Chairman's Statement

Following the strong economic rebound in the second half of 2020, global recovery continued during 2021 helped by the accelerated vaccination rollout programs and easing of lock-downs and economic reopenings in many parts of the world. However, the global recovery was not a smooth journey in 2021 as new COVID-19 variants continued to emerge during the year. Different policy responses in various markets led to operational and cost challenges exacerbated by pandemic-related supply-demand mismatches. Nevertheless, the Group was able to respond nimbly to changing economic and business environments in various sectors and geographies and is able to report pleasing results for the full year.

The Group reported EBITDA and EBIT growth of 15% and 20% respectively in reported currency compared to last year was primarily driven by improvements in the Ports and Retail divisions together with positive underlying results of Cenovus Energy[1] as opposed to significant losses reported by Husky Energy in 2020. The results also benefitted from favourable currency translation impacts, as well as the net impact of one-off items in 2021 as compared to those in 2020. These improvements were partly offset by lower contributions from the Telecommunications division as the operating environment remains challenging, particularly in Italy. In local currencies, the Group's reported EBITDA and EBIT grew 10% and 16% respectively from last year.

Profit attributable to ordinary shareholders for 2021 of HK$33,500 million was an increase of 16% in reported currency when compared to 2020. On a Post-IFRS 16 basis, profit attributable to ordinary shareholders was HK$33,484 million. Reported earnings per share were HK$8.70 for the year ended 31 December 2021, an increase of 15% from HK$7.56 for last year.

The Group's results in 2021 included a net gain attributable to shareholders of HK$4.9 billion from one-off items. This net gain includes a gain on disposal of HK$25.3 billion[2] from the tower asset sales in Italy and Sweden completed in 2021. This gain is largely offset by a non-cash impairment of goodwill on the Group's Italian telecommunication business of approximately HK$15.5 billion, as well as the recognition of a non-cash foreign exchange reserve loss of approximately HK$3.5 billion following the merger of the Group's energy business with Cenovus Energy and the Group's share of Cenovus Energy's non-cash impairment on its US refinery assets of HK$1.4 billion. In 2020, the Group also recognised a one-off net earnings benefit of HK$7.0 billion, comprising the disposal gains from tower assets sales in Austria, Ireland and Denmark, dilution gain from the merger of the Australian Telecommunication businesses, partly offset by the Group's share of Husky Energy's impairments and other charges. On 3 March 2022, the Group obtained conditional regulatory approval of the tower asset transaction in the UK. Subject to the satisfactory conclusions to the conditions, the transaction is expected to complete in the second half of 2022.

Excluding the above one-off impacts in both years, the Group's underlying profit attributable to ordinary shareholders increased by 30% in 2021 compared to last year.

Dividend

The Board of Directors recommends a final dividend of HK$1.86 per share (2020 final dividend – HK$1.70 per share), payable on Thursday, 9 June 2022, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 25 May 2022, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK$0.80 per share, the full year dividend amounts to HK$2.660 per share (2020 full year dividend – HK$2.314 per share).

Ports and Related Services

The Ports and Related Services division handled 88.0 million twenty-foot equivalent units ("TEU") through 291 operating berths in 2021, a 5% growth compared to last year. Excluding 2020 throughput of Dammam port in Saudi Arabia, where the Group's concession expired in September 2020, throughput increased by 6% year on year. The throughput handled by the majority of the Group's ports operations around the world exceeded or was on par with pre-pandemic levels primarily attributable to strong global consumer demand recoveries across all regions this division operates in, albeit partially offset by sporadic pandemic-related disruptions.

Note 1: Following the merger of the Group's energy business with Cenovus Energy in January 2021, the Group owns 15.8% in Cenovus Energy. The share of Cenovus Energy's results in 2021 forms part of the Finance & Investments and Others segment and the energy business no longer constitutes a core business of the Group.

Note 2: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$25.3 billion. For further information, please see Note 5(b)(xvi) to the Financial Statements of this Annual Report.

