



A.S. Watson Group signs its first-ever franchise agreement with Al-Futtaim and opens three stores in Dubai to mark its entry into the Middle East.

Retail



1. Kruidvat offers a wide range of value-for-money products to customers across its portfolio of over 1,200 stores in the Netherlands and Belgium.
2. With more than 270 stores in Hong Kong, PARKnSHOP offers exceptional shopping experience via one of its supermarket brands TASTE.
3. Rossmann operates over 4,200 stores across Germany, Poland, Hungary, Czech Republic, Albania, Turkey and Kosovo.
4. Watsons China has an extensive network of over 4,100 stores and eCommerce channels with 63 million loyalty members.
5. Superdrug continues to serve customers with its health and wellbeing products and services online and offline in the UK amid pandemic.

Operations Review – Retail

The Retail division consists of the A.S. Watson (“ASW”) group of companies, the world’s largest international Health and Beauty (“H&B”) retailer with a 139 million loyalty member base.

Group Performance

ASW operated 12 retail brands with 16,167 stores in 27 markets worldwide as of 31 December 2020, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. ASW also manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

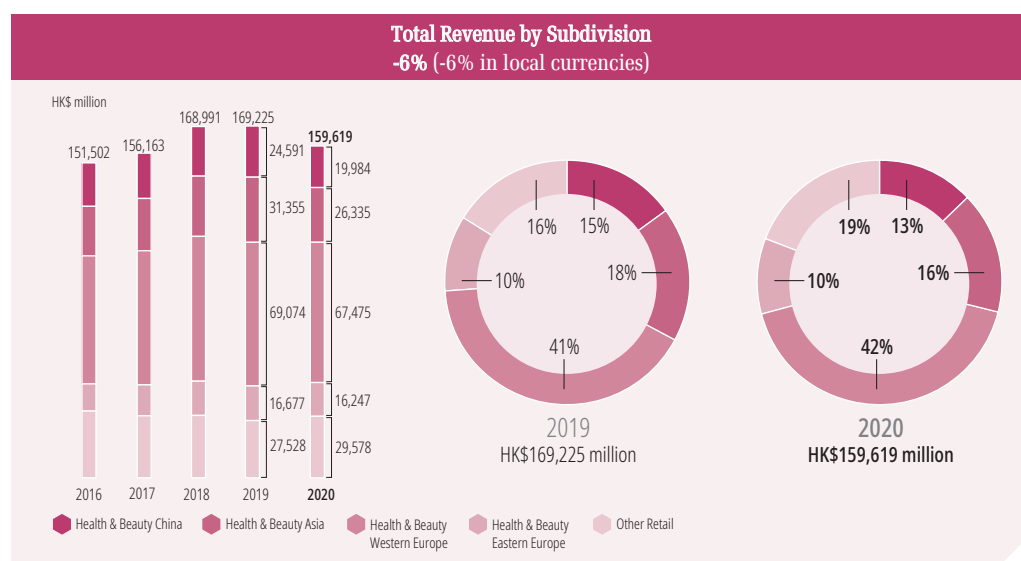
	2020 HK\$ million	2019 HK\$ million	Change	Local currencies change
Total Revenue	159,619	169,225	-6%	-6%
EBITDA ⁽¹⁾	14,397	16,891	-15%	-16%
EBIT ⁽¹⁾	10,933	13,671	-20%	-21%
Store Numbers	16,167	15,794	+2%	

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$24,557 million (2019: HK\$27,023 million); EBIT was HK\$11,889 million (2019: HK\$14,705 million).

The division’s businesses was impacted by the pandemic in the first half of 2020 due to a sharp decline in sales starting from February as stores were forced to close and shopper footfall dropped as the pandemic spread globally. As a result, total reported revenue for the full year was 6% lower against last year. As the market conditions improved in the second half of 2020, the division achieved acceleration of recovery by swiftly reacting to the change in operating environment and adopting the strategic decision to accelerate the “Online plus Offline” platform strategy. This resulted in a strong eCommerce sales growth of 90% in 2020 compared to last year.

