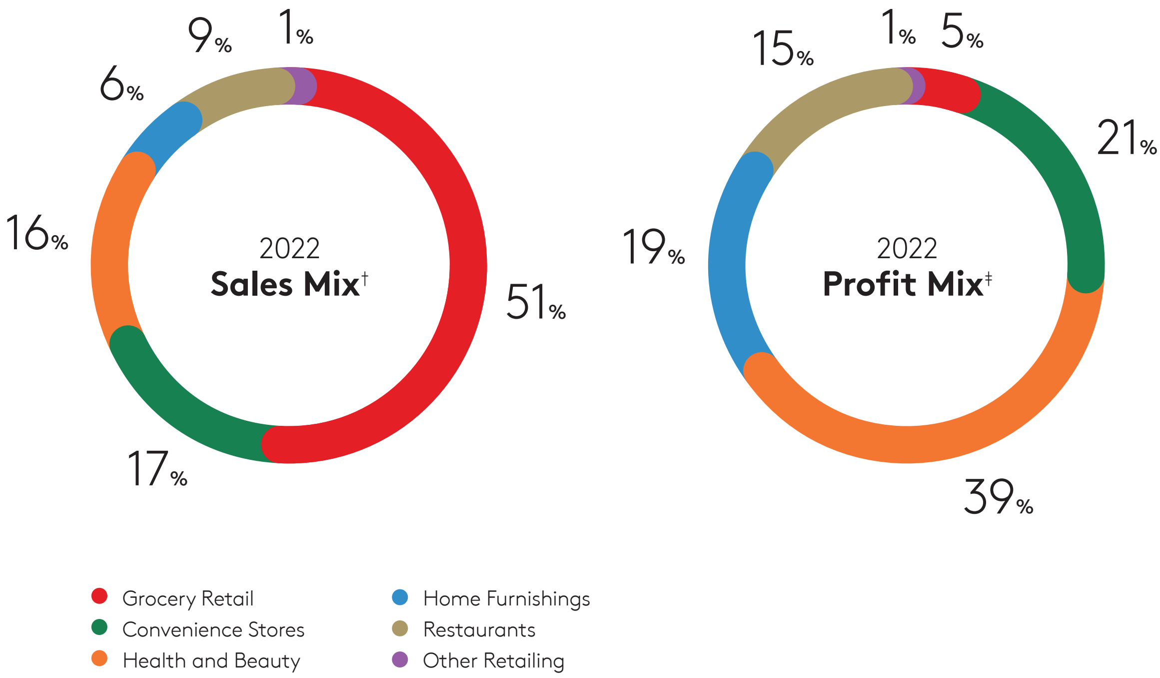
CHAIRMAN'S STATEMENT

"While 2022 was another challenging year for DFI Retail Group, with the pandemic continuing to impact the financial performance of the Group's subsidiaries and associates, profitability improved substantially in the second half of the year. Continued progress in implementing the Group's ongoing transformation plan helped the business deliver improvements in underlying performance. We expect to see the Group's performance to improve in 2023, although we will continue to monitor the impact of inflationary pressures and changes in consumer sentiment. The Group's overall results will largely depend on the recovery in Hong Kong of its health and beauty and restaurants businesses, and an improved performance by its associate Yonghui on the Chinese mainland. We remain confident in the medium- to long-term growth prospects of the Group."

Overview

2022 was another challenging year for the Group. A combination of inflationary pressures and customer behavioural shifts driven by the pandemic significantly impacted first-half financial performance, reducing profit contributions from the Grocery Retail and Convenience divisions. Results from the Group's associates were also similarly adversely affected.

There was, however, a substantial improvement in profitability in the second half of the year, with underlying profit of US$80 million for the period, compared with an underlying loss of US$52 million in the first half. The Group continues to adapt to changes in consumer preferences and, despite the external challenges, has increased investments in digital in the year. While these investments impacted profitability in the year, they are required to meet customers' evolving needs and to drive long-term shareholder value.



† Sales of goods, 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.

