Chairman's Statement

Global economic growth rates continued to be hampered by uncertainties surrounding geopolitical and economic risks in 2019. Consequently, externalities such as currency and commodity price volatility adversely impacted the Group's reported profitability. In particular major currencies such as GBP, EURO and RMB have all depreciated against last year by between 4% and 5%, and global crude oil benchmark prices continue to trend at low levels. However, excluding foreign currency translation impacts, the Group was able to maintain both healthy earnings growth and a solid financial profile in 2019, primarily due to well executed financial strategies that materially reduced the Group's debt financing costs for the year and will continue to benefit future periods.

On a Pre-IFRS 16 basis, EBITDA and EBIT decreased 1% and 2% respectively against last year in reported currency. Excluding the adverse translation exchange impacts, EBITDA and EBIT grew 2% and 1% respectively against last year in local currencies, primarily reflecting the full year accretive contribution from 50% interest in Wind Tre acquired in September 2018 as well as improved performance of the telecommunication business in Indonesia, partly offset by lower contribution from the Infrastructure division following divesture in 2018 of economic benefits from the Group's direct interest in six co-owned infrastructure investments, as well as a disappointing performance by Husky Energy. EBITDA and EBIT also include a number of non-cash accounting elements recognised in 2019, including a disposal gain of approximately HK$6,885 million arising from the derecognition of Hutchison China MediTech Limited as a subsidiary to a 49.86% associated company, following the Group's partial disposal of its interests in October 2019. This gain was largely offset by the Group's share of Husky's one-off impairment and other charges (including consolidation adjustments) of HK$5,983 million, which resulted in a net gain of approximately HK$902 million.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders for the year ended 31 December 2019 of HK$39,888 million was an increase of 2% in reported currency and an increase of 6% in local currencies compared to 2018, mainly from lower interest expenses.

On a Post-IFRS 16 basis and in reported currency, EBITDA, EBIT and profit attributable to ordinary shareholders increased by 20%, 3% and 2% respectively compared to 2018. Earnings per share were HK$10.33 for full year, an increase of 2%.

Dividend

The Board of Directors recommends a final dividend of HK$2.30 per share (2018 final dividend - HK$2.30 per share), payable on Friday, 29 May 2020, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 20 May 2020, 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 (2018 full year dividend - HK$3.17 per share).

Ports and Related Services

The ports and related services division handled 86.0 million twenty-foot equivalent units ("TEU") through 290 operating berths in 2019, a 2% growth compared to 2018. Higher volumes in Rotterdam in the Netherlands, Klang in Malaysia, Laem Chabang in Thailand, Dammam in Saudi Arabia and Freeport in Bahamas, were partly offset by lower volume in HPH Trust and Panama and the loss of throughput from Shantou International Container Terminals which was fully disposed of at the end of 2018. In reported currency, total revenue of HK$35,375 million, EBITDA[1] of HK$13,405 million and EBIT[1] of HK$9,061 million were 1%, 0.1% and 4% higher against 2018 respectively. In local currencies, total revenue, EBITDA and EBIT increased 5%, 3% and 7% respectively, driven primarily by higher throughput, disciplined cost controls and lower depreciation and amortisation due to a concession extension.

The division's geographical diversity ensures that it remains resilient and competitive amidst the continuing uncertainties around trade tensions and the slower pace of global trade due to supply chain interruption in the Mainland as a result of the COVID-19 outbreak. The priorities of this division remain enhancing productivity and cost efficiency through technology initiatives, strengthening strategic partnerships and maintaining service quality excellence.

Note 1: Under Post-IFRS 16 basis, EBITDA was HK$16,092 million; EBIT was HK$10,216 million.

Retail

The Retail division had 15,794 stores across 25 markets at the end of 2019, a 5% increase compared to last year. In reported currency, total revenue of HK$169,225 million was flat compared to last year but EBITDA[2] and EBIT[2] of HK$16,891 million and HK$13,671 million increased by 4% and 5% respectively due to a one-off gain of approximately HK$633 million arising from the formation of the joint venture with Yonghui and Tencent for the division's China supermarket business, partly offset by the challenging trading environment in Hong Kong in the second half of 2019, as well as the adverse foreign currency translation impacts. Excluding the one-off gain, total revenue, EBITDA and EBIT increased by 4%, 4% and 3% respectively in local currencies, primarily reflecting steady growth in the Health and Beauty segment through organic expansion of the store portfolio, enhancing digital retail experiences both in store and online, improving margins through own brand and exclusives offerings, and increasing customer connectivity with its 137 million expanding Health and Beauty loyalty member base.

