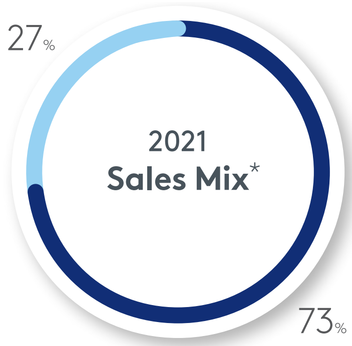
Financial Review

"Despite the ongoing challenges posed by COVID-19, the Group remains encouraged by the momentum of its multi-year transformation and is confident that it is delivering sustainable improvements to the business over-time which will drive medium- to long-term growth."



North Asia Southeast Asia

* Including share of associates and joint ventures.

† On a 100% basis.

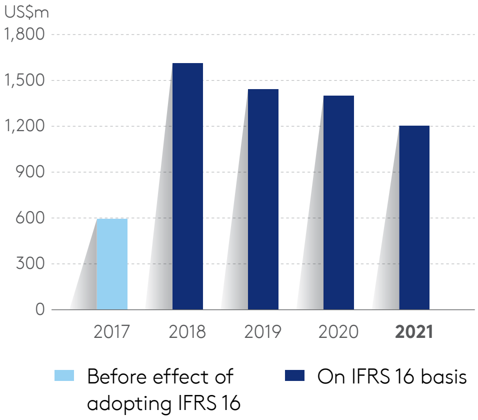
Accounting policies

The accounting policies are consistent with those of the previous year. The Directors continue to review the appropriateness of the accounting policies adopted by the Group, regarding developments in International Financial Reporting Standards ('IFRS'). In 2021, the Group continued to apply the practical expedient of the COVID-19 Related Rent Concessions: Amendment to IFRS 16 Leases. The 2021 amendment extends the practical expedient in the 2020 amendment, allowing rent concessions, which are granted as a direct consequence of the COVID-19 pandemic, to be recognised in the profit and loss over the period to which they relate, subject to satisfying specific conditions, rather than as a modification of the lease following IFRS 16 'Leases'. The adoption of the Amendment results in the recognition of US$43 million *(2020: US$69 million)* of rent concessions in other operating income.

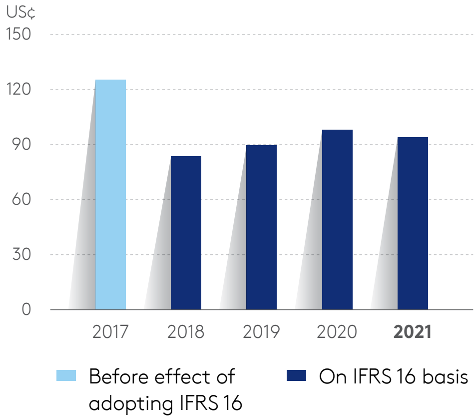
Results

2021 was another challenging year for DFI Retail Group, with the Group's reported financial results impacted by the continuation of the COVID-19 pandemic. However, the Group continued to make good progress in executing its transformation programme, which in turn has strengthened underlying fundamental supporting the Group's businesses.

Underlying EBITDA



Net Asset Value per Share



Sales, excluding those of associates and joint ventures, totalled US$9.0 billion, down 12% on last year. Total sales, including 100% of associates and joint ventures, were 2% down at US$27.7 billion.

Net profit for the Group's subsidiaries was US$145 million, a reduction of 27% compared with the prior year. The reduction was primarily due to the absence of panic buying behaviours, annualisation of government support received in the prior year and the ongoing disruptions posed by the continuation of the pandemic on customer movement and store trading. Excluding the impact of government subsidies and the related costs, however, subsidiaries net profit increased by 35%.

Grocery Retail business reported operating profit reduction primarily due to normalisation of customer buying behaviours and reduced levels of government support relative to 2020 levels. However, comparisons to 2019's results provide a better understanding of the Group's transformation progress. Operating profit for the Grocery Retail division more than doubled relative to 2019, reflecting strong improvement in underlying sales productivity and good progress with business improvement programmes.

