Chairman’s Statement

In 2018, global economic conditions remained volatile and deteriorated significantly in the fourth quarter of the year. As the year ended, uncertainty as to monetary policy direction, the outcome of trade disputes and the Brexit negotiations outcome dampened investment and trade flows. Financing conditions tightened, major currencies weakened against US Dollar, and commodity prices declined materially. The Group nevertheless maintained strong earnings growth and a solid financial profile, in part as a result of a number of major transactions successfully executed in 2017 and 2018.

The Group reported year on year EBITDA and EBIT growth of 9% and 8%. All core divisions reported improved underlying performance for the year. In addition, the full year contribution from businesses acquired by the Infrastructure division during 2017 together with the accretive contribution from the acquisition of remaining 50% interest in Wind Tre in September 2018 added to earnings and cash flow growth.

Profit attributable to ordinary shareholders for the year ended 31 December 2018 increased 11% to HK$39,000 million from HK$35,100 million for 2017. The Group’s financial profile remained robust and its investment grade rating was raised one notch to single A by S&P, reflecting the Group’s prudent financial management strategies and consistent earnings growth.

Earnings per share were HK$10.11 for the full year, an increase of 11%.

Dividend

The Board of Directors recommends a final dividend of HK$2.30 per share (2017 final dividend – HK$2.07 per share), payable on 31 May 2019, to shareholders whose names appear on the Register of Members of the Company at the close of business on 22 May 2019, being the record date for determining shareholders’ entitlement to the proposed final dividend. Combined with the interim dividend of HK$0.87 per share, the full year dividend amounts to HK$3.17 per share (2017 full year dividend – HK$2.85 per share).

Ports and Related Services

The ports and related services division handled throughput of 84.6 million twenty-foot equivalent units (“TEU”) through 288 operating berths in 2018, flat against 2017. Volume improvements primarily in ports in Asia offset declines in Hong Kong and Mainland China as well as in Panama. Total revenue, EBITDA and EBIT of HK$35,175 million, HK$13,392 million and HK$8,726 million increased 3%, 7% and 6% against last year respectively, driven by the growth in certain Asian ports, improved performance in Rotterdam, as well as the gain arising from the disposal of the Group’s entire interest in Shantou International Container Terminals during the year, partly offset by the lower contribution from the Mainland and Panama.

The impact of uncertainty surrounding trade disputes was marginal in 2018. However, the outlook for 2019 is unclear, particularly as regards to the Mainland ports. Overall the division’s geographical diversity, particularly in Asia, leaves it in a good position to respond to any meaningful supply chain shifts that may eventuate by providing services in neighbouring country ports.

Retail

The retail division had 14,976 stores across 24 markets at the end of 2018, a 6% increase compared to last year. Total revenue, EBITDA and EBIT of HK$168,991 million, HK$16,164 million and HK$13,078 million increased by 8%, 9% and 8% respectively with all subdivisions reporting solid growth and favourable foreign currency translation impacts.
Overall, the Health and Beauty segment reported total sales growth of 10% from a 6% increase in store numbers and a 2.1% growth in comparable store sales. EBITDA and EBIT growth were 9% and 7% respectively in 2018. Health and Beauty operations in Asia in particular contributed very strong growth with a 20% increase in EBITDA arising from a 10% increase in store number and a comparable store sales uplift of 7.1%. Health and Beauty China continues to be the major earnings contributor and reported a 7% growth in EBITDA and a continuing healthy EBITDA margin of 19%. Health and Beauty operations in Europe also delivered another solid performance with EBITDA growth of 6%.

The Health and Beauty division has continued to expand its online and offline customer community, which includes 132 million loyalty members. In addition to enhancing store formats and adding digital and delivery capabilities to be directly competitive with online players, the ASW Group are increasingly able to personalise customer experiences and develop exclusive products and shopping experiences as a direct response to the desires of their customers.

**Infrastructure**

CK Infrastructure Holdings Limited ("CKI"), the Group's 75.67% subsidiary listed in Hong Kong, recorded net profit attributable to shareholders of HK$10,443 million, an increase of 2% from last year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%, mainly due to the full year contribution from the businesses acquired during 2017.

In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in the six co-owned infrastructure investments for a cash consideration of HK$21.6 billion under the Economic Benefits Agreements entered with CK Asset Holdings Limited, CKI and Power Assets Holdings Limited.

**Husky Energy**

Husky Energy ("Husky"), the Group's associated company listed in Canada, announced net earnings of C$1,457 million in 2018, 85% above 2017 net earnings of C$786 million. Although year on year production volumes were reduced and oil prices declined sharply in the last quarter of 2018, Husky was able to benefit from its integrated business model and capture strong margins in the Infrastructure and Marketing segment using its committed export capacity on the Keystone pipeline, as well as contributions from higher realised margins for Upgrading operations and growth in the Asia Pacific region.

Average production in 2018 was 299,200 barrels of oil equivalent per day ("boe/day"), a 7% decrease when compared to last year, mainly due to lower production in Western Canada subsequent to the disposition of certain low margin legacy assets in 2017, expiry of Husky's participation in the Wenchang contract in late 2017, FPSO vessel suspension and maintenance in Atlantic, as well as reduction of heavy crude oil production from natural declines and in response to the widening of the light/heavy oil differentials during the year. The reduction was partly offset by higher production in Asia.