The Health and Beauty segment, which represented 84% of the Retail division's revenue in 2019, reported total sales growth in local currencies of 6% from a 5% increase in store numbers and a 2.4% growth in comparable stores sales. In local currencies, EBITDA and EBIT increased by 5% and 4% respectively against last year.

Health and Beauty operations in Asia delivered a strong EBITDA growth of 7% in local currencies. Excluding the poor performance of Watsons Hong Kong, EBITDA increased by 14% in local currencies arising from an 8% increase in store numbers and a comparable stores sales uplift of 8.8%, primarily in Malaysia, Philippines and Thailand. Health and Beauty China maintained a healthy EBITDA margin and recorded a 3% growth in EBITDA in local currency. Comparable store sales growth has improved during the year to 2.0% with higher online sales participation in 2019. Health and Beauty China also continued to expand its store portfolio, with a net increase of 339 stores in 2019. Health and Beauty operations in Europe also delivered a strong EBITDA growth of 5% in local currencies from a 3% increase in store numbers and a 2.1% growth in comparable stores sales.

Although the second half of 2019 was particularly challenging for operations in Hong Kong, these only represented 2.6% of the Retail division's EBITDA in 2019. Excluding the Hong Kong contribution, the underlying EBITDA and EBIT performance[3] of the division in local currencies were 6% and 5% higher than last year. In the first half of 2020, operations in Hong Kong are expected to continue to be under pressure while Health and Beauty China operations will be adversely affected by business interruptions in the Mainland due to the COVID-19 outbreak. Geographical diversity, strong partner relationships and a loyal member base are the key strengths in maintaining sustainable profitability by this division.

Infrastructure

The Infrastructure division comprises a 75.67%[4] interest in CK Infrastructure Holdings Limited ("CKI"), a subsidiary listed in Hong Kong as well as 10% of the economic benefits deriving from the Group's direct holdings in six co-owned infrastructure investments with CKI. Under Economic Benefits Agreements entered into in October 2018, the remaining 90% of the economic benefits deriving from these holdings were assigned to CK Asset Holdings Limited ("CKA"), CKI and Power Assets.

Total EBITDA[5] and EBIT[5] of this division of HK$28,488 million and HK$19,220 million respectively were both 20% lower than 2018 in reported currency, mainly due to adverse foreign currency translation impacts, the full year impact of the disposal of the six co-owned investments mentioned above, the loss on partial disposal of 2.05% interests in Power Assets of HK$302 million[6] and lower earnings contributions from the UK operations primarily due to a change in revenue recognition by UK Power Networks which had no impact on cash earnings or distributions. In local currencies, EBITDA and EBIT decreased by 15% and 16% respectively against 2018.

The Group completed the supplemental arrangements with CKA, CKI and Power Assets during the year to effectively transfer to the respective parties their proportionate voting rights of the co-owned investments in Europe and Canada. The co-owned subsidiaries ceased to be consolidated by the Group by end of 2019 with no gain or loss recognised on deconsolidation.

Note 2: Under Post-IFRS 16 basis, EBITDA was HK$27,023 million; EBIT was HK$14,705 million.

Note 3: Excluding the one-off gain on formation of joint venture with Yonghui and Tencent.

Note 4: Based on the Group's profit sharing ratio in CKI.

Note 5: Under Post-IFRS 16 basis, EBITDA was HK$28,751 million; EBIT was HK$19,259 million.

Note 6: As the Group rebased Power Assets' assets to their fair values in the 2015 Reorganisation, after consolidation adjustment, the disposal gain recognised by CKI resulted in a loss on disposal in the Group's reported results.

CKI

CKI announced a net profit attributable to shareholders under Post-IFRS 16 basis of HK$10,506 million, 1% higher than 2018. If exchange currency movements on translation are removed, net profit attributable to shareholders increased 6% against last year. A number of CKI's regulated businesses will go through tariff resets during the period between 2020 and 2023, including Northumbrian Water in the UK and SA Power Networks in Australia, which are scheduled to enter new regulatory regime from April and July 2020 respectively. Lower allowable returns under the low interest rate environment and the stringent regulatory stance are expected to pose challenges to CKI's businesses and will inevitably result in lower revenues. The priority of CKI is to continue to preserve an optimal balance between continued earnings growth and a comfortable gearing position under strict investment disciplines.