H&B loyalty members’ participation & exclusives sales contribution	2020	2019
Total loyalty members in H&B segment (million)	138	137
Loyalty members’ sales participation in H&B segment (%)	63%	62%
Exclusives sales contribution to total H&B sales (%)	35%	35%

The H&B segment, which represented 81% of the Retail division’s revenue in 2020, currently has 138 million loyalty members with 63% of total revenue being generated by these loyalty members during 2020. Watsons, the division’s flagship brand and the market leading health and beauty retailer in the Mainland and Asia, achieved the milestone of 100 million members during 2020 as the brand continues to build up its customer loyalty base.



Total Revenue	2020 HK\$ million	2019 HK\$ million	Change	Local currencies change
H&B China	19,984	24,591	-19%	-19%
H&B Asia	26,335	31,355	-16%	-16%
H&B China & Asia Subtotal	46,319	55,946	-17%	-17%
H&B Western Europe	67,475	69,074	-2%	-3%
H&B Eastern Europe	16,247	16,677	-3%	–
H&B Europe Subtotal	83,722	85,751	-2%	-3%
H&B Subtotal	130,041	141,697	-8%	-8%
Other Retail ⁽²⁾	29,578	27,528	+7%	+8%
Total Retail	159,619	169,225	-6%	-6%

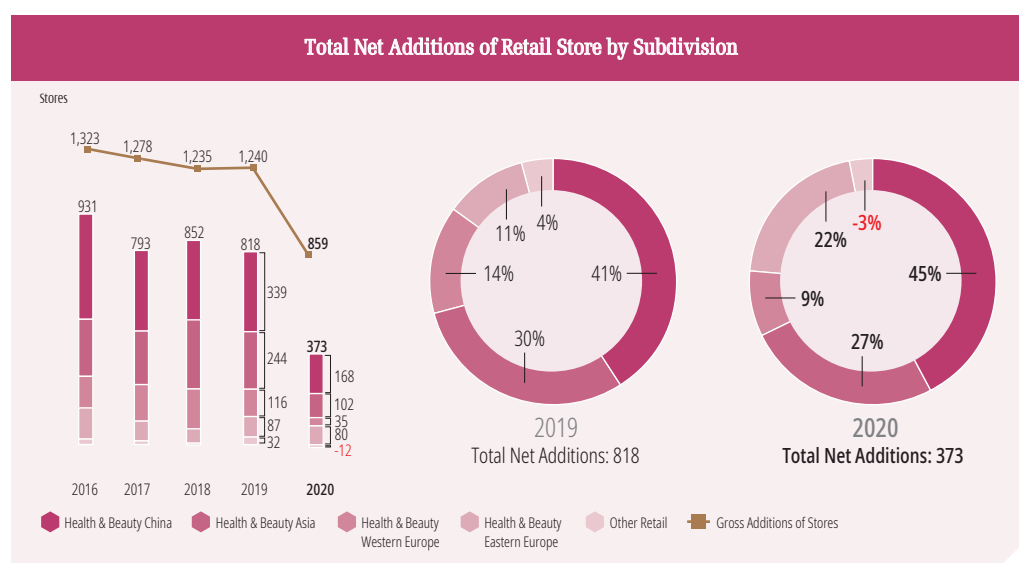
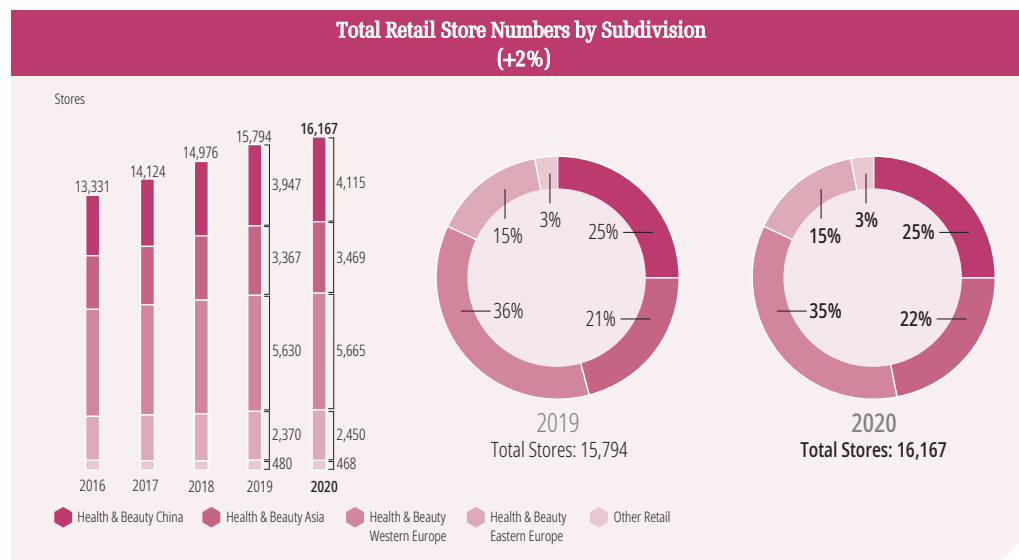
Comparable Stores Sales Growth (%) ⁽³⁾	2020	2019
H&B China	-21.8%	+2.0%
H&B China (adjusted to include loyalty members' sales recovered in proximate new stores)	-20.0%	+5.5%
H&B Asia	-17.0%	+4.0%
H&B China & Asia Subtotal	-19.2%	+3.1%
H&B Western Europe	-3.8%	+1.9%
H&B Eastern Europe	-4.1%	+2.9%
H&B Europe Subtotal	-3.8%	+2.1%
H&B Subtotal	-9.7%	+2.4%
Other Retail ⁽²⁾	+12.2%	-6.7%
Total Retail	-6.8%	+1.2%

