a consistent basis by forward contracts and options. Foreign exchange contracts are also used to hedge investment in foreign subsidiaries, associates and joint ventures, where the currency concerned is anticipated to be volatile and where the exposure of the Group is material. Consistent with Group policy on covering transactional exposures, the purpose of these hedges is to eliminate the impact of movements in foreign exchange rates on assets and liabilities of the Group.

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 options.

Liquidity risk

The Group's ability to fund its existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

The Group's ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Group manages these risks by monitoring credit ratings and limiting the aggregate risk to any individual counterparty.

Fair values

The fair value of listed investments is based on market prices. Unlisted investments have been valued by reference to the market prices of the underlying investments or by reference to the current market value of similar investments or by reference to the discounted cash flows of the underlying net assets.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

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

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

Derivative financial instruments

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

| | 2006 | | 2005 | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 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 | 0.5 | 1.6 | 1.9 | 0.5 |
| – forward foreign exchange contracts and others | – | 0.4 | – | 0.1 |
| Designated as fair value hedges | | | | |
| – forward foreign exchange contracts | 0.3 | – | – | – |
| | 0.8 | 2.0 | 1.9 | 0.6 |

26. FINANCIAL INSTRUMENTS (continued)**Forward foreign exchange contracts**

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2006 were US\$23.6 million (2005: US\$21.8 million).

Forward foreign exchange contracts which relate to hedges of firm and anticipated commitments mature at various dates in the following year.

Foreign currency options and collars

The notional principal amounts of the outstanding foreign currency options and collars at 31st December 2006 were US\$20.5 million (2005: US\$15.7 million) and all options and collars will expire within one year.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2006 were US\$302.4 million (2005: US\$271.4 million).

The due dates of interest rate swaps at 31st December were as follows:

| | 2006 US\$m | 2005 US\$m |
|------------------------------|---------------|---------------|
| Within one year | 118.3 | 54.9 |
| Between one and two years | 100.1 | 113.9 |
| Between two and three years | 58.3 | 96.5 |
| Between three and four years | 25.7 | 6.1 |
| | 302.4 | 271.4 |

At 31st December 2006, the fixed interest rates relating to interest rate swaps vary from 1.3% to 5.0% (2005: 1.1% to 5.0%).

27. COMMITMENTS

| | 2006 US\$m | 2005 US\$m |
|---|----------------|---------------|
| Capital commitments | | |
| Authorized not contracted | 79.0 | 90.3 |
| Contracted not provided | 12.7 | 7.7 |
| | 91.7 | 98.0 |
| Operating lease commitments | | |
| <i>Total commitments under operating leases</i> | | |
| Due within one year | 373.7 | 316.3 |
| Due between one and two years | 253.2 | 231.7 |
| Due between two and three years | 153.2 | 120.7 |
| Due between three and four years | 92.9 | 64.6 |
| Due between four and five years | 71.7 | 44.2 |
| Due beyond five years | 471.4 | 203.7 |
| | 1,416.1 | 981.2 |

Total future sublease payments receivable relating to the above operating leases amounted to US\$23.5 million (2005: US\$27.9 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.

28. 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.

29. 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 significant transactions are described below.

Under the terms of a Management Services Agreement, the Group paid a management fee of US\$1.1 million (2005: US\$1.1 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\$0.4 million in 2006 (2005: US\$0.2 million) to JML.

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 2006 were US\$1.3 million (2005: US\$1.3 million).

The Group rents properties from Hongkong Land Holdings Limited ('Hongkong Land'), an associate of JMHS. The gross annual rentals paid by the Group to Hongkong Land in 2006 were US\$2.4 million (2005: US\$1.9 million).

In 2005, the Group disposed of its 17.5% interest in Reid Street Properties Limited to Hongkong Land for US\$2.3 million and realized a profit of US\$2.0 million.

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

Balances with group companies of JMHS as at 31st December 2006 and 2005 are immaterial, unsecured, and have no fixed terms of repayment.

