Chairman's Statement

Growth in the global economy picked up in the second half of 2017 leading to commodity price recoveries as well as moderate interest rate rises. However, uncertainty as to the direction of U.S. Dollar exchange rates, the pace of central bank tightening and the international trading environment have resulted in continued significant currency volatility. Global bond and equity markets were strong through 2017 but have also shown increasing volatility. Overall financial market conditions remain difficult to predict. However, operating conditions including consumer confidence and consumer spending have remained solid in most of the markets in which the Group operates. As a result, the Group continued to deliver steady underlying earnings growth in all core businesses with the only significant exception being telecommunication operations in Asia, which experienced intense market competition and reported reduced contributions to the Group in 2017. The nominal contribution of Husky Energy to the Group's results also declined due to the effect of disposal gains recognised in 2016. Overall, Husky Energy's operating performance made significant progress in 2017.

EBITDA and EBIT of the Group increased by 10% and 7% against last year respectively. Accretive contributions from the Wind Tre joint venture and various acquisitions made by the Infrastructure division during 2016 and 2017 contributed the year on year growth. EBITDA growth was also attributable to the disposal gain of the Hong Kong fixed-line telecommunication business during 2017. This gain was fully offset at the EBIT level by accelerated depreciation charges. EBITDA and EBIT also include a disposal gain of HK$1,922 million relating to a manufacturing plant in Mainland China. These higher year on year contributions were partly offset by lower contribution from telecommunication operations in Asia and Husky Energy as mentioned above. With the recovery of major currencies against Hong Kong dollars in the second half of 2017, foreign currency translation effect in the second half did not have a material impact on the Group's reported results.

Profit attributable to ordinary shareholders for the year ended 31 December 2017 increased 6% to HK$35,100 million from HK$33,008 million in 2016, reflecting EBITDA and EBIT improvements but partly offset by higher financing costs from the Group's share of interest expense and one-time major refinancing costs in the Wind Tre joint venture, as well as interest expense associated with the new acquisitions in the Infrastructure division.

Earnings per share were HK$9.10 for the full year.

Dividend

The Board of Directors ("the Board") recommends the payment of a final dividend of HK$2.07 per share (2016 final dividend – HK$1.945 per share), payable on 31 May 2018, to shareholders whose names appear on the Register of Members of the Company at the close of business on 16 May 2018, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK$0.78 per share, the full year dividend amounts to HK$2.85 per share (2016 full year dividend – HK$2.68 per share).

Ports and Related Services

The ports and related services division handled throughput of 84.7 million twenty-foot equivalent units ("TEU") through 287 operating berths, a 4% increase compared to 2016. There was a steady volume pick up in the Mainland and Hong Kong, Barcelona, Pakistan and Panama partly offset by lower volume in Klang, Jakarta, Dammam and Freeport. Total revenue, EBITDA and EBIT of HK$34,146 million, HK$12,563 million and HK$8,219 million increased 6%, 8% and 9% against last year respectively driven primarily by higher throughput.

This division will continue to pursue cost saving initiatives as well as strengthening strategic alliances with customers in order to maximise profits from an expected modest growth in global trade in 2018.

Retail

The retail division had over 14,100 stores across 24 markets as at 31 December 2017, a net addition of 793 stores in the year, representing 6% increase compared to 2016. Total revenue and EBITDA of HK$156,163 million and HK$14,798 million increased by 3% and 2% respectively, while EBIT of HK$12,089 million was flat compared to last year.

Overall, the Health and Beauty segment reported solid total sales growth of 6% from a 6% increase in store numbers and 1.6% growth in comparable store sales. EBITDA and EBIT growth were 3% and 2% respectively.

Health and Beauty Asia and Europe subdivisions reported higher growth with year on year EBITDA increases of 17% and 5% respectively in 2017.

Although the Health and Beauty China subdivision reported a 4% growth in revenue, EBITDA declined 7% year on year. An increase in store numbers of 12% was more than offset by comparable store sales declines and higher operating costs, resulting in lower but still healthy EBITDA margins. Encouragingly, trading conditions in the Mainland improved over the year. Comparable store sales declines reduced from the negative 10.1% reported in 2016 to negative 4.3% for the full year in 2017 and returned to positive growth in the fourth quarter.