The Convenience business reported sales growth, driven by the strong store growth as well as reinvigorated customer traffic. Profitability, however, was impacted by lower levels of profitability in the Chinese mainland and Singapore, where the rise in COVID cases and resultant government-imposed restrictions on movement impeded sales momentum in the second half.

Sales in the Health and Beauty business were only marginally behind last year excluding the impact of the divestment of Rose Pharmacy despite the normalisation of panic buying behaviour in the first half and ongoing disruptions caused by the pandemic. In North Asia, sustained border closure continued to impact our Mannings business relative to historic trends. In Southeast Asia, reduced levels of visitations impacted Guardian performance.

Home Furnishings was negatively impacted by the government-imposed restrictions on trading as well as global supply chain disruptions that caused challenges to stock availability.

Net financing charges decreased by US$24 million compared with 2020, in part reflecting lower interest expense charged on leases and lower interest rates on external borrowings.

The Group's share of the results of associates and joint ventures reported at a loss of US$42 million compared with a profit of US$85 million in 2020, principally due to a US$119 million adverse swing from Yonghui. Following Yonghui's cancellation of shares after a share buy-back scheme in September 2021, the Group's interest in Yonghui, increased from 20.10% to 21.08%.

Maxim's contribution increased relative to the prior year as a result of stronger levels of restaurant patronage. The Group's share of underlying results in Robinsons Retail increased 4% to US$14 million. During the year, the Group's interest in Robinsons Retail also increased from 20.00% to 20.76% following the shares buy-back by Robinsons Retail.

The tax charge for 2021 was US$59 million, 20% lower than 2020, mainly due to overall decrease in operating profit during the year.

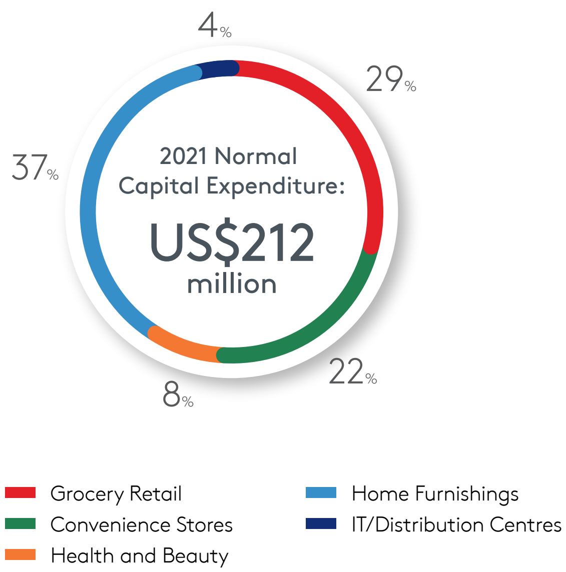
A one-off pre-tax charge of US$3 million was reported, which included business restructuring costs of US$31 million, partly offset by profit on sale of properties of US$27 million in Hong Kong, Malaysia, Taiwan and Indonesia during the year. The restructuring costs related predominantly charges to write down the value of assets to the recoverable amounts, and business restructuring costs associated with the Group's pivoting of trading operations in Indonesia away from the Giant brand. The net cost after tax and non-controlling interests was US$28 million. These charges have been classified as non-trading items due to the scale of the plan, and are not reflective of the ongoing operations and performance of the Group.

Underlying profit attributable to shareholders was US$105 million, down 62% from US$276 million in 2020. Underlying earnings per share of US¢7.73 were also down by 62%, as compared with US¢20.38 in 2020.