30. SUMMARIZED BALANCE SHEET OF THE COMPANY

Included below is certain summarized balance sheet information of the Company disclosed in accordance with Bermuda law.

| | 2006 US\$m | 2005 US\$m |
|--|---------------|---------------|
| Subsidiaries, at cost less provision | 973.8 | 863.8 |
| Current liabilities | (0.5) | (0.3) |
| Net operating assets | 973.3 | 863.5 |
| Share capital (note 19) | 74.8 | 74.9 |
| Share premium and capital reserves (note 21) | 29.7 | 29.7 |
| Revenue and other reserves (note 22) | 868.8 | 758.9 |
| Shareholders' funds | 973.3 | 863.5 |

31. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

A list of principal subsidiaries, associates and joint ventures is presented on page 47.

Independent Auditor's Report

To the members of Dairy Farm International Holdings Limited

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 2006 and the consolidated profit and loss account, consolidated statement of recognized income and expense 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.

AUDITOR'S 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 auditor's 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 auditor considers 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 2006, and of 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.

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

London
United Kingdom

5th March 2007

Five Year Summary

| | 2006 US\$m | 2005 US\$m | 2004 US\$m | 2003 US\$m | 2002 US\$m |
|---|---------------|---------------|---------------|---------------|---------------|
| Sales and profit | | | | | |
| Sales* | 5,175.0 | 4,749.4 | 3,956.5 | 3,456.7 | 2,987.2 |
| Sales including associates* | 6,010.3 | 5,539.3 | 5,115.9 | 4,498.7 | 3,964.7 |
| Net profit | 210.8 | 205.3 | 251.3 | 127.7 | 343.0 |
| Underlying profit | 210.8 | 190.4 | 164.8 | 127.7 | 101.8 |
| <hr/> | | | | | |
| Earnings per share (US¢) | 15.70 | 15.34 | 18.87 | 9.36 | 22.43 |
| Underlying earnings per share (US¢) | 15.70 | 14.23 | 12.38 | 9.36 | 6.65 |
| Ordinary dividends per share (US¢) | 9.40 | 8.50 | 7.40 | 4.60 | 3.00 |
| <hr/> | | | | | |
| * Continuing operations | | | | | |
| Balance Sheet | | | | | |
| Intangible assets | 266.1 | 226.8 | 183.6 | 176.8 | 121.0 |
| Tangible assets | 540.0 | 463.4 | 398.4 | 502.0 | 479.0 |
| Associates and joint ventures | 113.9 | 106.6 | 127.0 | 130.8 | 135.6 |
| Other non-current assets | 71.6 | 61.3 | 56.1 | 53.3 | 15.0 |
| Net current (liabilities)/assets | (165.4) | (210.6) | (23.3) | (313.6) | 193.2 |
| Long-term borrowings | (389.5) | (352.1) | (261.5) | (262.2) | (205.9) |
| Other non-current liabilities | (108.4) | (52.3) | (35.6) | (37.3) | (22.3) |
| <hr/> | | | | | |
| Net operating assets | 328.3 | 243.1 | 444.7 | 249.8 | 715.6 |
| <hr/> | | | | | |
| Shareholders' funds | 324.0 | 224.1 | 444.6 | 249.1 | 714.1 |
| Minority interests | 4.3 | 19.0 | 0.1 | 0.7 | 1.5 |
| <hr/> | | | | | |
| Total equity | 328.3 | 243.1 | 444.7 | 249.8 | 715.6 |
| <hr/> | | | | | |
| Net asset value per share (US¢) | 24.40 | 18.12 | 33.33 | 18.81 | 48.31 |
| <hr/> | | | | | |
| Cash Flows | | | | | |
| Cash flows from operating activities | 312.2 | 352.3 | 304.9 | 268.6 | 286.3 |
| Cash flows from investing activities | (167.8) | (18.0) | (1.8) | (175.8) | 129.5 |
| <hr/> | | | | | |
| Cash flows before financing activities | 144.4 | 334.3 | 303.1 | 92.8 | 415.8 |
| <hr/> | | | | | |
| Cash flow per share from operating activities (US¢) | 23.25 | 26.33 | 22.90 | 19.68 | 18.71 |

