



Watsons expands its presence in the Gulf Cooperation Council region, operating five stores in United Arab Emirates and Saudi Arabia.

Retail





1. Kruidvat operates over 1,200 stores in the Netherlands and Belgium, offering a wide range of value-for-money products via its seamless O+O platforms.
2. The Perfume Shop opens a sustainable store with sensor-controlled lighting and a recycled-bottle-made tree in Edinburgh, Scotland.
3. Watsons Malaysia celebrates a significant milestone of its 600th store in Kuala Lumpur.
4. Rossmann, with over 4,300 health and beauty stores, further expands its network by entering into the Spanish market.

## 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 142 million loyalty member base.

### Group Performance

ASW operated 12 retail brands with 16,398 stores in 28 markets worldwide as of 31 December 2021, 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. Since the start of the pandemic, ASW has transformed part of its water factory to produce face masks in Hong Kong.

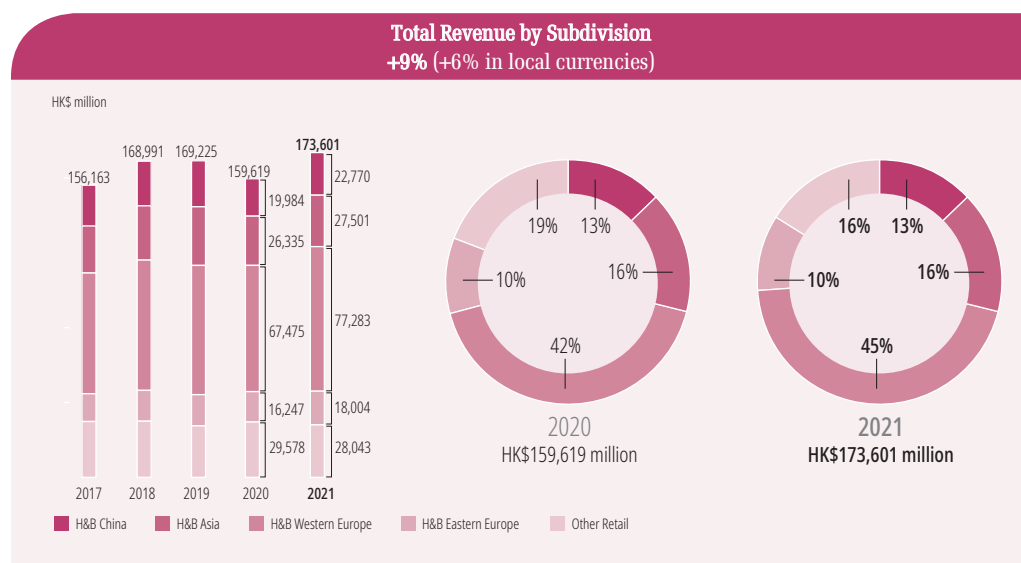
	2021 HK\$ million	2020 HK\$ million	Change	Local currencies change
Total Revenue	173,601	159,619	+9%	+6%
EBITDA <sup>(1)</sup>	16,034	14,397	+11%	+9%
EBIT <sup>(1)</sup>	12,460	10,933	+14%	+12%
Store Numbers	16,398	16,167	+1%	

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$26,119 million (2020: HK\$24,557 million); EBIT was HK\$13,370 million (2020: HK\$11,889 million).

Following the gradual easing of restrictive lockdowns and the significant reduction in temporary store closures in 2021, as well as favourable foreign exchange translation effect, total reported revenue increased by 9% against last year, mainly attributable to the H&B segment, partly offset by the reduced contribution from the supermarket operation in Hong Kong as the pandemic concerns eased during 2021. In local currencies, total revenue increased by 6% against last year.

H&B loyalty members’ participation & exclusives sales contribution	2021	2020
Total loyalty members in H&B segment (million)	141	138
Loyalty members’ sales participation in H&B segment (%)	64%	63%
Exclusives sales contribution to total H&B sales (%)	36%	35%

The H&B segment, which represented 84% of the Retail division’s revenue in 2021, has 141 million loyalty members. Customer insights from these loyalty members have enabled the businesses to drive assortment, store and marketing strategies. Together with the “O + O” end-to-end media touchpoints, this will generate higher returns on investments and increase brand equity.