Husky Energy

Husky Energy ("Husky"), our associated company listed in Canada, announced Post-IFRS 16 net earnings before the one-time non-cash impairment and other charges in the fourth quarter of 2019, of C$976 million, 33% below prior year. This poor performance resulted from lower Upstream earnings which was adversely impacted by the tightening of location differentials between Canada and the US despite the higher crude and natural gas liquids ("NGL") realised prices, as well as lower Downstream performance due to narrower heavy-light differentials, and lower throughput in US refinery segment. The Lima Refinery's production was suspended during fourth quarter of 2019 for facility upgrade which will increase the slate of the heavy crudes in refinery processes as well as increasing crude refining capacity.

Due to lower long-term commodity price assumptions and reductions in planned future capital spending, Husky has recognised a one-time non-cash before-tax impairment and other charges of C$3.1 billion, primarily related to impairments made on its upstream assets in North America, exploration-related assets write-downs, and derecognition of assets at the Lima Refinery due to its upgrade in the fourth quarter of 2019. As the Group rebased certain of these assets to their fair values in the 2015 Reorganisation, the Group's share of these charges, after consolidation adjustments, of HK$5,983 million was included under the Group's EBITDA and EBIT results. Excluding this one-off item, the Group's share of EBITDA[7] and EBIT[7] were HK$9,122 million and HK$2,979 million respectively, decreases of 25% and 48% respectively in reported currency or 23% and 47% respectively in local currency against 2018.

Average production for 2019 was 290,000 barrels of oil equivalent per day ("boe/day"), 3% below 2018 average production of 299,200 boe/day. The decrease was primarily due to reduction of heavy crude oil production from ongoing Alberta provincial government-mandated production curtailments, combined with lower production from the suspension of production at the White Rose field during the first half of 2019, from which production was only fully resumed in the second half of the year. The decreases were partly offset by increased bitumen production from the thermal projects in Western Canada. During second half of 2019, Husky announced the commencement of production at its Dee Valley thermal bitumen project, which reached its nameplate capacity of 10,000 barrels/day.

Husky's 2019 full year dividend amounted to C$0.50 per common share, 11% above C$0.45 per common share in 2018. Husky will continue to focus on safe and reliable operations and work towards to become a global top-quartile process safety performer, as well as achieving greater cost and capital efficiencies.

CKH Group Telecom

In July 2019, the Group formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings, which consolidates the Group's **3** Group Europe and Hutchison Telecommunications Hong Kong Holdings ("HTHKH") under one holding entity (collectively "CKH Group Telecom"), providing a diversified telecommunication asset platform across eight geographical locations. In August 2019, the investment grade-rated CKH Group Telecom refinanced all external debt of Wind Tre of approximately €10 billion, which is expected to generate significant interest cost savings from 2020 onwards. Total revenue, EBITDA[8] and EBIT[8] of this division of HK$93,517 million, HK$35,341 million and HK$21,131 million respectively were 8%, 16% and 15% higher than 2018 respectively in reported currency, and were 12%, 21% and 19% higher respectively in local currencies.

Note 7: Under Post-IFRS 16 basis and before the Group's share of impairment and other charges after consolidation adjustments, the Group's share of EBITDA was HK$9,463 million; EBIT was HK$3,009 million.

Note 8: Under Post-IFRS 16 basis, EBITDA was HK$42,417 million; EBIT was HK$21,987 million.

3 Group Europe

As at 31 December 2019, **3** Group Europe's active customer base stands at 40.6 million, 5% lower against 2018 mainly from a lower Wind Tre base, partly offset by net additions in other operations.

3 Group Europe's revenue, EBITDA[9] and EBIT[9] of HK$87,516 million, HK$33,511 million and HK$20,112 million were 17%, 21% and 18% higher against 2018 respectively in local currencies, primarily reflecting the full year impact of the additional 50% share in Wind Tre, which reported solid results in the second half of 2019 with the network consolidation and modernisation completed, higher than planned synergy realisations, churn reduction and stabilising ARPU. Overall **3** Group Europe continued to report a healthy EBITDA margin of 45%, a 2%-point growth compared to 2018.

Members of **3** Group Europe are in varying stages of introducing 5G capabilities, with strong network and spectrum assets available to support development of emerging 5G opportunities.

