Chairman's Statement

As for most enterprises globally, 2020 has been a year of unprecedented challenges. The Group has been affected by the pandemic and the significant reduction in oil and gas and refined products prices. However, following a solid recovery in Mainland China from the second quarter and the stabilising effects of very substantial fiscal and monetary support by governments and central banks around the world throughout the year, economic conditions in many of the countries in which we operate have generally improved in the second half.

Although some economic recovery in the second half benefited the Group's businesses which were hit hardest in the first half, particularly the Retail and Ports businesses, this was not sufficient to offset the very material declines in the earnings reported in the first half. In addition, the operating losses and asset impairments recognised by Husky Energy ("Husky") continued to negatively affect the Group's reported net earnings throughout the year.

The material earnings decline was more than offset by transaction activities undertaken at the corporate level. In the year, the Group successfully executed or completed several major transactions. These included completion of the merger between Vodafone Hutchison Australia ("VHA") and TPG Corporation Limited, conclusion of agreements for the disposal of the Group's European Telecommunications Tower Assets to Cellnex Telecom ("Cellnex") for an aggregate consideration of €10 billion, completion of tower sales to Cellnex in three countries in December 2020, as well as the merger between Husky and Cenovus Energy Inc. ("Cenovus Energy"), which was completed on 1 January 2021. These corporate transactions together with prudent cash management have enabled the Group to maintain its strong financial profile and investment grade ratings. The Group's net debt to net total capital ratio (1) at year end was 22.2% (2019: 24.8%).

On a Pre-IFRS 16 basis, EBITDA and EBIT decreased 13% and 24% respectively against last year, primarily reflecting the adverse full year performances due to the pandemic. Comparing against the first half of the year, excluding the one-time transactional gains, as well as the Group's share of Husky's impairments and other charges in both halves, all operations have seen some recovery in the second half, with the overall underlying EBITDA and EBIT increasing 38% and 65% respectively against the first six months of 2020.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders for 2020 of HK$29,000 million, a decrease of 27% compared to 2019. On a Post-IFRS 16 basis, profit attributable to ordinary shareholders of HK$29,143 million decreased by 27% from 2019. Earnings per share were HK$7.56 for the year ended 31 December 2020, a decrease of 27%.

The Group's results in 2020 included the net gain attributable to shareholders from the disposal of the European telecommunications tower assets (2) that completed in 2020 of HK$16.6 billion, as well as a dilution gain from the merger of VHA with TPG Corporation Limited (3) of HK$9.2 billion. These gains were partly offset by the Group's share of Husky's impairments and other charges, after tax, of HK$18.7 billion in 2020.

Dividend

The Board of Directors recommends a final dividend of HK$1.70 per share (2019 final dividend – HK$2.30 per share), payable on Thursday, 3 June 2021, to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 20 May 2021, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK$0.614 per share, the full year dividend amounts to HK$2.314 per share (2019 full year dividend – HK$3.170 per share).

Ports and Related Services

The Ports and Related Services division handled 83.7 million twenty-foot equivalent units ("TEU") through 283 operating berths in 2020, a 3% decline compared to 2019. Lower volumes were primarily attributable to poor performance in the first half of 2020 arising from the critical disruption of trade flows and supply chains due to the spread of the pandemic. In certain regions, the situation improved in the second half of 2020, with throughput volume increasing 16% and 2% against the first half of 2020 and the second half of last year respectively, demonstrating the gradual recovery and stabilisation of the trade volumes across all regions, particularly in the Mainland where volumes in the second half exceeded the same period last year. These improvements were partly offset by the concession expiry of Dammam port in Saudi Arabia in September 2020. For the full year, Revenue of HK$32,865 million, EBITDA (4) of HK$10,914 million and EBIT (4) of HK$6,717 million were 7%, 19% and 26% lower respectively against 2019. Despite the throughput growth, EBITDA and EBIT in the second half were 3% and 6% lower respectively compared to the first half of 2020, primarily due to the concession expiry in Dammam and the corresponding closure provisions made in the second half.

Note 1: The consolidated net debt to net total capital ratio under IFRS 16 basis, after including IFRS 16 impact in total equity, was 22.7% (2019: 25.3%).

Note 2: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$16.8 billion. For further information, please see Note 5(b)(xviii) to the Financial Statements of this Annual Report.

Note 3: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$9.2 billion. For further information, please see Note 5(b)(xix) to the Financial Statements of this Annual Report.

Note 4: Under Post-IFRS 16 basis, EBITDA was HK$13,748 million (2019: HK$16,092 million); EBIT was HK$8,055 million (2019: HK$10,216 million).