Note 2: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

Note 3: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

Operations Review – Retail

Group Performance (continued)

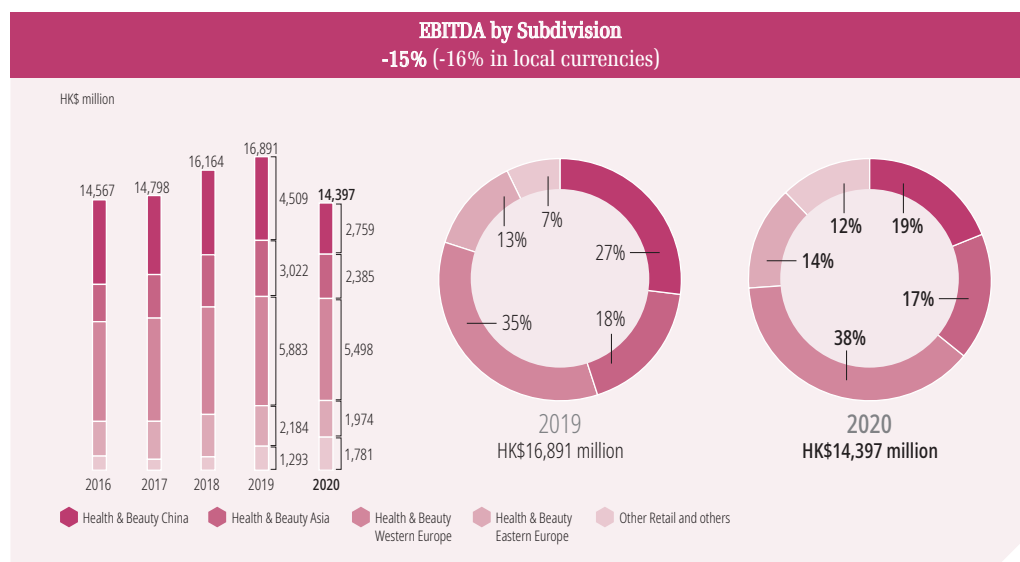


Store Numbers	2020	2019	Change
H&B China	4,115	3,947	+4%
H&B Asia	3,469	3,367	+3%
H&B China & Asia Subtotal	7,584	7,314	+4%
H&B Western Europe	5,665	5,630	+1%
H&B Eastern Europe	2,450	2,370	+3%
H&B Europe Subtotal	8,115	8,000	+1%
H&B Subtotal	15,699	15,314	+3%
Other Retail ⁽⁴⁾	468	480	-3%
Total Retail	16,167	15,794	+2%

Note 4: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The Retail division's EBITDA and EBIT decreased by 15% and 20% respectively in reported currency against 2019, primarily due to the decline in revenue as a result of the pandemic. Included in 2019 was a one-off gain of approximately HK\$633 million recognised upon formation of the joint venture in the division's China supermarket business. Excluding this one-off dilution gain, EBITDA and EBIT decreased by 11% and 16% respectively.