Total Revenue	2021 HK\$ million	2020 HK\$ million	Change	Local currencies change
H&B China	22,770	19,984	+14%	+7%
H&B Asia	27,501	26,335	+4%	+5%
<b>H&amp;B China &amp; Asia Subtotal</b>	<b>50,271</b>	<b>46,319</b>	<b>+9%</b>	<b>+5%</b>
H&B Western Europe	77,283	67,475	+15%	+10%
H&B Eastern Europe	18,004	16,247	+11%	+10%
<b>H&amp;B Europe Subtotal</b>	<b>95,287</b>	<b>83,722</b>	<b>+14%</b>	<b>+10%</b>
<b>H&amp;B Subtotal</b>	<b>145,558</b>	<b>130,041</b>	<b>+12%</b>	<b>+8%</b>
Other Retail <sup>(2)</sup>	28,043	29,578	-5%	-6%
<b>Total Retail</b>	<b>173,601</b>	<b>159,619</b>	<b>+9%</b>	<b>+6%</b>

Comparable Stores Sales Growth (%) <sup>(3)</sup>	2021	2020
H&B China	+1.9%	-21.8%
H&B China (adjusted to include loyalty members' sales recovered in proximate new stores)	+4.7%	-20.0%
H&B Asia	-0.8%	-17.0%
<b>H&amp;B China &amp; Asia Subtotal</b>	<b>+0.2%</b>	<b>-19.2%</b>
H&B Western Europe	+7.9%	-3.8%
H&B Eastern Europe	+4.6%	-4.1%
<b>H&amp;B Europe Subtotal</b>	<b>+7.3%</b>	<b>-3.8%</b>
<b>H&amp;B Subtotal</b>	<b>+4.8%</b>	<b>-9.7%</b>
Other Retail <sup>(2)</sup>	-8.3%	+12.2%
<b>Total Retail</b>	<b>+2.6%</b>	<b>-6.8%</b>

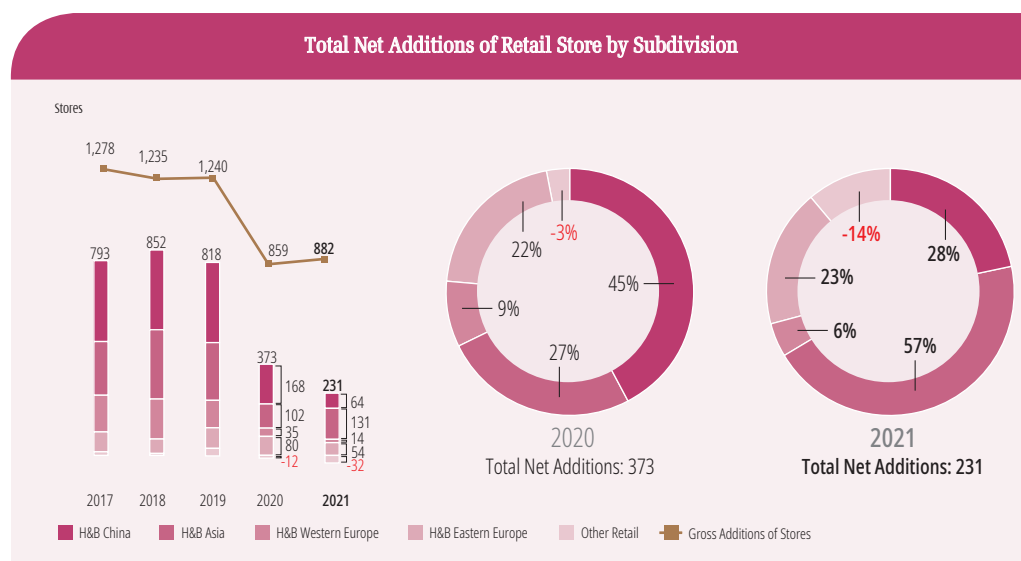
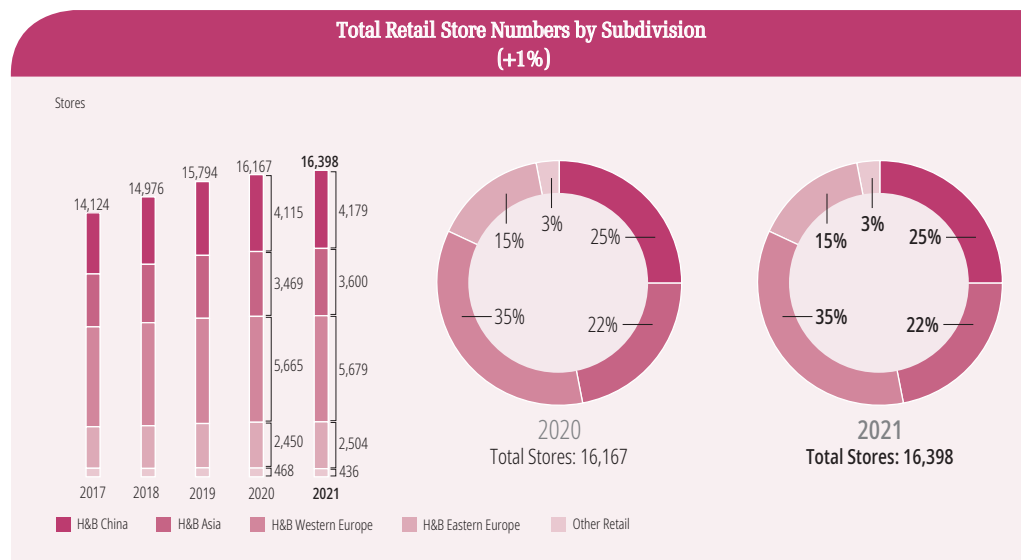
Note 2: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and the manufacturing operations.