In August 2020, this division entered into an agreement to develop and operate a new container terminal in Abu Qir, Egypt, with a total quay length of 1,200 metres. This division holds 61% interest in the new terminal which has a concession period of 38 years and the first phase is expected to commence operations in 2022.

In February 2021, this division has agreed to invest and operate multipurpose terminals within the Jazan City for Primary and Downstream Industries in Saudi Arabia which will be developed in two phases, offering a combined total of 1,270 metres of berth length in Phase 1.

As market uncertainties are likely to persist for some time given the current outlook, this division will continue to exercise rigorous cost discipline, focus on health and operational safety and maintain a prudent approach to capital expenditures and investments.

Retail

The Retail division had 16,167 stores across 27 markets at the end of 2020. Despite a 2% increase in store portfolio compared to 2019, the division experienced a material impact on sales starting from February as the pandemic spread globally. As a result, for the full year, Revenue, EBITDA [(5)] and EBIT [(5)] of HK$159,619 million, HK$14,397 million and HK$10,933 million decreased by 6%, 15% and 20% respectively. Excluding a one-off dilution gain recognised in the first half of 2019, 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%. The robust recovery was the result of the strategic decision to drive further digital transformation to accelerate the integration of physical store portfolio and online channels which helped boost eCommerce sales growth by 90% in 2020. Together with the continuing focus on customer engagement, the division's loyalty member base continues to increase, reaching 139 million with 65% sales participation.

In the Mainland, 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 its digital channels.

In Europe and Asia, footfall was severely impacted by lockdown measures beginning in late March. The division's major operations are in essential businesses which allowed stores to remain open during the lockdown periods partially mitigating declines. Health and Beauty operations in Europe delivered a very strong recovery in the second half, by turning around a year-on-year reduction in EBITDA of 39% in the first half to an EBITDA growth of 14% in the second half of 2020, primarily from the Benelux countries and Germany. Health and Beauty operations in Asia also narrowed its year-on-year EBITDA decline from 39% in the first half to only 3% in the second half of 2020. Singapore, Malaysia, Thailand and Turkey all recorded EBITDA growth in the second half.

As the Group moves into 2021, whilst the market conditions and sentiments continue to be uncertain, health and beauty products remain essential daily consumables. The Retail division will continue with its strategic direction in accelerating its "Online plus Offline" platform strategy to enhance its recovery path.

Infrastructure

The Infrastructure division comprises a 75.67% [(6)] 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.

Total EBITDA [(7)] of this division of HK$29,066 million was 2% higher than 2019, whereas EBIT [(7)] of HK$18,488 million was 4% lower. The higher EBITDA was mainly driven by the gain on disposal of Portugal Renewable Energy in October 2020, partly offset by pandemic and adverse foreign currency translation impacts, as well as lower earnings from Northumbrian Water which entered a new regulatory regime in April 2020. EBIT was lower due to higher depreciation and amortisation mainly from Energy Developments in Australia and UK Rails that more than offset the EBITDA growth.

Note 5: 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).

Note 6: Based on the Group's profit sharing ratio in CKI.

Note 7: Under Post-IFRS 16 basis, EBITDA was HK$29,367 million (2019: HK$28,751 million); EBIT was HK$18,537 million (2019: HK$19,259 million).

CKI

CKI announced a net profit attributable to shareholders under Post-IFRS 16 basis of HK$7,320 million, 30% lower than last year. Excluding the deferred tax charge of HK$1.4 billion in the year as a result of the revision of the UK corporate tax rate glide path from 17% to 19% in 2020, the pandemic impacts, as well as the higher depreciation as mentioned above, net profit decreased 7% in 2020 compared to 2019.

A number of CKI's regulated businesses have gone through or will go through challenging regulatory resets. This was evident in Northumbrian Water's new determination as set by the regulator in 2020 which was more stringent than in previous periods. In 2021, a number of regulated business in the UK and Australia are scheduled to enter new regulatory regimes. Anticipated lower allowable returns given the current low interest rate environment and the stringent stance taken by regulators are expected to result in lower revenues for these operations. Depending on outcomes, declining revenue outlooks and recent transaction multiples may affect the Group's valuations in relation to CKI and some or all of its businesses.