Following the gradual easing of the restrictive lockdowns in the second half, EBITDA and EBIT increased significantly by 111% and 168% respectively when compared to the first half of 2020. Comparing against the second half of 2019, EBITDA and EBIT both increased by 12%.



EBITDA	2020 HK\$ million	2019 HK\$ million	Change	Local currencies change
H&B China	2,759	4,509	-39%	-39%
H&B Asia	2,385	3,022	-21%	-21%
H&B China & Asia Subtotal	5,144	7,531	-32%	-32%
H&B Western Europe	5,498	5,883	-7%	-9%
H&B Eastern Europe	1,974	2,184	-10%	-9%
H&B Europe Subtotal	7,472	8,067	-7%	-9%
H&B Subtotal	12,616	15,598	-19%	-20%
Other Retail ⁽⁵⁾ and others	1,781	1,293	+38%	+38%
Total Retail	14,397	16,891	-15%	-16%

Note 5: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

In September 2020, ASW and Al-Futtaim jointly announced that they have reached an exclusive franchise agreement to launch the flagship health and beauty brand Watsons in the Gulf Cooperation Council. The first store was opened in Dubai, the United Arab Emirates, in October 2020.

Operations Review – Retail

Segment Performance

Health and Beauty China

	2020 HK\$ million	2019 HK\$ million	Change	Local currency change
Total Revenue	19,984	24,591	-19%	-19%
EBITDA	2,759	4,509	-39%	-39%
<i>EBITDA Margin %</i>	<i>14%</i>	18%		
EBIT	1,952	3,736	-48%	-49%
<i>EBIT Margin %</i>	<i>10%</i>	15%		
Store Numbers	4,115	3,947	+4%	
Comparable Stores Sales Growth (%)	-21.8%	+2.0%		
Adjusted Comparable Stores Sales Growth (%) ⁽⁶⁾	-20.0%	+5.5%		

Note 6: Adjusted to include loyalty members' sales recovered in proximate new stores.

The Watsons business continued to be the leading health and beauty retail chain in the Mainland. During 2020, temporary store closures peaked at around 2,500 stores in February, resulting in a year-on-year reduction in EBITDA of 62% in the first half of 2020. As the pandemic related restriction measures gradually eased off, almost all stores reopened by the end of April with steady store traffic recovery. In the second half of 2020, the year-on-year decline in EBITDA narrowed to 13%, which was less adverse than the store traffic reduction of 23% as sales are recovered through the division's digital channels. Online sales grew by 123% compared to 2019.

H&B China added net 168 stores during the year and had more than 4,100 stores in close to 500 cities in the Mainland as of 31 December 2020.