Cash flow

Summarised Cash Flow	**2021 US$m**	2020 US$m
Underlying operating profit	**314**	412
Depreciation and amortisation	**886**	983
Other non-cash items	**(64)**	(17)
Increase in working capital	**(10)**	(102)
Net interest and other financing charges paid	**(116)**	(143)
Tax paid	**(110)**	(110)
Dividends received from associates	**46**	68
Other	**(4)**	(24)
Cash flows from operating activities	**942**	1,067
Principal elements of lease payments	**(672)**	(706)
Cash flows from operating activities after lease payments	**270**	361
Normal capital expenditure	**(212)**	(248)
Sales of subsidiaries, net of investments	**(7)**	154
Disposals	**94**	8
Cash flow from investing activities	**(125)**	(86)
Cash flow before financing but after lease payments	**145**	275

The Group maintained solid cash flows from operating activities after lease payments of US$270 million in the year, compared with US$361 million in 2020. The unfavourable movement in working capital this year was partly due to inventory stockpiling for an earlier 2022 Chinese New Year. Normal capital expenditure was lower at US$212 million versus US$248 million in 2020 principally due to substantial investment for new IKEA stores in Taiwan and Indonesia in 2020 in which the stores were opened during the year.



At 31st December 2021, the Group's businesses, including associates and joint ventures, operated a total of 10,286 stores across all formats in 12 markets, compared with 9,997 stores at the end of 2020. Included in this total are 1,088 Yonghui stores, 1,801 Maxim's stores and 2,179 Robinsons Retail stores.

Balance sheet

Total assets, excluding cash and bank balances, of US$7.4 billion were broadly in line with 2020. Continuous efforts have been made to manage the inventory and clear poor-quality stocks in the past few years, resulting in stable level of inventories maintained, US$782 million in 2021 compared to US$779 million in 2020. Net operating assets were US$1.3 billion at the end of 2021, a 5% decrease versus the previous year.

The Group ended the year with net debt of US$844 million, broadly in line with last year's level.

Dividend

The Board is recommending a final dividend of US¢6.50 per share, giving a total dividend of US¢9.50 per share for the year.

Financing

The Group, excluding associates and joint ventures, had gross debt of US$1,054 million at 31st December 2021, a reduction of US$40 million from 2020. The gross debt is funded by total committed and uncommitted lines of US$2,938 million. At the end of 2021, US$1,248 million of committed and US$636 million of uncommitted facilities were unused and available. The Group had cash balances of US$210 million at 31st December 2021. The Group has implemented a global liquidity cash pooling scheme which enables the Group to manage and optimise its working capital funding requirements daily. The available undrawn committed facilities and the cash pooling scheme provide good support and flexibility to the Group for the cash in need for the operation. The Directors believe that the Group has strong liquidity to run the business despite uncertainty concerning the duration and extent of the pandemic that remains.

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

Despite the ongoing challenges posed by COVID-19, the Group remains encouraged by the momentum of its multi-year transformation and is confident that it is delivering sustainable improvements to the business over-time which will drive medium- to long-term growth.

Audit opinion

Given the magnitude of Yonghui's contribution to the Group's financial results for the year ended 31st December 2021, the Group's external auditors, PricewaterhouseCoopers, determined that a full scope audit of Yonghui's results was required as part of their audit of the Group's financial statements for the year ended 31st December 2021. This has previously not been required given Yonghui's levels of profit. The Group equity accounts for its share of Yonghui's results on a three-month lag such that Yonghui's results for the 12 months ended 30th September 2021 are included in the Group's results for the year ended 31st December 2021. Yonghui management concluded that it was impractical for this additional audit to be conducted given the extent of the time and effort required. As a result of this additional audit not being possible, a qualified audit opinion for limitation of scope has been issued by PricewaterhouseCoopers on the Group's financial statements for the year ended 31st December 2021. Yonghui's own independent auditors, Ernst & Young, are performing their audit of Yonghui for the year ended 31st December 2021 to satisfy Yonghui's own reporting obligations.

Financial risk management

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

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 151 to 154.

Clem Constantine
Chief Financial Officer
3rd March 2022