Principal Subsidiaries, Associates and Joint Ventures

at 31st December 2006

| Company name | Country of incorporation | Particulars of issued capital | | | Attributable interests (%) | | Nature of business |
|---|--------------------------|-------------------------------|----------------------|-----------------------------------|----------------------------|------|--|
| | | | | | 2006 | 2005 | |
| Dairy Farm Management Limited** | Bermuda | HKD USD | 100,000 100 | Ordinary Ordinary | 100 | 100 | Holding company |
| 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 | 50,000,000 | Ordinary | 65 | 65 | Convenience stores |
| Mannings Guangdong Retail Company Limited | Mainland China | HKD | 25,000,000 | Ordinary | 100 | 100 | Health and beauty stores |
| Hayselton Enterprises Limited | Hong Kong | HKD | 2 | Ordinary | 100 | 100 | Holding company |
| 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 | 1,300,000,000 | Ordinary | 100 | 100 | Supermarkets |
| DFI Home Furnishings Taiwan Limited | Taiwan | TWD | 171,000,000 | Ordinary | 100 | 100 | Home furnishings stores |
| CJ Olive Young Limited* | Korea | KRW | 18,100,000,000 | Ordinary | 50 | 50 | Health and beauty stores |
| SOUTH ASIA | | | | | | | |
| GCH Retail (Malaysia) Sdn Bhd | Malaysia | MYR MYR | 491,300,000 1,640 | Ordinary Redeemable Preference | 100 | 100 | Supermarkets, hypermarkets and pharmacies |
| 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 | 19,400,000 | Ordinary | 100 | 100 | Supermarkets |
| PT Hero Supermarket Tbk ⁺ | Indonesia | IDR | 164,710,000,000 | Ordinary | 69 | 69 | Supermarkets, hypermarkets, health and beauty and convenience stores |
| Foodworld Supermarkets Limited* | India | INR | 770,613,240 | Ordinary | 49 | 49 | Supermarkets |
| Health and Glow Retailing Private Limited* | India | INR | 190,000,000 | Ordinary | 50 | 50 | Health and beauty stores |
| Giant South Asia (Vietnam) Limited | Vietnam | VND | 24,150,000,000 | Ordinary | 100 | - | Supermarkets |

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

** Owned directly.

⁺ Excluding the interests referred to under note 6.

Corporate Governance

The Group's corporate governance relies on a combination of shareholder, board and management supervision and strict compliance, internal audit and risk control procedures, within the context of the various international regulatory regimes to which the Group is subject.

Dairy Farm International Holdings Limited is incorporated in Bermuda. The Group's retailing interests are entirely in Asia. The Company has its primary share listing on the London Stock Exchange and secondary listings in Bermuda and Singapore. The primary corporate governance regime applicable to the Company arises under the laws of Bermuda, including under certain specific statutory provisions that apply to the Company alone. The Company has fully complied with that governance regime. The Company is not subject to the Combined Code (the 'Code') that applies to United Kingdom incorporated companies listed in London, but this Report outlines the significant ways in which its corporate governance practices differ from those set out in the Code.

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 general counsel and the director of group strategy of Jardine Matheson.

THE BOARD

The Company currently has a Board of 15 directors: the Group Chief Executive and Group Finance Director; seven executives of Jardine Matheson; and six non-executive Directors. Their names and brief biographies appear on page 10 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 reflects the approach to management described in this Report. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. The Company does not have nomination or remuneration committees or a formal Board evaluation process. Decisions on nomination and remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate. The four executives of Jardine Matheson on the board of DFMS, being A J L Nightingale, Jonathan Gould, Mark Greenberg and James Riley, also form the DFMS audit committee that has responsibility for the Group. The Board has not designated a 'senior independent director' as set out in the Code.

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, the Directors of the Company based outside Asia make regular visits to Asia and Bermuda, where they participate in five annual strategic reviews, four of which normally precede the full Board meetings. These Directors' knowledge of the region and the Group's affairs reinforces the process by which business is reviewed by the Board.

The Board is scheduled to hold four meetings in 2007, and ad hoc procedures are adopted to deal with urgent matters. Two meetings each year are held in Bermuda and two in Asia. 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.

DIRECTORS' APPOINTMENT, RETIREMENT, REMUNERATION AND SERVICE CONTRACTS

Candidates for appointment as executive Directors of the Company, or as directors of DFMS or 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 of the highest calibre in their area of expertise, combining international best practice with experience of and an affinity with Asian markets.

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.