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

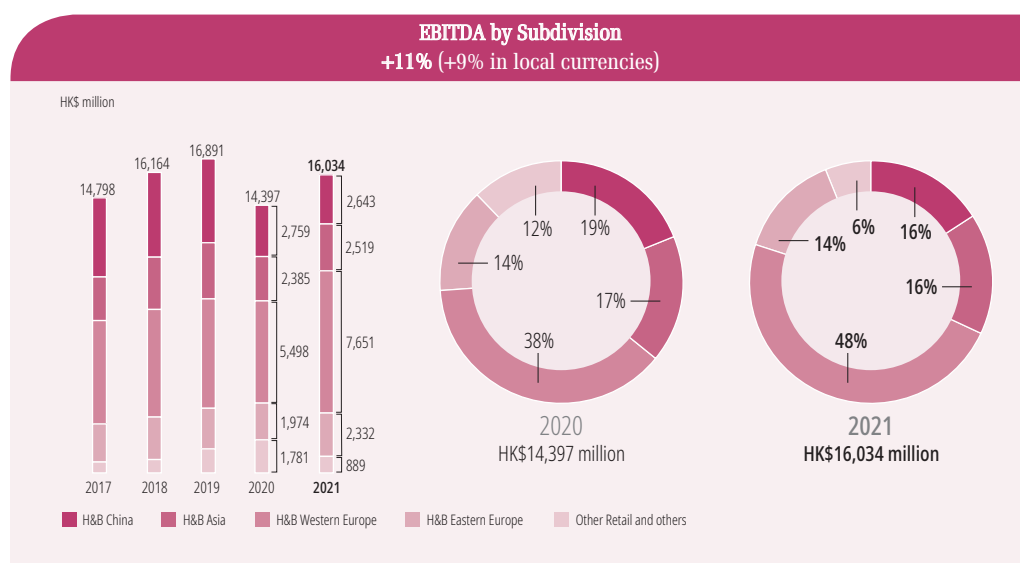
### Group Performance (continued)



Store Numbers	2021	2020	Change
H&B China	4,179	4,115	+2%
H&B Asia	3,600	3,469	+4%
<b>H&amp;B China &amp; Asia Subtotal</b>	<b>7,779</b>	<b>7,584</b>	<b>+3%</b>
H&B Western Europe	5,679	5,665	–
H&B Eastern Europe	2,504	2,450	+2%
<b>H&amp;B Europe Subtotal</b>	<b>8,183</b>	<b>8,115</b>	<b>+1%</b>
<b>H&amp;B Subtotal</b>	<b>15,962</b>	<b>15,699</b>	<b>+2%</b>
Other Retail <sup>(4)</sup>	436	468	-7%
<b>Total Retail</b>	<b>16,398</b>	<b>16,167</b>	<b>+1%</b>

Note 4: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and the manufacturing operations.

