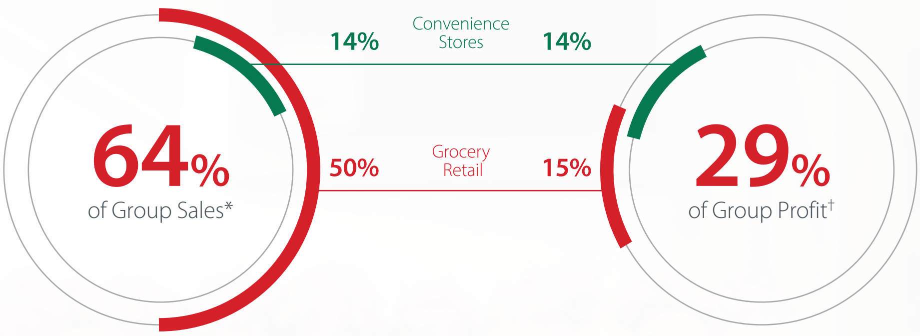
Business Review

Food

Operating profit for Grocery Retail increased significantly, driven by Southeast Asia as we execute towards our multi-year transformation plan. Convenience sales increased 4% to US$2.2 billion, driven by new store growth and strong like-for-like sales in China.



* Including share of associates and joint ventures.

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

● Grocery Retail ● Convenience Stores

19.9 billion
Total Sales‡ (US$)

145 million
Operating Profit (US$)