On 14th June 2006, Mark Greenberg was appointed as a Director of the Company. On 1st April 2007, Michael Kok was appointed as a Director of the Company and succeeded Ronald J Floto as Group Chief Executive. Ronald J Floto remains a non-executive Director of the Company. Owen Price will retire from the Board of the Company at the forthcoming Annual General Meeting to be held on 9th May 2007. In accordance with Bye-law 85, Ronald J Floto, Jonathan Gould and George Joseph Ho retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Mark Greenberg and Michael Kok will also retire and, being eligible, offer themselves for re-election. Michael Kok has a service contract with Dairy Farm Management Services Limited that has a notice period of 12 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, including the Group Chief Executive and Group Finance Director, are required to be offered international terms. The nature of the remuneration packages is designed to reflect this, for example by the provision of accommodation. Non-executive Directors' fees are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws.

For the year ended 31st December 2006, the Directors received from the Group US\$5.3 million (2005: US\$4.8 million) in employee benefits, being US\$5.1 million (2005: US\$4.6 million) in short-term employee benefits including salary, bonus, accommodation and deemed benefits in kind and US\$0.2 million (2005: US\$0.2 million) in post-employment benefits. The information set out in this paragraph forms part of the audited financial statements.

Senior executive share incentive schemes have previously been established to provide longer-term incentives for executive Directors and senior managers. The 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. The share options are granted at the then prevailing market prices and the scheme rules now 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.

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, an important 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.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of 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 Board has delegated to the audit committee of DFMS responsibility for reviewing the operation and effectiveness of the Group's system of internal control and the procedures by which this is monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The Group Chief Executive and Group Finance Director of DFMS, together with representatives of the internal and external auditors, attend the meetings of the audit committee 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 is outside the operating businesses and reports its findings, and recommendations for any corrective action required, to the audit committee of DFMS.

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 is also an important part of 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 to review any reports made under those procedures that might be 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 is undertaken by the audit committee of DFMS with the executive management and a report is received from the external auditors. 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 department. The audit committee of DFMS also keeps under review the independence and objectivity of the external auditors.

DIRECTORS' SHARE INTERESTS

At 31st December 2006, the Directors of the Company had the interests set out below in the ordinary share capitals of the Company and its holding companies, Jardine Strategic Holdings Limited ('Jardine Strategic') and Jardine Matheson, and fellow subsidiary Mandarin Oriental International Limited ('Mandarin Oriental'). These interests were beneficial except where otherwise indicated.

| | The Company | Jardine Strategic | Jardine Matheson | Mandarin Oriental |
|------------------------|--------------------|---------------------|-------------------------|-------------------|
| Simon Keswick | 66,087 | 7,389 | 9,507,770 [#] | 19,858 |
| | | 19,661 [*] | 2,722,552 [*] | |
| A J L Nightingale | 24,375 | 16,875 | 1,007,389 | – |
| | 9,808 [*] | | 5,462 [*] | |
| Ronald J Floto | 1,000,000 | – | – | – |
| George Joseph Ho | 445,305 | 48,103 | 154,269 | – |
| Henry Keswick | – | – | 11,655,834 [#] | – |
| | | | 55,366 [*] | |
| Dr George C G Koo | 70,329 | 138,382 | 21,600 | 37,827 |
| R C Kwok | 20,914 | 1,183 | 29,006 | 6,711 |
| Lord Leach of Fairford | – | 54,528 | 955,508 | – |
| Howard Mowlem | 624,338 | – | – | – |
| Owen Price | 56,614 | – | – | – |
| James Riley | – | – | – | 15,000 |
| Percy Weatherall | 400,000 | – | 34,222,772 [#] | – |
| | | | 361,991 [*] | |

^{*} non-beneficial.

[#] includes 2,269,585 ordinary shares held by a family trust in which Simon Keswick, Henry Keswick and Percy Weatherall each has a discloseable interest.