Retail operations in Hong Kong continue to underperform. These businesses faced continuing challenges during the first half of the year from rising operating costs and stagnant visitor consumption. Encouragingly, however Health and Beauty and Fortress operations returned to growth in the second half as visitor arrivals showed an improving trend. These businesses are expected to continue to perform well going forward.

The retail division plans a net opening of over 1,000 stores in 2018, of which 67% will be in the Mainland and Asia. The Group is also investing in e-commerce and digital platforms for future growth, as well as advanced analytics capabilities. Combined with the Group's very large base of loyalty customers, these initiatives look promising.

Infrastructure

The Infrastructure division comprises a 75.67%[1] interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on the Stock Exchange of Hong Kong ("SEHK") and the Group's interests in six co-owned infrastructure investments with CKI. An aircraft leasing business previously reported under this division was sold in December 2016.

Total reported revenue, EBITDA and EBIT of this division of HK$57,369 million, HK$33,033 million and HK$23,449 million respectively were 8%, 6% and 6% higher than last year. As a major part of the earnings contribution of this division came from the UK, the growth in reported currency was affected by the depreciation of Sterling in 2017. In local currencies, total revenue, EBITDA and EBIT growth were 9%, 8% and 7% respectively. Growth was mainly attributable to accretive contributions from newly acquired businesses, partly offset by the sale of the aircraft leasing business at the end of 2016.

CKI

CKI announced profit attributable to shareholders of HK$10,256 million, 6% higher than HK$9,636 million reported for last year, which included new contributions from the acquisitions of DUET Group, Reliance and ista during the year.

Husky Energy

Husky Energy ("Husky"), our associated company listed in Canada, announced net earnings of C$786 million in 2017, 15% lower than 2016 due to the after-tax disposal gain[2] of C$1,456 million reported in 2016. Underlying operations recovered strongly, particularly in the second half, due to higher commodity prices and increasing contributions from higher margin thermal developments in Western Canada and the Liwan Gas Project in Asia Pacific. Husky also recognised a one-time deferred tax credit of C$436 million associated with the U.S. tax reform announced in December 2017.

Note 1: Based on the Group's profit sharing ratio in CKI.

Note 2: As the Group rebased Husky's assets to their fair values in the 2015 Reorganisation, the Group's share of after-tax gain on disposals in 2016 was approximately HK$3,646 million.

Average production in 2017 was 322,900 barrels of oil equivalent per day, a 1% increase when compared to last year, mainly due to increased production from thermal developments including production ramp up at the Sunrise Energy Project, new production from Edam West, Vawn and Edam East thermal developments and strong production performance from the Tucker Thermal Project, as well as increased natural gas and natural gas liquids production from the Liwan Gas Project in Asia Pacific. Healthy production increases in 2017 were offset by the sale of selected low margin legacy crude oil and natural gas assets during 2016 which together contributed 31,900 barrels of oil equivalent per day production in 2016.

In the second half, Husky acquired Superior Refinery in Wisconsin, U.S. This facility is expected to increase Husky's Downstream processing capacity for its own heavy crudes and will contribute accretive earnings and cashflow. Since 2015, Husky's management has been focused on transforming its resource base to achieve lower operating and sustaining capital costs. This program progressed well in 2017 and will continue. Concurrently, Husky's balance sheet, which was substantially restructured in 2016, has continued to improve with net debt to funds from operations currently below 0.9x compared to 1.8x in 2016. Husky also announced a quarterly dividend of C$0.075 per common share for the three-month period ended 31 December 2017.

3 Group Europe

As at 31 December 2017, **3** Group Europe's active customer base stands at 44.8 million, a 3% drop against last year due to alignment of inactive customer definitions following the merger and intense competition during the year for lower value customers in Wind Tre's base.

The full year contribution of the Wind Tre joint venture was of course highly accretive to the Group. **3** Group Europe's revenue, EBITDA and EBIT of HK$70,734 million, HK$24,337 million and HK$16,567 million were 13%, 28% and 29% higher respectively. **3** Group Europe was the largest growth contributor to the Group's earnings in the year and continued to report healthy growth in EBITDA margin to 41%, primarily through improvements in customer service margins and disciplined spending. **3** Group Europe also continued to improve its networks and service offerings and accelerated investment in advanced digitalisation solutions to achieve a more agile, flexible, sustainable and lower cost operating model going forward. All **3** Group Europe operations continued to deliver positive EBITDA less capital expenditure in 2017.

Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced profit attributable to shareholders of HK$4,766 million and earnings per share of 98.90 HK cents. The reported results included a gain on disposal of its fixed-line telecommunication business in October 2017, partly offset by accelerated depreciation charges on its mobile telecommunication fixed assets.

As the Group had rebased HTHKH's assets to their fair values in the 2015 Reorganisation, the EBIT contribution of HTHKH to the Group of HK$707 million in 2017 includes a small loss in relation to the disposal and accelerated depreciation charges referred to above. As of 31 December 2017, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications

As of 31 December 2017, Hutchison Asia Telecommunications ("HAT") had an active customer base of approximately 75.0 million, with Indonesia representing 85% of the base. Total revenue decreased 6% to HK$7,695 million, as the Indonesian operation was not able to offer competitive LTE price offerings until the launch of its LTE network in May 2017, while other incumbents offered aggressively-priced LTE services from the beginning of 2017. EBITDA and EBIT decreased to HK$558 million and HK$226 million respectively, 76% and 89% below 2016. The decline reflects both reduced service margin contribution and higher operating costs in Indonesia and Vietnam recognised after completion of the major network rollout and expansion initiatives in late 2016 and 2017 respectively.

Finance & Investments and Others

The contribution from this segment mainly represents returns earned on the Group's holdings of cash and liquid investments and the operating results of certain unlisted entities, as well as listed companies, namely listed subsidiary Hutchison China MediTech, listed associate TOM Group, listed associate CK Life Sciences Group and listed subsidiary, Hutchison Telecommunications (Australia), which has a 50% interest in Vodafone Hutchison Australia.

As at 31 December 2017, the Group's consolidated cash and liquid investments totalled HK$168,283 million and consolidated gross debt amounted to HK$333,155 million, resulting in consolidated net debt of HK$164,872 million and a healthy net debt to net total capital ratio of 21.7%, a moderate increase compared to 20.5% as at 31 December 2016, mainly due to the acquisition of DUET Group and ista by the Infrastructure division in 2017.

Outlook

Healthy and synchronised growth in major economies gathered pace in 2017. Provided this trend continues and inflation remains benign, the environment in 2018 should remain supportive for global trade and for our businesses. Volatility in currency and financial markets remains as a key variable to this outlook. Global trade competition is unavoidable but ultimately, the outlook remains optimistic. After the 19th Congress, the Central Government has reiterated that deepening economic and financial reforms is a priority and rolled out the blueprint on "One Belt, One Road" and the "Greater Bay Area." These initiatives should create ample opportunities for Hong Kong and for many of our regional businesses.

The Group is built on strong foundations of business diversification and resilience and will continue to pursue these fundamental objectives and exercise prudent capital management on all investment activities and strict financial discipline in managing its businesses. The Group will also maintain a healthy liquidity and debt profile consistent with its current investment grade ratings.

Barring any further unforeseen material adverse external developments, the Group's businesses in 2018 should be better than 2017.

I have decided to step down as Chairman of the Group and retire from the position of Executive Director at the forthcoming Annual General Meeting of the Company.

Looking back at the past 68 years since the founding of my business in 1950 and the listing of Cheung Kong (Holdings) Limited in 1972, I have led the Group on a steady path of diversification and globalisation through organic growth, mergers and acquisitions, and timely strategic reviews and reorganisations at appropriate junctures to maximise value and returns for shareholders. I would like to express my heart-felt appreciation to our shareholders for their unfailing confidence and support in the past years.

Going forward, the Board has requested and I have agreed to serve as Senior Advisor of the Company, and in that capacity to continue to contribute to the Group on significant matters.

The Board has also proposed and elected Mr Li Tzar Kuoi, Victor, who has worked side-by-side with me at the CK Group for 33 years, to succeed as Chairman of the Company and continue in the present role as Group Co-Managing Director. The senior management will continue to work with Mr Victor Li in leading the Group towards the next new horizon of growth. I sincerely hope that all shareholders would give the same full support to Mr Victor Li as they have always given to me. I am confident in the prospects of the Group.

Finally, I would like to thank the Directors and all our dedicated employees around the world for their continued loyalty, diligence, professionalism and contributions to the Group.

Li Ka-shing
Chairman

Hong Kong, 16 March 2018