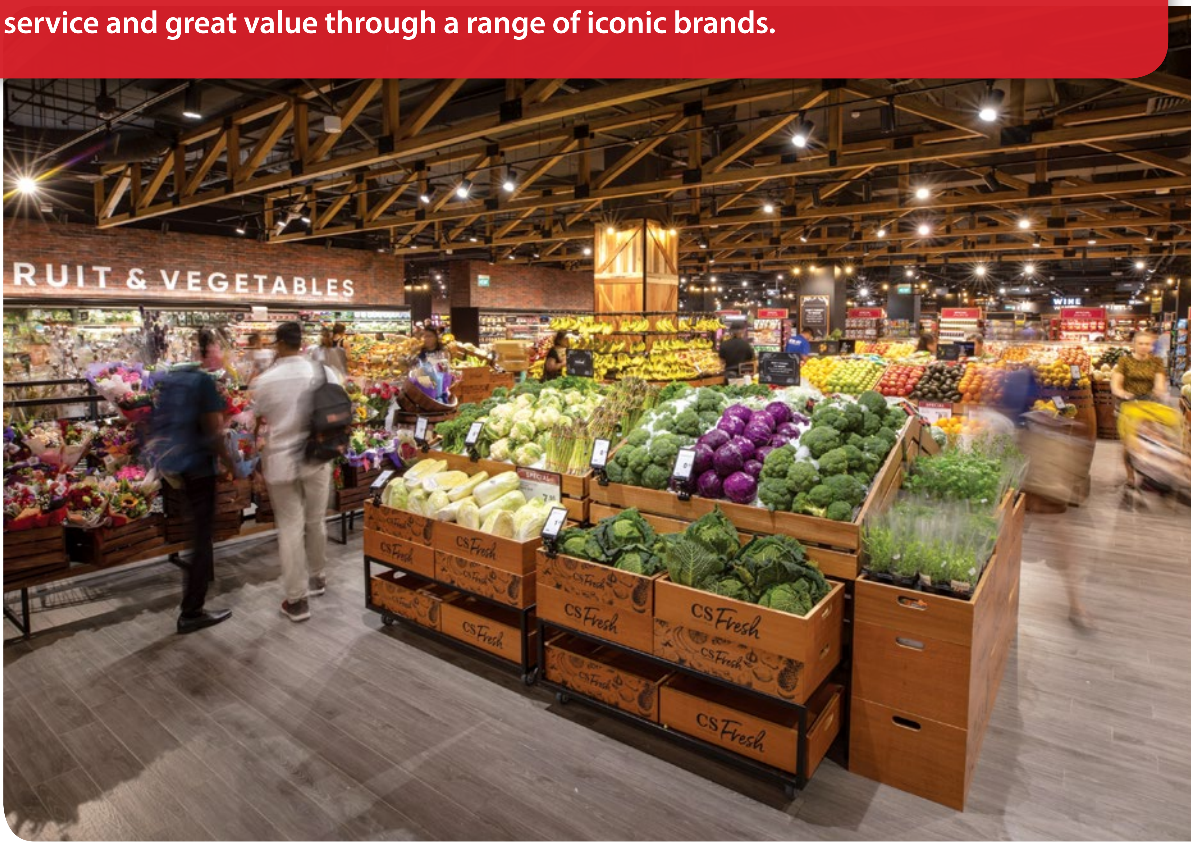
5,732 stores
Store Network‡

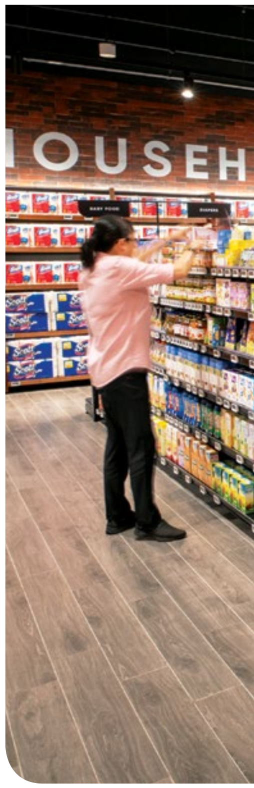
‡ Including 100% of associates and joint ventures.

Business Review — Food

Grocery Retail

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





Consistent with the Group's strategy of proactively managing our business portfolio, the Rustan Supercenters business was successfully integrated into Robinsons Retail in 2019. The Rustan deal as well as the execution of our store optimisation plan in Southeast Asia led to sales for the Grocery Retail unit reducing by 12% to US$5.2 billion. Operating profit, however, increased close to three-fold to US$63 million, compared to US$22 million reported in 2018. The improvement in performance was driven by Southeast Asia, as we continue to execute towards our multi-year transformation plan, with the space optimisation plan also yielding benefits.

Sales in Hong Kong and Macau were ahead of the prior year. While the social unrest in Hong Kong did disrupt trading, Wellcome's like-for-like sales grew as customers shifted towards eating at home. Underlying profitability improvements have been encouraging as we start to enhance efficiency across the business despite some cost pressures. Reported profitability was impacted by ongoing investments in people and capabilities. Our price reinvestment campaign in Taiwan led to improved performance in the second half, despite the market backdrop of weak sentiment and fierce competition.

The divestment of the Rustan Supercenters business as well as the Southeast Asian space optimisation plan impacted our reported sales for Southeast Asia Grocery Retail. However, the space optimisation initiatives as well as improvements in format and range are delivering some encouraging results, particularly in our upscale and smaller format stores. Ongoing success in executing against our transformation plan supported profit growth for the Southeast Asian grocery businesses in 2019.

Convenience Store

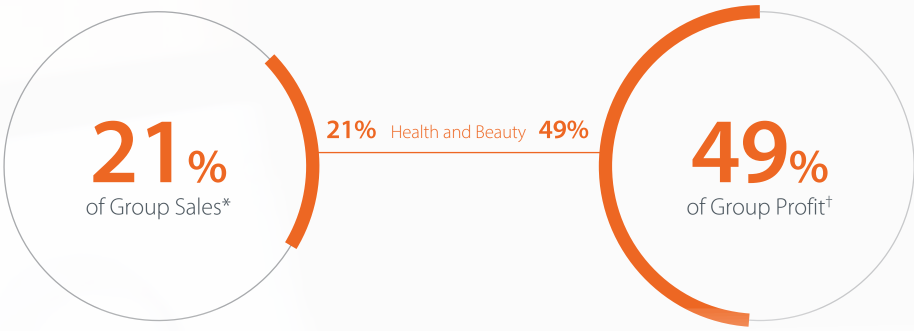
With 30 years of delivering the convenience shopping experience, 7-Eleven, the leading global chain of one-stop stores, continues to run and operate in Hong Kong, Macau, Southern China and Singapore and offers innovative products and services to customers.

Convenience sales increased 4% to US$2.2 billion, driven by new store growth and strong like-for-like sales in China. Underlying profit performance for the Division was pleasing. Investments into the growth of our China business, however, as well as the non-recurrence of some one-off factors which positively impacted profit in 2018 led to reported profits for the Division reducing by US$6 million to US$82 million.

Business Review

Health and Beauty

Sales for our Health and Beauty Division benefitted from strong revenue and like-for-like sales growth in our Guardian business in Southeast Asia. Like-for-like sales for both China and Macau also improved over the course of the year as we continued to improve the customer offer. However, these positives were offset by the impact that the social unrest in Hong Kong has had on Mannings.



