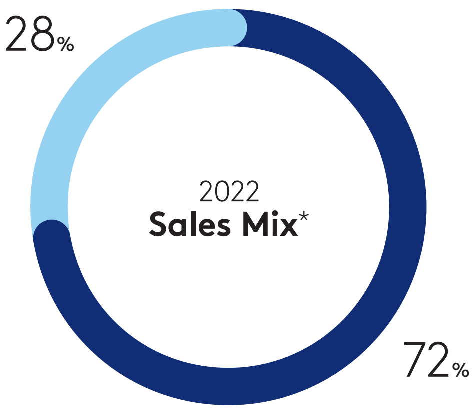
FINANCIAL REVIEW

"The Group has been encouraged by significant improvement in underlying profitability in the second half of the year, which has been underpinned by strengthened underlying fundamental following implementation of transformation initiatives."



● North Asia ● Southeast Asia

* Sales of goods, including share of associates and joint ventures.
† Including 100% of associates and joint ventures.

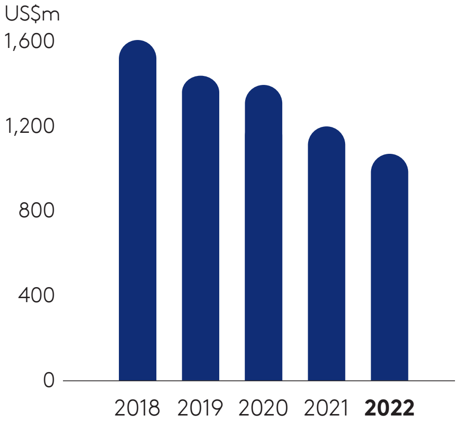
Accounting policies

The accounting policies are consistent with those of the previous year except for the reclassification of revenue as stated in note 1 to the financial statements. The Directors continue to review the appropriateness of the accounting policies adopted by the Group, regarding developments in International Financial Reporting Standards ('IFRS'). In 2022, the Group has applied Covid-19-Related Rent Concessions beyond 30th June 2021 (Amendment to IFRS 16) that extends, by one year, the May 2020 amendment. The amendment allows reduction in lease payments that affects payments originally due on or before 30th June 2022, which are granted as a direct consequence of the COVID-19 pandemic, to be recognised in the profit and loss over the period in which they cover, 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$15 million *(2021: US$43 million)* of rent concessions in other operating income during the year.

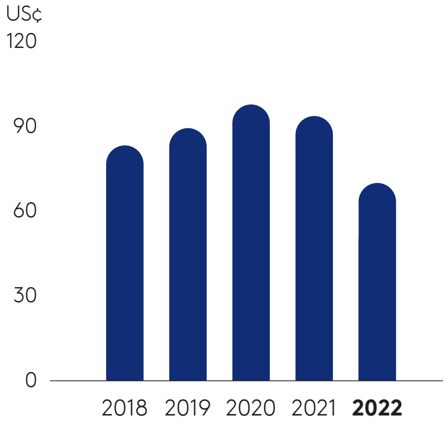
Results

2022 was another challenging year for DFI Retail Group, with the Group's reported financial results impacted by the continuation of the COVID-19 pandemic as well as macroeconomic challenges and inflationary pressures. However, the Group has been encouraged by significant improvement in underlying profitability in the second half of the year, which has been underpinned by strengthened underlying fundamental following implementation of transformation initiatives.

Underlying EBITDA



Net Asset Value per Share



Revenue, excluding those of associates and joint ventures, totalled US$9.2 billion, which was broadly in line with last year. Total revenue, including 100% of associates and joint ventures, was 1% down at US$27.6 billion.

Underlying profit for the Group's subsidiaries was US$64 million, a 56% reduction compared with prior year. This was primarily due to the combination of inflationary pressures and customer behavioural shifts driven by the pandemic, particularly in the first half.