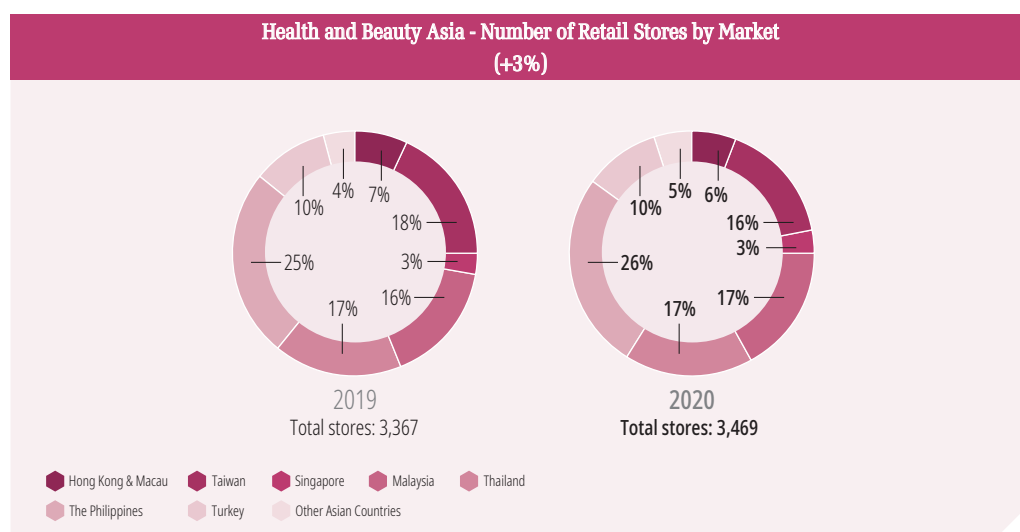
Health and Beauty Asia

	2020 HK\$ million	2019 HK\$ million	Change	Local currencies change
Total Revenue	26,335	31,355	-16%	-16%
EBITDA	2,385	3,022	-21%	-21%
<i>EBITDA Margin %</i>	<i>9%</i>	10%		
EBIT	1,824	2,505	-27%	-27%
<i>EBIT Margin %</i>	<i>7%</i>	8%		
Store Numbers	3,469	3,367	+3%	
Comparable Stores Sales Growth (%)	-17.0%	+4.0%		

Watsons is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. Footfall was severely impacted by lockdown measures beginning in late March with temporary store closures peaked at around 750 stores in April. H&B Asia narrowed its year-on-year EBITDA decline from 39% in the first half to only 3% in the second half of 2020.

Although it was particularly challenging for the health and beauty operation in Hong Kong during 2020 as the retail market was adversely impacted by the various levels of border entry restrictions imposed which limited inbound tourists, it only represented 2% of the Retail division's revenue in 2020. Excluding the Hong Kong contribution, H&B Asia delivered a solid recovery in the second half with an EBITDA growth of 2%. Singapore, Malaysia, Thailand and Turkey all recorded EBITDA growth in the second half.

H&B Asia added net 102 stores during the year and had more than 3,400 stores in 11 markets as of 31 December 2020.

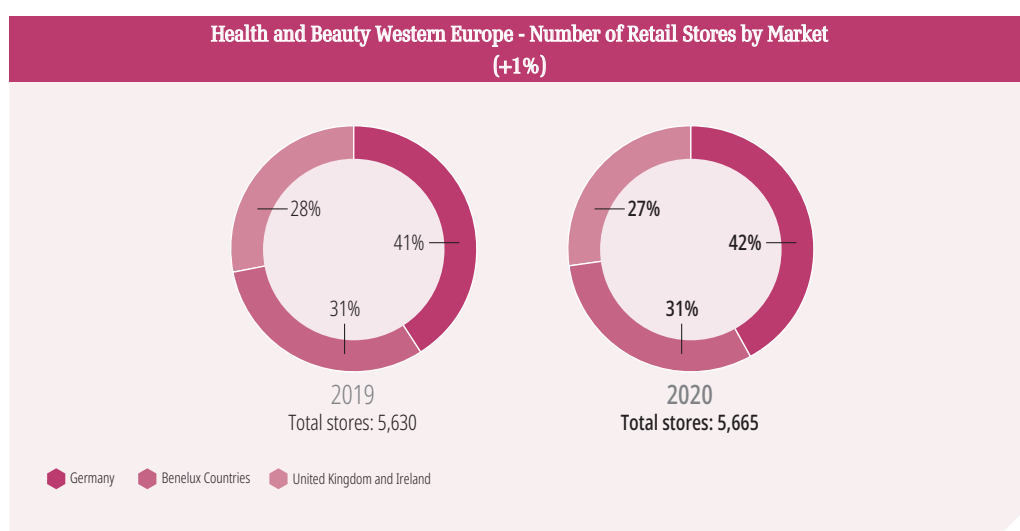


Health and Beauty Western Europe

	2020 HK\$ million	2019 HK\$ million	Change	Local currencies change
Total Revenue	67,475	69,074	-2%	-3%
EBITDA	5,498	5,883	-7%	-9%
<i>EBITDA Margin %</i>	<i>8%</i>	<i>9%</i>		
EBIT	4,194	4,685	-10%	-14%
<i>EBIT Margin %</i>	<i>6%</i>	<i>7%</i>		
Store Numbers	5,665	5,630	+1%	
Comparable Stores Sales Growth (%)	-3.8%	+1.9%		

Footfall on high streets and shopping centres was severely impacted by lockdown measures beginning in late March with temporary store closures peaked at around 1,100 stores in April for H&B Western Europe. H&B Western Europe's major operations are in essential businesses which allowed most stores to remain open during the lockdown periods partially mitigating declines. H&B Western Europe delivered a very strong recovery in the second half, by turning around a year-on-year reduction in EBITDA of 43% in the first half to an EBITDA growth of 16% in the second half of 2020, primarily from the Benelux countries and Germany, partly offset by the UK with the new rounds of country lockdown towards the end of the year.