With the mandatory oil production curtailments imposed by Government of Alberta in December 2018, 2019 production level is expected to be in the range of 290,000 – 305,000 boe/day. Husky is committed to maintaining safe and reliable operations and capital investment disciplines, as well as increasing focus in its core heavy oil projects and Downstream assets in the integrated business model. Concurrently, Husky's balance sheet has continued to improve with net debt to funds from operations improving from below 0.9x in 2017 to approximately 0.7x in 2018. Husky's 2018 full year dividend amounted to C$0.45 per common share, representing a 500% increase from C$0.075 in 2017.

**Note 1:** Based on the Group's profit sharing ratio in CKI.
Chairman’s Statement

3 Group Europe
As at 31 December 2018, 3 Group Europe’s active customer base stands at 42.9 million, a 4% drop against last year mainly from a lower Wind Tre base due to intense market competition, partly offset by higher customer acquisition in Sweden, Denmark, Austria and Ireland.

3 Group Europe’s revenue, EBITDA and EBIT of HK$78,411 million, HK$28,761 million and HK$17,663 million were 11%, 18% and 7% higher against last year respectively, reflecting primarily the accretive contribution from the additional 50% share in Wind Tre acquired in September 2018. 3 Group Europe continued to report healthy growth in EBITDA margin from 41% last year to 43% in 2018 and maintained a prudent stance towards spending on spectrum licences and network expansion. All 3 Group Europe operations continued to deliver positive EBITDA less capital expenditure and spectrum licences in 2018.

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$404 million and earnings per share of 8.38 HK cents. As of 31 December 2018, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications
As of 31 December 2018, Hutchison Asia Telecommunications (“HAT”) had an active customer base of approximately 49.8 million, which represents 34% decrease compared to last year, primarily due to the reduction in Indonesia’s customer base from the government-imposed subscriber registration which resulted in a significant number of disconnections of multi-SIM users.

HAT reported revenue, EBITDA and EBIT of HK$8,220 million, HK$1,028 million and HK$321 million respectively, representing 7%, 84% and 42% increase compared to 2017, primarily driven by better operating performances in Indonesia. Despite the drop in active customer base, Indonesia operation reported revenue and margin growth through focusing on higher margin customers, promoting recharge activities and improving distribution strategies. This is partly offset by the margin decline in Vietnam as a result of strong competition, aggressive pricing in the market and delays in network rollout. EBITDA growth was partly offset by higher depreciation and amortisation with the continued network rollout and enhancements in Indonesia and Vietnam, as well as additional amortisation of the new spectrum licences in Indonesia.

Finance & Investments and Others
During the year, the Group has recognised a number of non-cash accounting movements which resulted in a nominal net gain of approximately HK$193 million at EBITDA and EBIT level being recognised within this segment. This included a one-off re-measurement gain arising from the acquisition of the remaining 50% interest in Wind Tre, practically offset by the loss on divesture of an aggregated 90% economic benefits in its six co-owned infrastructure investments, as well as the Group’s share of HPH Trust’s one-off impairment of goodwill and certain non-performing assets.

In August 2018, the Group’s 50% owned associated company, Vodafone Hutchison Australia Pty Limited (“VHA”) entered into an agreement with TPG Telecom Limited (“TPG”) for a proposed merger of equals to establish a fully integrated telecommunications operator in Australia. The proposed merger is subject to various approval procedures and is anticipated to complete within 2019.
As at 31 December 2018, the Group’s consolidated cash and liquid investments totalled HK$144,703 million and consolidated gross debt amounted to HK$352,668 million, resulting in consolidated net debt of HK$207,965 million. Refinancing needs remain very low in 2019 with only 7% of the consolidated gross debt maturing in the year. Net debt to net total capital ratio was 26.0% at the end of 2018, an increase from 21.7% as at 31 December 2017, mainly due to the redemption of perpetual securities in the first half of 2018 and the slightly higher non-recourse debt arising from the net effect of the one-time transactions for Wind Tre acquisition and co-owned infrastructure assets disposal mentioned above. All three credit rating agencies have assessed the overall impact of the two transactions and considered the Group’s long-term financial profile remains in line with its current investment grade rating, which was raised one notch to single A by S&P during the year.

Outlook

Uncertainties in trade disputes and Brexit outcome, fluctuations in commodity and currency prices and expectation of slower growth in major economies are posing headwinds and heightening risks to global economic prospects. Although there are moderate signs of stability during the first quarter of 2019 ranging from lower unemployment rates to more benign monetary policy to potential easing of major trade disputes, considerable uncertainties in economic and trade conditions will likely persist through the year.

Resilience, diversity and strong financial fundamentals continue to be the key strengths of the Group for achieving robust earnings and cash flow growth without compromising financial stability and strength. Prudent capital management of all investment activities, strict financial management, as well as a healthy liquidity and debt profile which supports its current investment grade ratings, all continue as the core disciplines and strategic directions of the Group and I am cautiously optimistic about the Group’s future prospects.

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

Victor T K Li
Chairman

Hong Kong, 21 March 2019