The structural separation to form a new telecommunication infrastructure company, CK Hutchison Networks, which will group the 28,500 tower asset interests[10] of **3** Group Europe into a separately managed wholly-owned subsidiary of CKH Group Telecom, is progressing well and expected to be completed by mid-2020. The new company enables an effective management of these infrastructure-like assets across the European operations and provides optionality for CKH Group Telecom to rationalise and optimise capital efficiency going forward.

Hutchison Telecommunications Hong Kong

HTHKH, our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced Post-IFRS 16 profit attributable to shareholders of HK$429 million and earnings per share of 8.90 HK cents. As of 31 December 2019, HTHKH had approximately 3.7 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications

As of 31 December 2019, Hutchison Asia Telecommunications ("HAT") had approximately 45.5 million active customer accounts, 9% lower than 2018. HAT's Indonesian operation was adversely impacted by the government imposed subscriber registration requirements since May 2018 but has returned to active customer growth, reporting a 2% increase in the second half of 2019.

HAT reported revenue, EBITDA[11] and EBIT[11] of HK$8,984 million, HK$2,167 million and HK$1,055 million respectively, representing 9%, 111% and 229% increase in reported currency compared to 2018, primarily attributable to strong margin growth in the Indonesian operation, which reported 58% EBITDA growth compared to 2018. The Vietnamese operation also reported solid margin growth and year-on-year performance improvement. The Sri Lankan operation, which was adversely impacted by the Easter terrorist's attacks in 2019, continued to focus on improving its network through network integration and 4G network rollout.

HAT's EBITDA growth was partly offset by higher depreciation and amortisation with network rollouts advancing in all operations. In local currencies, revenue, EBITDA and EBIT increased 9%, 108% and 218% respectively compared to 2018.

Network improvement and enhancement plans will continue and are expected to be largely completed in 2020. With stronger networks supporting strategic sales and promotion offers in its markets, HAT expects to achieve sustainable growth in 2020.

Note 9: Under Post-IFRS 16 basis, EBITDA was HK$40,126 million; EBIT was HK$20,952 million.

Note 10: CK Hutchison Networks site count includes European sites only (includes shared sites of joint venture interests in the UK and Sweden), with an option to include a further 9,300 sites in Asia.

Note 11: Under Post-IFRS 16 basis, EBITDA was HK$4,328 million; EBIT was HK$2,032 million.

Finance & Investments and Others

As at 31 December 2019, the Group's consolidated cash and liquid investments totalled HK$144,849 million and consolidated total bank and other debts[12] amounted to HK$347,726 million, resulting in consolidated net debt[12] of HK$202,877 million and net debt to net total capital ratio[12] of 24.8% (31 December 2018 – 26.0%).

During 2019, the Group partially disposed of its interest in Hutchison China MediTech Limited for cash proceeds totalling US$310 million (approximately HK$2,400 million), reducing the Group's shareholding from 60.15% to 49.86%. This resulted in a one-off disposal gain of approximately HK$6,885 million recognised within this segment arising from the derecognition of Hutchison China MediTech Limited as a subsidiary to an associated company.

In August 2018, the Group's 50% joint venture, 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. In February 2020, the Australian Federal Court has ruled to approve the merger and rejected the opposition from the Australian Competition and Consumer Commission. The merger is expected to complete in mid-2020, subject to the remaining regulatory approvals.

Outlook

The outbreak and rapid spreading of COVID-19 across continents and the slump in crude oil prices as a result of the recent price war have created unprecedented risks and challenges to the global economy. The trading environment in the Mainland as well as the majority of other countries will become very challenging, severely impacting various businesses and industries. Together with Brexit uncertainties, social unrest in different countries, geopolitical and trade tensions, all will continue to weigh heavily on the global economy.

With various adversities and challenges in the current market conditions, the Group's operations in the year ahead will inevitably be impacted. On a positive note, the Group's telecommunication businesses are expected to be less affected amongst core segments of the Group, and barring any unforeseen circumstances, the outlook for this business will remain positive. The Group will continue to focus and rely on its key strengths of resilience, business and geographical diversities and strong financial fundamentals to deliver a solid and stable performance in 2020.

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, 19 March 2020

Note 12: Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net debt is defined as total bank and other debts less total cash, liquid funds and other listed investments. Net total capital is defined as total bank and other debts plus total equity (adjusted to exclude IFRS 16 effects) and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments. The consolidated net debt to net total capital ratio under IFRS 16 basis, after including IFRS 16 impact in total equity, is 25.3%.