Energy

In January 2021, Cenovus Energy Inc. ("Cenovus Energy"), a Canadian integrated oil and natural gas company listed on the Toronto and New York stock exchanges, announced the completion of the combination of Cenovus Energy and Husky. The merger creates Canada's third largest oil and natural gas producer, based on total company production, with about 750,000 barrels of oil equivalent per day ("boe/day") of low-cost oil and natural gas production. The combined company also becomes the second largest Canadian-based refiner and upgrader, with total North American refining and upgrading capacity of approximately 660,000 barrels per day ("bbls/day"). Cenovus Energy anticipates to achieve approximately C$1 billion of synergies in 2021, which combined with the strong portfolio of well-matched upstream production, midstream and downstream assets, as well as improved financial strength, are expected to generate value enhancement for the Group.

Post-completion, Husky was delisted from the Toronto Stock Exchange and the Group currently holds approximately 15.71% of Cenovus Energy, together with warrants representing a further 1.08% to 16.79% [(8)]. The results of the Energy division reported in 2020 represent the Group's 40.19% share of Husky's results for the year.

Husky announced Post-IFRS 16 net loss of C$10,016 million for 2020, as compared to the net loss of C$1,370 million for 2019, primarily due to the impairment charges, as well as operational challenges in 2020, including significant crude oil demand reduction due to the pandemic, increased global crude oil supplies in the first half of 2020 as OPEC negotiations broke down, and the Government of Alberta's mandatory production quotas introduced in 2019 which were only lifted in December 2020. As a result of the declines in forecasted long-term commodity prices, reduced capital investment and delayed future development plans, as well as market indicators including the merger with Cenovus Energy, Husky recognised in total C$8.6 billion in 2020 of non-cash after-tax impairments and other charges (2019: C$2.3 billion).

The Group's 40.19% share of the impairment and other charges, after consolidation adjustments, of HK$24,909 million and HK$5,983 million in 2020 and 2019 respectively, were included in the Group's EBITDA and EBIT results. Together with the adverse underlying operating results, the Group's share of LBITDA [(9)] and LBIT [(9)] in 2020 were HK$23,003 million and HK$28,096 million respectively, compared to EBITDA and LBIT of HK$3,139 million and HK$3,004 million respectively in 2019.

CK Hutchison Group Telecom

In November 2020, the Group entered into an agreement to dispose of its European telecommunications tower assets for an aggregate consideration of €10 billion. Following the transactions, the Group will be able to increase its focus on developing its networks and IT platforms, and will retain optionality to accelerate the rollout of its 5G networks, while benefiting from significant additional financial capacity to support future growth and opportunities. The disposals of tower assets in Denmark, Austria and Ireland, pursuant to this agreement, were completed in December 2020 and as a result the Group recognised a disposal gain [(10)] of HK$16,583 million.

Revenue of this division of HK$90,663 million (€10,231 million) was 3% lower than 2019, whereas EBITDA [(11)] and EBIT [(11)] of HK$48,540 million (€5,309 million) and HK$32,581 million (€3,512 million) respectively were 37% and 54% higher than 2019 respectively, primarily due to the aforementioned disposal gain.

Note 8: On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants held by the Group.

Note 9: Under Post-IFRS 16 basis, the Group's share of LBITDA was HK$22,746 million (2019: EBITDA of HK$3,480 million); LBIT was HK$28,020 million (2019: LBIT of HK$2,974 million).

Note 10: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$16,763 million. For further information, please see Note 5(b)(xviii) to the Financial Statements of this Annual Report.

Note 11: Under Post-IFRS 16 basis, EBITDA was HK$56,706 million (2019: HK$42,417 million); EBIT was HK$33,484 million (2019: HK$21,987 million).

3 Group Europe

As at 31 December 2020, **3** Group Europe's active customer base stands at 38.5 million, 5% below last year mainly due to lower customer bases in Wind Tre and in the UK, partly offset by net additions in other operations. **3** Group Europe's Revenue, EBITDA [(12)] and EBIT [(12)] of HK$85,799 million, HK$31,378 million and HK$16,270 million were 3%, 7% and 20% lower than 2019 respectively in local currencies. The telecommunications businesses have been less affected by the pandemic than the Group's other businesses. Total margin was flat against 2019 in local currencies, primarily driven by increased proportion of higher margin customers, fully offset by lower roaming revenues and certain regulatory impacts introduced since mid-2019. **3** Group Europe's EBITDA and EBIT were adverse year-on-year, primarily due to certain one-time income in 2019, as well as higher operating costs in the UK from escalating annual licence fees and continued dual costs from IT transformation. EBIT of the **3** Group Europe was further impacted by the increase in depreciation and amortisation from a higher asset base from its significant investments in IT and networks. Excluding the impact of one-time items in 2019, underlying EBITDA of **3** Group Europe was the same as last year but EBIT was 9% lower than 2019 in local currencies. Majority of the operations have seen gradual recovery with underlying EBITDA in the second half of 2020 improved against the first half, reflecting margin enhancements and disciplined cost spending, especially in the UK where meaningful improvements have been seen following the replacement of most of the senior management team.