* Including share of associates and joint ventures.

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

● Health and Beauty

3.4 billion
Total Sales‡ (US$)

296 million
Operating Profit (US$)

2,402 stores
Store Network‡

‡ Including 100% of associates and joint ventures.

Business Review — Health and Beauty

Health and Beauty

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

Sales for our Health and Beauty Division benefitted from strong revenue and like-for-like sales growth in our Guardian business in Southeast Asia. Improvements in the customer range, particularly in the Beauty category, as well as investments in store fitout supported sales growth. Like-for-like sales for both China and Macau also improved over the course of the year as we continued to improve the customer offer. However, these positives were offset by the impact that the social unrest in Hong Kong has had on Mannings, with the business seeing decline in foot traffic both from visitors to Hong Kong and local customers.

Reported sales for our Health and Beauty Division were US$3.1 billion in 2019, ahead of 2018, supported by the consolidation of Rose Pharmacy.

Diversity in our business geography mix saw robust profit growth by Guardian Indonesia, Malaysia and Singapore partially offset challenging trading conditions which impacted Mannings Hong Kong. The good performance of our Southeast Asia business was driven by strong sales growth as well as better mark-down management. Overall, operating profit for the Division reduced 11% to US$296 million.

In the Philippines, Rose Pharmacy's profitability also improved materially. The acquisition of the remaining 51% interest in the business in late 2018 allowed the Group to accelerate growth in new stores as well as investment into Own Brands, with financial performance improving as a result.

We continued to improve the customer offer throughout the Health and Beauty Division. Some examples include the relaunched Mannings cross-border e-commerce offering through a WeChat mini programme, with a significant increase in range and Guardian Singapore's exclusive partnership with leading Korean health and beauty retailer Olive Young.

We are also beginning to leverage the strong brands that we have within our Health and Beauty portfolio, with the introduction of Mannings Own Brand into almost 450 Yonghui stores across China, as well as Wellcome Taiwan stores.

Business Review

Home Furnishings

We continued to invest in the future growth of our Home Furnishings business in 2019. Sales grew 6% to a record US$766 million. Taiwan and Indonesia both reported strong sales growth, with two new store openings. In addition, e-commerce growth was also strong across all markets with investments made to support website functionality.

5% of Group Sales*

5% Home Furnishings 7%

7% of Group Profit†

* Including share of associates and joint ventures.

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

● Home Furnishings

766 million
Total Sales‡ (US$)

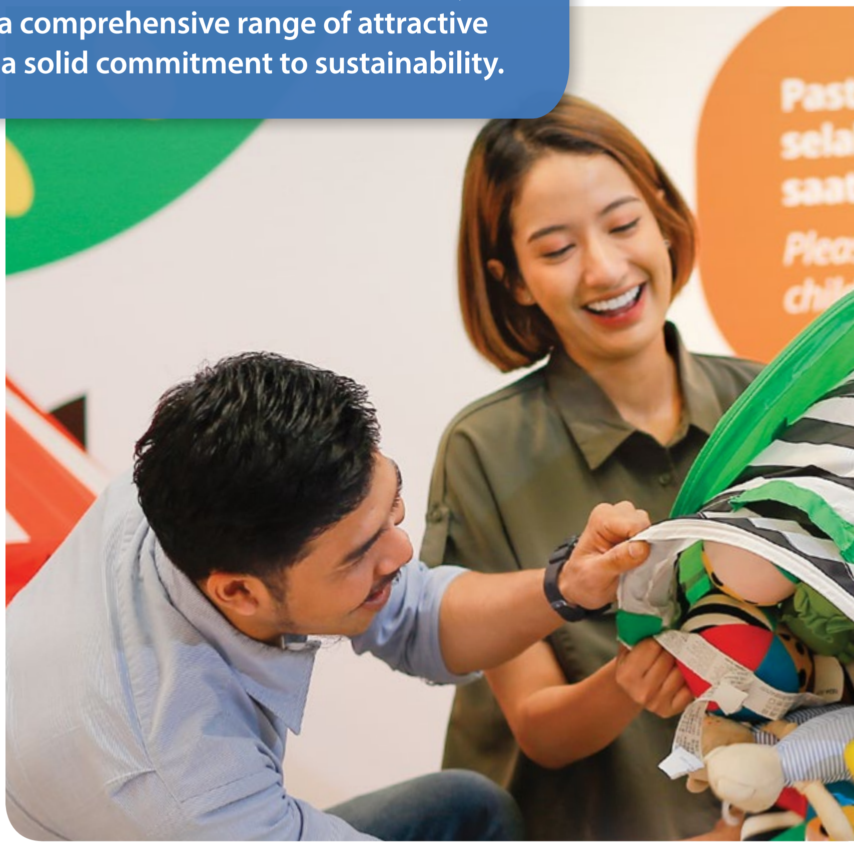
43 million
Operating Profit (US$)

12 stores
Store Network‡

‡ Including 100% of associates and joint ventures.