Grocery Retail business reported operating profit reduction primarily due to the absence of the panic buying seen last year, further compounded by the inflationary pressure on rising inventories costs and operating expenses. Despite the challenges faced throughout 2022, however, the Group has been encouraged by underlying performance, with Grocery Retail profitability significantly above 2019 levels, supported by the Group's ongoing transformation programme.

Sales and profitability in Convenience business were broadly in line with last year. Significant improvements were seen in second half of the year as the Group began to experience normalisation of customer traffic following easing of movement restrictions across our key markets, particularly in Hong Kong.

Strong sales growth in the Health and Beauty business was driven by double-digit like-for-like sales growth in key markets. In Hong Kong, Mannings business benefitted from effective in-store execution and strong demand for COVID-related items. In Southeast Asia, profitability for Guardian increased due to strong sales growth and recovery in the tourist store sales.

Sales in Home Furnishings business were 3% ahead of last year while the operating profit increased by 1%. The overall business performance was impacted by COVID-related restrictions as well as the global supply chain constraints that caused challenges to stock availability.

Net financing charges increased by US$3 million compared to 2021, reflecting the higher interest rates on external borrowings, offset by the lower interest expenses charged on leases resulting from the front-loaded characteristics of IFRS 16 'Leases'.

The Group's share of the underlying results of associates and joint ventures was US$35 million loss, with underlying performance improving in the second half.

Contribution from Maxim's underlying results decreased by 27% to US$38 million in 2022, primarily as a result of the government-imposed restrictions on movements and dining in first half.

The Group's share of Yonghui's underlying losses was US$80 million for the year, compared to US$90 million in the prior year. Yonghui's profitability was impacted by store disruption caused by the pandemic, investments costs associated with digital transformation and margin dilution from a greater level of e-commerce sales. The Group's interest in Yonghui, increased from 21.08% to 21.13%, following a share buyback by Yonghui during the year.

The Group's share of underlying results in Robinsons Retail increased by 66% to US$24 million. Strong growth was due to the reopening of the Philippines economy resulting from the rising customer traffic and increased tourism. During the year, the Group's interest in Robinsons Retail also increased from 20.76% to 21.30% following a share buyback by Robinsons Retail. Despite the encouraging results, the Group recorded a non-trading impairment charge of US$171 million with respect to the holding value of its investment in Robinsons Retail as rising interest rates globally have impacted valuations across all asset classes.

The tax charge for 2022 was US$31 million, 47% lower than 2021, mainly due to overall decrease in operating profit during the year.

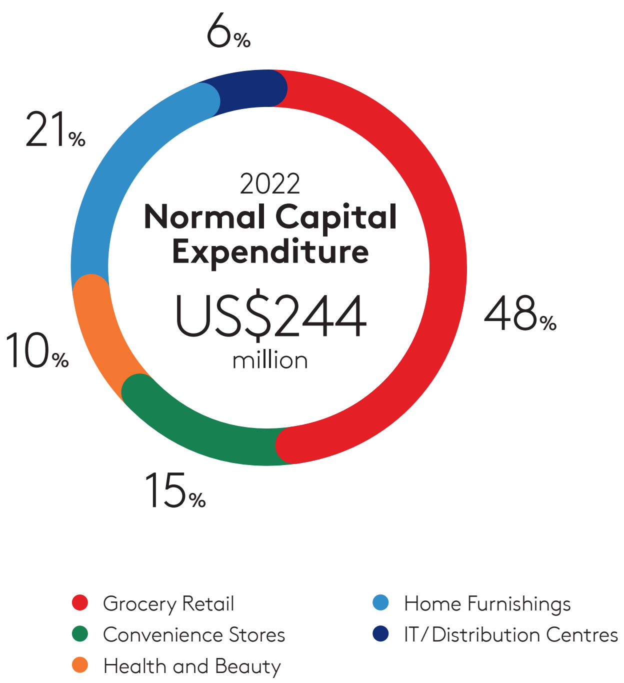
Non-trading items of US$143 million were reported in 2022, principally from the impairment charge of the Group's Robinsons Retail investment, partly offset by the profit on disposal of certain properties in Hong Kong, Malaysia, Singapore and Indonesia, together with other gains on the changes in interests in associates and joint ventures.