In addition:

- a) At 31st December 2006, Ronald J Floto and Howard Mowlem held options in respect of 440,000 and 1,240,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.
- b) At 31st December 2006, Jonathan Gould, Mark Greenberg and James Riley held options in respect of 150,000, 100,000 and 296,000 ordinary shares, respectively, in Jardine Matheson issued pursuant to that company's senior executive share incentive schemes.
- c) At 31st December 2006, Simon Keswick, A J L Nightingale, Jonathan Gould, Mark Greenberg, Henry Keswick, Lord Leach of Fairford, James Riley and Percy Weatherall had deemed interests in 35,915,991 ordinary shares in Jardine Matheson as discretionary objects under the 1947 Trust, the income of which is available for distribution to senior executive officers and employees of Jardine Matheson and its wholly-owned subsidiaries.
- d) At 31st December 2006, Simon Keswick had a beneficial interest in 350,400 ordinary shares in fellow subsidiary PT Astra Agro Lestari Tbk.
- e) At 31st December 2006, A J L Nightingale had a beneficial interest in 15,000 ordinary shares in fellow subsidiary Cycle & Carriage Bintang Berhad and 600,000 ordinary shares in PT Astra International Tbk ('Astra'). He also had a non-beneficial interest in 10,000 ordinary shares in Astra.
- f) At 31st December 2006, Jonathan Gould had a beneficial interest in 400,000 ordinary shares in fellow subsidiary Astra.
- g) At 31st December 2006, George Joseph Ho had a beneficial interest in 1,100,000 ordinary shares in fellow subsidiary PT United Tractors Tbk ('United Tractors').

DIRECTORS' SHARE INTERESTS (continued)

- h) At 31st December 2006, James Riley had a beneficial interest in 5,000 ordinary shares in fellow subsidiary Jardine Cycle & Carriage Limited.
- i) On 5th January 2007, George Joseph Ho disposed of 1,100,000 ordinary shares in fellow subsidiary United Tractors.
- j) On 13th March 2007, Howard Mowlem was granted options in respect of a further 100,000 ordinary shares issued pursuant to the Company's Senior Executive Share Incentive Schemes.
- k) On 15th March 2007, James Riley was granted options in respect of a further 100,000 ordinary shares in Jardine Matheson issued pursuant to that company's senior executive share incentive schemes.
- l) On 1st April 2007, the effective date of his appointment, Michael Kok had a beneficial interest in 557,800 ordinary shares in the Company and held options in respect of 1,276,772 ordinary shares issued pursuant to the Company's Senior Executive Share Incentive Schemes.

Save as disclosed, there were no changes in the above interests between the end of the financial year and 2nd April 2007.

SUBSTANTIAL SHAREHOLDERS

The Company has been informed pursuant to the share interest disclosure obligations incorporated in Part XVII of the statutory Bermuda Takeover Code governing the Company and Chapter 5 of the Disclosure and Transparency Rules ('DTR') of the Financial Services Authority (the 'FSA') in the United Kingdom of the following notifiable interests in the ordinary shares of the Company: Jardine Strategic and its subsidiary undertakings were interested directly and indirectly in 1,051,491,117 ordinary shares representing 78.07% of the Company's current issued ordinary share capital. By virtue of its interest in Jardine Strategic, Jardine Matheson was deemed to be interested in the same number of ordinary shares. In addition, Franklins Resources, Inc has notified the Company that it was interested in 97,624,673 ordinary shares representing 7.25% of the Company's current issued ordinary share capital. Apart from these shareholdings, the Company is not aware of any notifiable interest in 3% or more, or any holder of voting rights in respect of 5% or more of the issued ordinary share capital of the Company as at 2nd April 2007.

The Bermuda Takeover Code which governs the Company provides for the disclosure of interests in shares of the Company. The obligation to disclose arises if and when a person is interested in 3% (or, in certain circumstances, 10%) or more of the shares of the same class. The higher limit of 10% applies, in broad terms, to a person authorized to manage investments under an investment management agreement or where such person is the operator of an authorized collective investment scheme.

The Company is also subject to the DTR of the FSA in the United Kingdom as a non-UK issuer pursuant to which a person must notify the Company of the percentage of voting rights which he holds in certain circumstances. 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% of the Company's issued share capital.

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

RELATIONS WITH SHAREHOLDERS

The Company maintains a dialogue with major shareholders and holds meetings following the announcement of the annual and interim results with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.dairyfarmgroup.com.

The 2007 Annual General Meeting will be held on 9th May 2007. 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.

SECURITIES PURCHASE ARRANGEMENTS

At the Annual General Meeting held on 14th June 2006, 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.