The Retail division's EBITDA and EBIT increased by 11% and 14% respectively in reported currency against 2020. In local currencies, EBITDA and EBIT increased by 9% and 12% respectively, primarily driven by the growth in revenue as a result of the strong recoveries from the pandemic. The H&B segment reported EBITDA and EBIT improvement of 17% and 23% respectively in local currencies, which was attributable to the exceeding pre-pandemic performances in Europe as well as the solid performance in Asia despite severe pandemic-related disruptions. These favourable results were partly offset by lower government subsidies received across various markets in 2021, poorer performance in the Mainland in the second half of 2021 due to community lockdowns, as well as the Other Retail segment which reported a normalised performance in the supermarket operation in Hong Kong in 2021 as the performance in 2020 was favourably affected from panic buying by customers. In 2021, the division sees the opportunities in expanding its beverage business in the Mainland and has invested more than HK\$100 million during 2021 in marketing and additional sales force capabilities with the aim to accelerate business growth.



EBITDA	2021 HK\$ million	2020 HK\$ million	Change	Local currencies change
H&B China	2,643	2,759	-4%	-11%
H&B Asia	2,519	2,385	+6%	+6%
<b>H&amp;B China &amp; Asia Subtotal</b>	<b>5,162</b>	<b>5,144</b>	-	-3%
H&B Western Europe	7,651	5,498	+39%	+36%
H&B Eastern Europe	2,332	1,974	+18%	+19%
<b>H&amp;B Europe Subtotal</b>	<b>9,983</b>	<b>7,472</b>	<b>+34%</b>	<b>+32%</b>
<b>H&amp;B Subtotal</b>	<b>15,145</b>	<b>12,616</b>	<b>+20%</b>	<b>+17%</b>
Other Retail <sup>(5)</sup>	889	1,781	-50%	-50%
<b>Total Retail</b>	<b>16,034</b>	<b>14,397</b>	<b>+11%</b>	<b>+9%</b>

Note 5: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and the manufacturing operations.

During 2021, the Retail division opened its first store in Saudi Arabia, which is the 28th operating market of the division, as part of the franchise business with Al-Futtaim.

## Operations Review – Retail

### Segment Performance

#### Health and Beauty China

	2021 HK\$ million	2020 HK\$ million	Change	Local currency change
<b>Total Revenue</b>	<b>22,770</b>	19,984	+14%	+7%
<b>EBITDA</b>	<b>2,643</b>	2,759	-4%	-11%
<i>EBITDA Margin %</i>	<i>12%</i>	<i>14%</i>		
<b>EBIT</b>	<b>1,808</b>	1,952	-7%	-14%
<i>EBIT Margin %</i>	<i>8%</i>	<i>10%</i>		
Store Numbers	<b>4,179</b>	4,115	+2%	
Comparable Stores Sales Growth (%)	<b>+1.9%</b>	-21.8%		
Adjusted Comparable Stores Sales Growth (%) <sup>(6)</sup>	<b>+4.7%</b>	-20.0%		

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

H&B China delivered an encouraging performance in the first half of 2021 with year-on-year growth in EBITDA of 53% in local currency when the pandemic conditions were relatively stable. In the second half of 2021, the business was significantly affected by regional outbreaks and tighter public health measures nationwide which negatively affected footfall, and as a result EBITDA and EBIT for the full year of 2021 decreased by 11% and 14% in local currency respectively compared to 2020. Despite the challenging trading environment, the business took positive actions to cope with the change in customer shopping behaviour by recovering sales through the division's digital channels under the "O + O" platform strategy to partly recover the shortfall in stores. The "O + O" platform strategy drives customer lifetime value through building "O + O" sales participation with ASW's largest network of physical stores and fulfillment hubs. H&B China will be able to engage with its 62 million loyalty members and over 80 million social media followers digitally through the 18,000 beauty advisors from its physical store network and 28 online stores. Online sales growth remained strong at 94% in 2021 (2020: 123%).