Operating performance

Total revenue for the Group, including 100% of associates and joint ventures, was US$27.6 billion, slightly behind 2021 levels. Reported subsidiary sales were US$9.2 billion, broadly in line with the prior year. Strong revenue growth in Health and Beauty was partially offset by lower sales within the Grocery Retail division. The fall in sales in Grocery Retail was primarily driven by the easing of movement restrictions in Southeast Asia, which led to a reduction in eating at home by customers, and by store disruptions in Singapore due to essential renovations to improve our Cold Storage offering.

The Group reported an underlying profit after tax of US$29 million for the full year, inclusive of US$35 million losses attributable to associates and joint ventures. The Group reported encouraging performance in the second half, with underlying profit after tax of US$80 million, representing a US$132 million increase in profitability relative to the first half. The Group's reported loss of US$115 million reflected an impairment loss of US$171 million in respect of the Group's investment in Robinsons Retail.

The profitability of the Health and Beauty division increased significantly, due to strong growth in revenue in Hong Kong and Southeast Asia. Profitability for the Grocery Retail division, however, was adversely impacted by lower like-for-like sales, reflecting spikes in demand in the prior year, as well as inflationary pressures, which affected cost of goods sold as well as operating costs. Grocery Retail profit was, however, higher than 2019 levels.

The full year profitability of both Convenience and IKEA was broadly in line with the prior year. Convenience, however, saw profits increase significantly in the second half relative to breakeven levels in the first half. This was due to gradual normalisation of customer traffic following the easing of movement restrictions across our key markets, particularly Hong Kong.

Operating cash flow for the period, after lease payments, was a net inflow of US$279 million, compared with US$270 million in 2021. As at 31st December 2022, the Group's net debt was US$866 million, compared with US$844 million at 31st December 2021. The Group continues to balance the priority of maintaining a strong balance sheet position with the need to support ongoing investments in business and digital transformation.

The Board recommends a final dividend for 2022 of US¢2.00 per share (2021 final dividend: US¢6.50).

Business developments

Driving digital innovation remains a key strategic priority for the Group. During the year, the Group invested significant resources both in building capability and in progressing operational initiatives to enhance our e-commerce and digital offering, in order to drive enhanced customer loyalty and more meaningful customer relationships. In May 2022, we launched *yuu-to-me*, offering customers an integrated one-stop online shopping experience. Following the success of the rollout of the *yuu* Rewards loyalty programme in Hong Kong, the Group launched *yuu* Rewards in Singapore in October 2022. The programme in Singapore benefits from partnerships with a number of leading local brands. The Group expects to continue investing in digital initiatives across its markets to drive long-term value for shareholders.

Key programmes continued to be introduced throughout the year to support the Group's Corporate Social Responsibility priorities of serving communities, sustaining the planet and sourcing responsibly. The Group is committed to a near-term target of halving our Scope 1 and 2 carbon emissions by 2030 and to achieving net-zero by 2050. DFI is making good progress in reducing carbon emissions, reducing Scope 1 and 2 emissions by 10% between 2021 and 2022. The Group is also working on a plan to reduce Scope 3 emissions.

In February 2023, the Group announced that it had entered into an agreement to sell its Malaysian Grocery Retail businesses to a leading local retail group, led by successful local entrepreneur, Datuk Andrew Lim. The Group remains fully committed to its other retail businesses in Malaysia and will continue to accelerate growth in the Health and Beauty segment through Guardian stores.

People

We would like to express our deep gratitude for the continuing dedication and hard work of our team members in putting our customers first, despite the ongoing difficulties associated with the pandemic across our markets.

Prospects

The Group has been encouraged by the significant improvement in performance in the second half of 2022. We expect to see the Group's performance improve in 2023, although we will continue to monitor the impact of inflationary pressures and changes in consumer sentiment. The Group's overall results will largely depend on the recovery in Hong Kong of its Health and Beauty and Restaurants businesses, and an improved performance by its associate Yonghui on the Chinese mainland. We remain confident in the medium- to long-term growth prospects of the Group.

Ben Keswick
Chairman
2nd March 2023