On 29th December 2006, the Company repurchased and cancelled 454,186 ordinary shares representing 0.03% of the Company's issued ordinary share capital for an aggregate consideration of US\$852,299 from The Verandah Trust Company Limited, a subsidiary and the trustee of the Company's Senior Executive Share Incentive Schemes. The repurchase related to options previously granted under the Company's Senior Executive Share Incentive Schemes which had ceased to be exercisable and was carried out in accordance with the Schemes' rules at the respective issue prices.

ARRANGEMENTS UNDER WHICH SHAREHOLDERS HAVE AGREED TO WAIVE DIVIDENDS

The Verandah Trust Company Limited has waived the interim dividend and has undertaken to waive the recommended final dividend for 2006 in respect of the ordinary shares in which it is interested as trustee of the Company's Senior Executive Share Incentive Schemes.

RELATED PARTY TRANSACTIONS

Details of transactions with related parties entered into by the Company during the course of the year are included in note 29 to the financial statements on page 44. 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.

Shareholder Information

FINANCIAL CALENDAR

| | |
|--|----------------------------|
| 2006 full-year results announced | 5th March 2007 |
| Share registers closed | 26th to 30th March 2007 |
| Annual General Meeting to be held | 9th May 2007 |
| 2006 final dividend payable | 16th May 2007 |
| 2007 half-year results to be announced | 7th August 2007* |
| Share registers to be closed | 3rd to 7th September 2007* |
| 2007 interim dividend payable | 24th October 2007* |

* 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 by notifying the United Kingdom transfer agent in writing by 27th April 2007. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd May 2007. 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 IRG (Offshore) Limited
P O Box 378
St Helier, Jersey JE4 0FF
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 on the Company can be accessed through the Internet at 'www.dairyfarmgroup.com'.

Retail Outlets Summary

| | As at 31st December | | | | |
|--|---------------------|--------------|--------------|--------------|--------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Hong Kong | | | | | |
| • Wellcome supermarkets | 248 | 247 | 242 | 243 | 247 |
| • 7-Eleven convenience stores | 747 | 665 | 610 | 484 | 477 |
| • Mannings health and beauty stores | 243 | 230 | 219 | 204 | 189 |
| • IKEA home furnishings stores | 3 | 4 | 4 | 4 | 4 |
| • Maxim's | | | | | |
| Chinese restaurants | 55 | 60 | 58 | 62 | 64 |
| Fast food/catering services | 95 | 95 | 95 | 101 | 106 |
| Cake shops/bakeries | 147 | 145 | 141 | 137 | 132 |
| European restaurants/other | 27 | 19 | 18 | 18 | 17 |
| Starbucks [†] | 72 | 60 | 46 | 42 | 35 |
| Genki Sushi | 23 | - | - | - | - |
| India | | | | | |
| • Foodworld supermarkets | 55 | 46 | 94 | 92 | 84 |
| • Health and Glow health and beauty stores | 42 | 34 | 30 | 23 | 16 |
| Indonesia | | | | | |
| • Hero supermarkets | 99 | 95 | 99 | 105 | 91 |
| • Giant hypermarkets | 17 | 12 | 10 | 6 | 2 |
| • Guardian health and beauty stores | 134 | 101 | 81 | 72 | 69 |
| • Starmart convenience stores | 70 | 54 | 43 | 39 | 38 |
| Korea | | | | | |
| • Olive Young health and beauty stores | 34 | 25 | 19 | 12 | 5 |
| Macau | | | | | |
| • 7-Eleven convenience stores | 24 | 16 | - | - | - |
| • Mannings health and beauty stores | 4 | 2 | - | - | - |
| • Starbucks [†] | 2 | 1 | 1 | 1 | 1 |
| Mainland China | | | | | |
| • 7-Eleven convenience stores | 284 | 241 | 188 | 150 | 127 |
| • Mannings health and beauty stores | 12 | 11 | 4 | - | - |
| • Maxim's | | | | | |
| Cake shops | 7 | 6 | - | - | - |
| Starbucks [†] | 35 | 20 | 12 | 3 | 1 |
| Fast Food/other | 4 | 5 | 5 | 5 | 5 |
| Malaysia | | | | | |
| • Giant/Cold Storage supermarkets | 58 | 49 | 47 | 47 | 11 |
| • Giant hypermarkets | 28 | 22 | 13 | 9 | 8 |
| • Guardian health and beauty stores | 228 | 171 | 157 | 123 | 96 |
| Singapore | | | | | |
| • Cold Storage/Shop N Save supermarkets | 80 | 80 | 77 | 75 | 38 |
| • Giant hypermarkets | 8 | 7 | 6 | 4 | 3 |
| • 7-Eleven convenience stores | 345 | 315 | 261 | 206 | 173 |
| • Guardian health and beauty stores | 123 | 127 | 112 | 107 | 102 |
| • Photo Finish/Handifix stores | 19 | 22 | 35 | 41 | 41 |
| Taiwan | | | | | |
| • Wellcome supermarkets | 182 | 167 | 167 | 154 | 122 |
| • IKEA home furnishings stores | 4 | 2 | 2 | 1 | 1 |
| Thailand | | | | | |
| • Guardian health and beauty stores | 13 | 3 | - | - | - |
| Vietnam | | | | | |
| • G-Mart supermarkets | 2 | - | - | - | - |
| Total | 3,573 | 3,159 | 2,896 | 2,570 | 2,305 |