3 Group Europe operations are in varying stages of introducing 5G capabilities, with strong network and spectrum assets available to deploy and support the development of emerging 5G opportunities in all its markets.

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$361 million and earnings per share of 7.49 HK cents. As of 31 December 2020, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau. The full deployment of the ultra-fast, low-latency 5G network with extensive territory-wide 5G radio sites coverage was completed during the year, a significant milestone towards building a 5G smart city.

Hutchison Asia Telecommunications

As of 31 December 2020, Hutchison Asia Telecommunications ("HAT") had approximately 57.0 million active customer accounts, 25% higher than 2019, primarily driven by the growth of its largest operation, Indonesia, which reported 31% growth in active customer accounts. Despite reporting 25% growth in active customer accounts growth, revenue of HK$9,147 million in 2020 only represented an increase of 2% compared to 2019, reflecting market pressure of aggressive pricing from other incumbents in Indonesia. EBITDA [(13)] and EBIT [(13)] of HK$2,034 million and HK$544 million were 6% and 48% lower than 2019 respectively, primarily due to higher operating costs from network expansion in all operations completed during 2019 and 2020 and non-recurring exchange gains recognised in 2019. EBIT was further impacted by the increase in depreciation and amortisation reflecting the higher network asset base due to the network rollouts and enhancements.

In December, the Group announced that it has entered into exclusive negotiations with Ooredoo Telecom relative to a potential merger of its subsidiary PT Indosat TBK with the Group's subsidiary in Indonesia.

Finance & Investments and Others

The Group's liquidity and financial profile remain strong. Consolidated cash and liquid investments totalled HK$166,539 million and consolidated total bank and other debts [(14)] amounted to HK$351,837 million, resulting in consolidated net debt [(14)] of HK$185,298 million and net debt to net total capital ratio [(14)] of 22.2% (31 December 2019 – 24.8%).

Note 12: Under Post-IFRS 16 basis, EBITDA was HK$38,929 million (2019: HK$40,126 million); EBIT was HK$16,982 million (2019: HK$20,952 million).

Note 13: Under Post-IFRS 16 basis, EBITDA was HK$4,362 million (2019: HK$4,328 million); EBIT was HK$1,480 million (2019: HK$2,032 million).

Note 14: 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, was 22.7% (2019: 25.3%).

Sustainability response to COVID-19

Faced with the unprecedented challenge of the COVID-19 pandemic in 2020, the Group's top priority has been supporting its employees, customers and communities. The Group implemented a host of safety measures for employees, from distributing face masks daily and conducting temperature checks, to offering flexible working programmes where applicable. Amongst our employees caseloads, hospital admissions and morbidity have trended well below national averages throughout the pandemic. In addition to ensuring rigorous social distancing measures at all premises, customers have also been offered financial relief such as deferred energy charges for those experiencing hardship through the infrastructure division. The Group's community engagement initiatives in 2020 prioritised supporting local healthcare providers and addressing the needs of the vulnerable with the Ports division donated hospital beds, ventilators, and personal protective equipment to local hospitals, the Retail division in the UK became one of several high-street retailers to support the vaccine rollout, and the Telecommunications division offered free internet access, tablets and laptops to disadvantaged school children to enable online learning.

Outlook

Looking ahead into 2021, with the spread of the pandemic being well contained, economic growth will be sustained in the Mainland. However, the outlook for the year remains unclear for other major economies with uncertainties surrounding the threat level posed by new virus variants, substantial geopolitical risks, as well as risks to trade stability, risks arising from Brexit, and macro-economic risks associated with the unprecedented levels of global debt. Nevertheless, with the expected easing of the pandemic following rollout of effective vaccination programs globally, economic conditions should improve.

In 2020, the Group reacted quickly to rapidly changing business environments by accelerating digitalisation, enhancing its retail "online plus offline" platform strategy and maintaining stringent cost control at all levels. The Group also emphasised working capital management measures across all businesses, resulting in a significant improvement in free cash flow against 2019.

In 2021, the Group will continue to react nimbly to changing business conditions, which will likely be similar to the second half of 2020, while continuing to prioritise health and safety for our employees and our customers and preserving our strong balance sheet and liquidity. The Group's year end net debt to net total capital ratio of 22.2% is expected to be further reduced following the various transactions completing in 2021. The Group is in a strong financial position and expects a solid performance in 2021.

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, 18 March 2021