H&B China added net 64 stores during the year and had more than 4,100 stores in over 500 cities in the Mainland as of 31 December 2021.

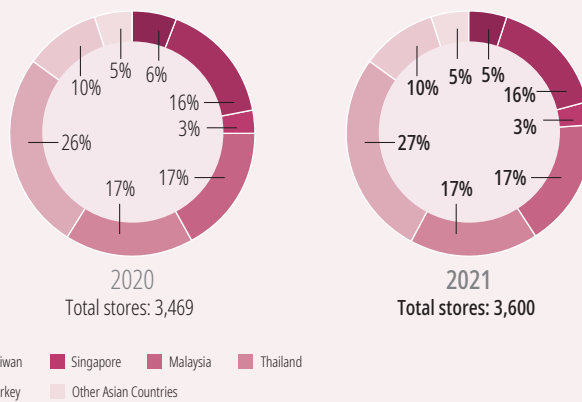
#### Health and Beauty Asia

	2021 HK\$ million	2020 HK\$ million	Change	Local currencies change
<b>Total Revenue</b>	<b>27,501</b>	26,335	+4%	+5%
<b>EBITDA</b>	<b>2,519</b>	2,385	+6%	+6%
<i>EBITDA Margin %</i>	<i>9%</i>	<i>9%</i>		
<b>EBIT</b>	<b>1,942</b>	1,824	+6%	+7%
<i>EBIT Margin %</i>	<i>7%</i>	<i>7%</i>		
Store Numbers	<b>3,600</b>	3,469	+4%	
Comparable Stores Sales Growth (%)	<b>-0.8%</b>	-17.0%		

Watsons is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. Despite a 0.8% comparable stores sales decline as a result of various restrictive measures following the rising number of infected cases in the region, H&B Asia delivered steady growth in EBITDA and EBIT, primarily in Malaysia and the Philippines, of 6% and 7% in local currencies respectively from continued store portfolio expansion and enhanced operational efficiencies. In addition, the H&B operation in Hong Kong reduced its losses significantly in 2021 despite the continued border entry restrictions imposed which limited inbound tourists.

H&B Asia added net 131 stores during the year and had 3,600 stores in 12 markets as of 31 December 2021.

### H&B Asia - Number of Retail Stores by Market (+4%)



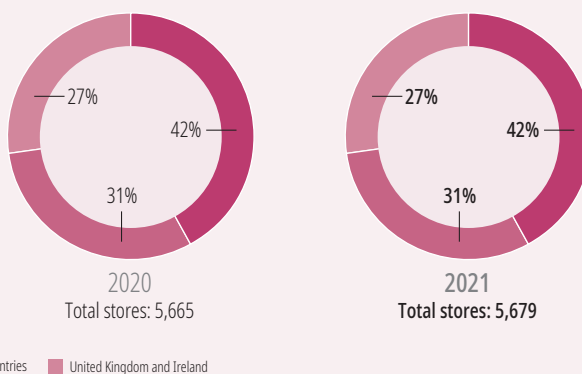
## Health and Beauty Western Europe

	2021 HK\$ million	2020 HK\$ million	Change	Local currencies change
<b>Total Revenue</b>	<b>77,283</b>	67,475	+15%	+10%
<b>EBITDA</b>	<b>7,651</b>	5,498	+39%	+36%
<i>EBITDA Margin %</i>	<b>10%</b>	8%		
<b>EBIT</b>	<b>6,253</b>	4,194	+49%	+47%
<i>EBIT Margin %</i>	<b>8%</b>	6%		
Store Numbers	<b>5,679</b>	5,665	–	
Comparable Stores Sales Growth (%)	<b>+7.9%</b>	-3.8%		

H&B Western Europe reported a strong EBITDA and EBIT growth of 36% and 47% in local currencies respectively during the year, arising from a robust comparable stores sales growth rate of 7.9%, primarily from the Benelux countries and Germany, where stores remained open during the lockdown periods. Sales were particularly strong for stores located in or near residential areas which were able to cater for the heightened demand from local consumers during lockdowns.

H&B Western Europe added net 14 stores during the year and had more than 5,600 stores as of 31 December 2021.