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

[†] 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*
Howard Mowlem *Group Finance Director*
John Coyle *Regional Director, East Asia*
Caroline Mak *Group Specialty Retail Director*
Jeff Shaw *Regional Director, South Asia*

CORPORATE OFFICE

7/F Devon House, Taikoo Place
979 King's Road, Quarry Bay
Hong Kong
P O Box 286, GPO
Tel : (852) 2299 1888
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
John Coyle

Indonesia

PT Hero Supermarket Tbk

Jl. Jend. Gatot Subroto
No. 177A
Kav. 64, 12870 Jakarta
Tel : (62 21) 8378 8388
Fax: (62 21) 831 2738
Ipung Kurnia

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) 847 8988
Fax: (84 8) 847 8333
Benjamin Eng

Brunei

Giant TMC (B) Sdn Bhd

No. 1, 4th Floor
Wisma Setia Jalan Pemancha
Bandar Seri Begawan
BS8811
Brunei Darussalam
Tel : (673) 222 3341
Fax: (673) 222 8594
John Coyle

SOUTH ASIA

Singapore

Cold Storage Singapore (1983) Pte Ltd

1 Sophia Road #06-38
Peace Centre
Singapore 228149
Tel : (65) 6337 2766
Fax: (65) 6339 0398
Jeff Shaw

India

Foodworld Supermarkets Ltd* Health and Glow Retailing Private Ltd*

740 Eswari Industrial Estate
Gate No. 2, Hulimavu
Bannerghatta Road
Bangalore 560076
Tel : (91 80) 4110 9702
Fax: (91 80) 4110 9710
Norman Yum

Thailand

Guardian Health & Beauty Co., Ltd

246 Times Square Building
13th fl
Room 13-02, Sukhumvit
12-14 Road
Klongtoey, Bangkok 10110
Tel : (662) 653 0413
Fax: (662) 653 0421
Victor Chia

NORTH ASIA

Hong Kong and Macau

The Dairy Farm Company, Ltd

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

Maxim's Caterers Ltd*

3505, Gloucester Tower
The Landmark
Central
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
Guangzhou
Tel : (86 20) 8364 7118
Fax: (86 20) 8364 7436
Thomas Cheung

Mannings Guangdong Retail Company Ltd

8/F Block A, Fuqian House
618-620 Jiefang Bei Road
Yue Xiu District
Guangzhou
Tel : (86 20) 8318 1388
Fax: (86 20) 8318 2388
Caroline Mak

Taiwan

Wellcome Taiwan Company Ltd

2/F, 175 Hua Ling Street
Shih Lin
Taipei
Tel : (886 2) 2883 9489
Fax: (886 2) 2881 7050
Howard Tsai

DFI Home Furnishings Taiwan Ltd

Room B, 10/F
Asia World Shopping Mall
No. 337, Nanking East Road
Section 3
Taipei
Tel : (886 2) 8712 9899
Fax: (886 2) 8712 7866
Caroline Mak

South Korea

CJ Olive Young Ltd*

5/F Hankyung Building
441, Chunglim-dong
Chung-ku
Seoul
Korea, 100-791
Tel : (822) 6740 0901
Fax: (822) 6740 1026
Inho Im

* Associates or joint ventures