H&B Western Europe added net 35 stores during the year and had more than 5,600 stores as of 31 December 2020.



Operations Review – Retail

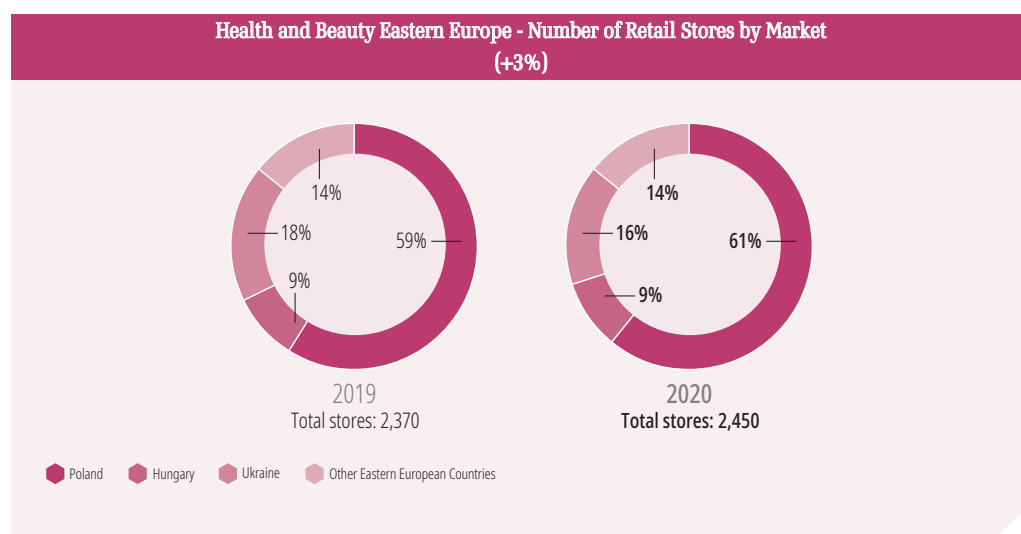
Segment Performance (continued)

Health and Beauty Eastern Europe

	2020 HK\$ million	2019 HK\$ million	Change	Local currencies change
Total Revenue	16,247	16,677	-3%	–
EBITDA	1,974	2,184	-10%	-9%
<i>EBITDA Margin %</i>	<i>12%</i>	<i>13%</i>		
EBIT	1,626	1,886	-14%	-13%
<i>EBIT Margin %</i>	<i>10%</i>	<i>11%</i>		
Store Numbers	2,450	2,370	+3%	
Comparable Stores Sales Growth (%)	-4.1%	+2.9%		

H&B Eastern Europe contributed to the recovery of the division by turning around a year-on-year decline in EBITDA of 28% in the first half to an EBITDA growth of 5% in the second half this year, mainly attributable to the Rossmann joint venture in Poland as a result of the strong momentum in store openings during the period.

H&B Eastern Europe added net 80 stores during the year and had more than 2,400 stores in 7 markets as of 31 December 2020.



Other Retail

	2020 HK\$ million	2019 HK\$ million	Change	Local currencies change
Total Revenue	29,578	27,528	+7%	+8%
EBITDA	1,781	1,293	+38%	+38%
<i>EBITDA Margin %</i>	<i>6%</i>	<i>5%</i>		
EBIT	1,337	859	+56%	+56%
<i>EBIT Margin %</i>	<i>5%</i>	<i>3%</i>		
Store Numbers	468	480	-3%	
Comparable Stores Sales Growth (%)	+12.2%	-6.7%		

The Other Retail segment reported a growth in revenue of 7% in 2020, primarily arising from the improved performance of the supermarkets in Hong Kong and the Mainland.

Included in 2019 was a one-off gain of approximately HK\$633 million recognised upon formation of the joint venture in the division's China supermarket business. Excluding this one-off dilution gain, EBITDA increased by 170% compared to 2019.

Other Retail had 468 retail stores in 3 markets as of 31 December 2020, as well as manufacturing and distributing bottled water and other beverages in Hong Kong and the Mainland.