Home Furnishings

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



We continued to invest in the future growth of our Home Furnishings business in 2019. Sales grew 6% to a record US$766 million. Taiwan and Indonesia both reported strong sales growth, with two new store openings. In addition, e-commerce growth was also strong across all markets with investments made to support website functionality. Like-for-like sales in Hong Kong, however, were impacted in the second half by the social unrest.

The IKEA team continues to innovate from the perspective of store format with the conversion of the Giant hypermarket in Sentul, Indonesia to an IKEA store, a good example of taking a holistic view to space optimisation. The store was opened in November, only five months after handover and was the fastest ever IKEA store opening in history and the first ever hypermarket conversion. Performance for the store since opening has been pleasing. IKEA also introduced a pick-up point format in Bandung, Indonesia in September 2019, a year ahead of the official store opening in 2020.

Our investments into new stores, higher cost of goods as well as currency fluctuations impacted operating profits in the short-term. However, we remain confident in the future prospects of IKEA across the region. Our first store in Macau will open in the first half of 2020. In addition to a new store opened in Southern Taipei in 2019, good progress has been made with new store projects in Taiwan as well as in Indonesia, which are anticipated to open in 2020. Our strategic plans to meet the demands of the growing middle-income consumer involve opening traditional and new IKEA formats.


anak Anda
dalam pengawasan
Anda berbelanja.


IKEA

Business Review

Restaurants

Maxim's reported 4% growth in sales to US$2.7 billion. The acquisition of the Starbucks franchise in Thailand through a 64%-owned joint venture was another milestone in the year. A portfolio of some 370 retail outlets was acquired as part of the deal. After this acquisition, Maxim's has now secured the Starbucks franchise in six markets.

9% of Group Sales*

9% Restaurants 14%

14% of Group Profit†

* Including share of associates and joint ventures.

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

● Restaurants

2.7 billion
Total Sales‡ (US$)

82 million
Share of Results (US$)

1,753 stores
Store Network‡

‡ Including 100% of associates and joint ventures.

Business Review — Restaurants

Restaurant

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

Maxim's reported 4% growth in sales to US$2.7 billion. The acquisition of Starbucks franchise in Thailand through a 64%-owned joint venture in May supported sales growth for the year. A portfolio of some 370 retail outlets was acquired as part of the deal. After this acquisition, Maxim's has now secured the Starbucks franchise in six markets.

Profitability, however, was impacted significantly by the social unrest in Hong Kong, with disruptions caused to restaurants and shops, as well as reduction in foot traffic. Mooncake sales performance did continue to grow in 2019.

It was another successful year for the introduction of new concepts, with expansion of the Shake Shack franchise into China. Shake Shack is expected to expand into Macau in 2020. Maxim's also launched The Cheesecake Factory in Macau in 2019, with one opening in the heart of the Cotai area.

In addition to the Starbucks Thailand acquisition, Maxim's continues to diversify its business in Southeast Asia, as well as growing its Starbucks business in the region. The Genki Sushi franchise is also being expanded in Thailand, Singapore and Malaysia.


SHAKE SHACK

Business Review

Other Associates

The Group's investments in Yonghui and Robinsons Retail delivered good returns with Dairy Farm's share of results from both companies growing in 2019.

Yonghui delivered strong sales growth in the year, driven largely by store openings, while also achieving positive like-for-like sales. Underlying profit growth was strong due to the partial sell-down of the investment in the Yunchuang digital business as well as lower cost from employee share incentive expenses.

Reported profitability for Robinsons Retail in 2019 was impacted by the adoption of IFRS 16 as its profits in 2018 were not adjusted for the new lease accounting standard. Underlying profit before interest, tax, depreciation and amortisation increased by double-digit percentage.

Other Associates

Dairy Farm owns a 19.99% stake in Yonghui Superstores, a leading grocery retailer in China with over 1,300 stores. In November 2018, Dairy Farm also acquired a 20% stake in Robinsons Retail, one of the largest multi-format retailers in the Philippines.

Other Associates