Underlying profit attributable to shareholders was US$29 million, down 72% from US$105 million in 2021. Underlying earnings per share of US¢2.14 were also down by 72%, as compared with US¢7.73 in 2021.

Cash flow

Summarised Cash Flow	2022 US$m	2021 US$m
Underlying operating profit	**209**	314
Depreciation and amortisation	**861**	886
Increase in working capital	**(7)**	(10)
Net interest and other financing charges paid	**(121)**	(116)
Tax paid	**(43)**	(110)
Dividends received from associates	**45**	46
Other	**(4)**	(68)
Cash flows from operating activities	**940**	942
Principal elements of lease payments	**(661)**	(672)
Cash flows from operating activities after lease payments	**279**	270
Normal capital expenditure	**(244)**	(212)
Investments	**(28)**	(7)
Disposals	**71**	94
Cash flows from investing activities	**(201)**	(125)
Cash flows before financing but after lease payments	**78**	145

The Group maintained solid cash flows from operating activities after lease payments of US$279 million in the year, compared with US$270 million in 2021. Normal capital expenditure was higher at US$244 million versus US$212 million in 2021 principally due to the investment in digital capacity and refurbishment of the existing estate.



At 31st December 2022, the Group's businesses, including associates and joint ventures, operated a total of 10,663 stores across all formats in 13 markets, compared with 10,286 stores at the end of 2021. Included in this total are 1,074 Yonghui stores, 1,908 Maxim's stores and 2,261 Robinsons Retail stores.

Balance sheet

Total assets, excluding cash and bank balances, were US$7.1 billion, down US$299 million compared to 2021. The decrease was mainly due to the impairment charge on the Group's investment in Robinsons Retail and the unfavourable exchange movements in Asian currencies on translation to the reported currency, United States dollar, partly offset by the increased inventory balances due to stock piling for early Chinese New Year in 2023. Net operating assets were US$941 million at the end of 2022, a 26% drop from previous year.

The Group ended the year with net debt of US$866 million, broadly in line with last year's level.

Dividend

The Board is recommending a final dividend of US¢2.00 per share, giving a total dividend of US¢3.00 per share for the year.

Financing

As of 31st December 2022, the Group had a gross debt of US$1,096 million, an increase of US$42 million from 2021. The gross debt is funded by total committed and uncommitted lines of US$3,051 million, with US$1,403 million committed and US$552 million uncommitted facilities being unused and available. The Group had cash balances of US$231 million. The available undrawn committed facilities and the cash pooling scheme continued to provide good support and flexibility to the Group for cash and liquidity needed for the operation.

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 risk as may be appropriate depending on the investment.

Despite the ongoing challenges posed by pandemic, the Group remains encouraged by the momentum of its ongoing 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

With Yonghui's contribution to the Group's financial results, the Group's external auditors, PricewaterhouseCoopers, determined that a full scope audit of Yonghui's results is required as part of their audit of the Group's financial statements. 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 are included in the Group's financial results for the calendar year.

A full scope audit for Yonghui could not be done in 2021 as Yonghui's management concluded that it was impractical for an additional audit to be conducted given the extent of the time and efforts required. Consequently, the Group's 2021 audit opinion was qualified to reflect this fact.

In 2022, the Group has engaged Ernst & Young to perform a full scope audit for the 12 months ended 30th September 2022 with the consent from Yonghui's management, with audit results fully reported to PricewaterhouseCoopers as Group auditor. Accordingly, an unqualified opinion on the Group's financial statements for the year ended 31st December 2022 is issued, with a qualification on the comparability of the financial results with those for the year ended 31st December 2021.

Financial risk management

A comprehensive discussion of the Group's financial risk management policies is included in note 40 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 161 to 166 of the annual report.

Clem Constantine
Chief Financial Officer
2nd March 2023