### H&B Western Europe - Number of Retail Stores by Market (flat)





## Operations Review – Retail

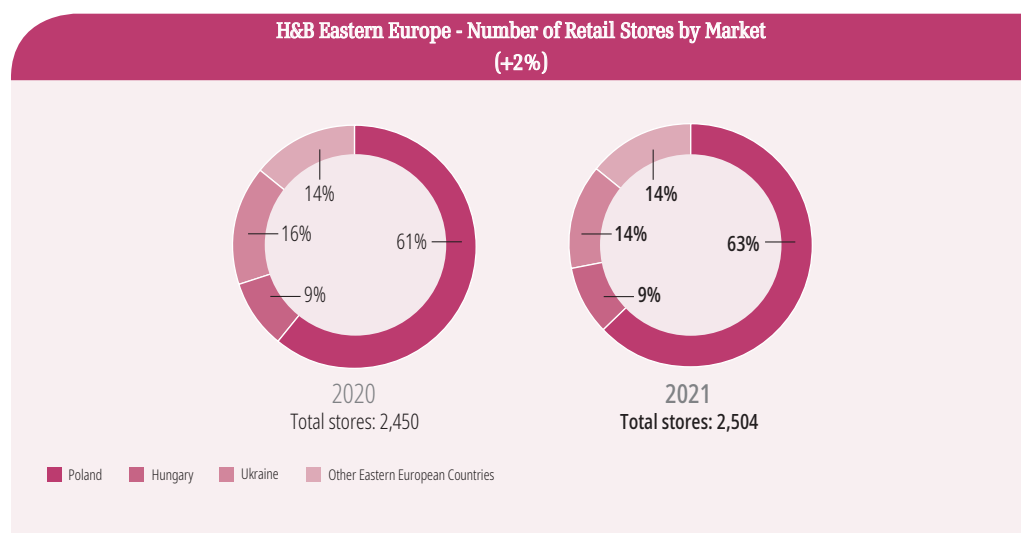
### Segment Performance (continued)

#### Health and Beauty Eastern Europe

	2021 HK\$ million	2020 HK\$ million	Change	Local currencies change
<b>Total Revenue</b>	<b>18,004</b>	16,247	+11%	+10%
<b>EBITDA</b>	<b>2,332</b>	1,974	+18%	+19%
<i>EBITDA Margin %</i>	<i>13%</i>	<i>12%</i>		
<b>EBIT</b>	<b>1,975</b>	1,626	+21%	+22%
<i>EBIT Margin %</i>	<i>11%</i>	<i>10%</i>		
Store Numbers	<b>2,504</b>	2,450	+2%	
Comparable Stores Sales Growth (%)	<b>+4.6%</b>	-4.1%		

H&B Eastern Europe continued to contribute to the recovery of the division with growth in EBITDA and EBIT of 19% and 22% in local currencies respectively, mainly attributable to the Rossmann joint venture in Poland as a result of the strong momentum in store openings during the year, together with strong recovery in comparable stores sales growth of 4.6%, partly offset by the introduction of retail sales tax in Poland from the start of 2021.

H&B Eastern Europe added net 54 stores during the year and had more than 2,500 stores as of 31 December 2021.



## Other Retail

	2021 HK\$ million	2020 HK\$ million	Change	Local currencies change
<b>Total Revenue</b>	<b>28,043</b>	29,578	-5%	-6%
<b>EBITDA</b>	<b>889</b>	1,781	-50%	-50%
<i>EBITDA Margin %</i>	<i>3%</i>	<i>6%</i>		
<b>EBIT</b>	<b>482</b>	1,337	-64%	-63%
<i>EBIT Margin %</i>	<i>2%</i>	<i>5%</i>		
<b>Store Numbers</b>	<b>436</b>	468	-7%	
<b>Comparable Stores Sales Growth (%)</b>	<b>-8.3%</b>	+12.2%		

The Other Retail segment reported a reduction in total revenue of 6% in local currencies in 2021, mainly arising from the normalised performance in the supermarket operation in Hong Kong in 2021 as the performance in 2020 was favourably affected from panic buying by customers, as well as the increase in investments to accelerate business growth in the beverage business in the Mainland.

Other Retail had 436 retail stores in 3 markets as of 31 December 2021, as well as manufacturing and distributing bottled water and other beverages in Hong Kong and the Mainland.