In reported currency, total revenue of HK$42,285 million, EBITDA[3] of HK$15,157 million and EBIT[3] of HK$10,737 million increased by 29%, 39% and 60% respectively compared to 2020 from the higher throughput and improvement in margins, as well as strong performance of an associated company in the container shipping business during 2021. In local currencies, total revenue, EBITDA and EBIT increased 26%, 35% and 55% respectively.

In the coming years, the division will look to expand current handling capacities in Australia, Thailand and Indonesia and will be commencing the operations of the new facility at Jazan, Saudi Arabia in the second quarter, which will partially compensate for the loss of contribution as a result of the concession expiry at Dammam port last year. Operationally, the division's portfolio of sizeable hub ports is expected to continue to benefit from strong trade growth and should be relatively insulated from supply chain disruptions. As a result, the division is expecting an overall growth in throughput and increases in container handling revenues in 2022.

This division globally is phasing out diesel-powered yard cranes, tractors, other terminal vehicles and equipment in favour of electrification and hydrogen fuel-cell alternatives, where available, to significantly reduce scope 1 and 2 greenhouse gas emissions. Ongoing investments in automation and digitisation are continuing to make our Group's ports smarter and more efficient.

Retail

The Retail division had 16,398 stores across 28 markets at the end of 2021, a 1% increase compared to last year, while its loyalty member base continue to increase, reaching 142 million with 65% sales participation.

The division's total revenue, EBITDA[4] and EBIT[4] of HK$173,601 million, HK$16,034 million and HK$12,460 million increased by 9%, 11% and 14% respectively in reported currency against last year. In local currencies, total revenue, EBITDA and EBIT increased by 6%, 9% and 12% respectively reflecting strong recoveries from the pandemic-related impacts in 2020, with some operations in Europe achieving profitability exceeding pre-pandemic levels. The significantly improved underlying performance of the division compared to 2020 was partly offset by lower government subsidies received across various markets in 2021 as well as the reduced contribution from the division's Hong Kong supermarket operation which returned to more normal operating conditions in 2021.

The strength of the division's recovery was more apparent in the Health and Beauty Segment[5], with total revenue, EBITDA and EBIT improved by 8%, 17% and 23% respectively in local currencies. The robust growth momentum was the result of the successful strategic decision to drive further Offline plus Online ("O + O") digital transformation and increasingly enhanced digital engagement with its vast loyalty customer base.

Health and Beauty operations in Europe led the recovery of the division amidst the different pandemic waves in 2021 and delivered strong EBITDA growth of 32% in local currencies. This growth is primarily from the Benelux countries, Germany and Poland where our stores were classified as essential businesses and as a result allowed to remain open during lockdown periods.

In the Mainland, footfall continues to be below pre-pandemic levels due to the community lockdowns in the second half of 2021. EBITDA declined 11% as the business is continuing to adapt to the change in customer shopping behaviour brought on by the pandemic through accelerating its focus on the "O + O" platform strategy to recover sales from the decline in store traffic. Similarly in Asia, the division was adversely impacted by various movement restrictions throughout 2021. Through adopting store formats that best meet with local customers' needs, Health and Beauty Asia was still able to grow its EBITDA by 6% in local currencies, with improved performances in Malaysia, the Philippines and Hong Kong.

The division will continue with the "O + O" platform strategy to increase customer lifetime value with the target to achieve high double-digit "O + O" sales growth in 2022. Together with a target to increase exclusives sales participation by 1%-point to above 37%, the Health and Beauty Segment, particularly in Europe, is expected to continue to perform well despite the outbreak of the new COVID-19 variant, while the Mainland and Asia operations should see further recovery in 2022.

Note 3: Under Post-IFRS 16 basis, EBITDA was HK$18,008 million (2020: HK$13,748 million); EBIT was HK$11,946 million (2020: HK$8,055 million).

Note 4: 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).

Note 5: Includes Watsons, Kruidvat, Trekpleister, Rossmann, Savers, Superdrug, Drogas, ICI PARIS XL and The Perfume Shop.

This division continues to expand the sustainable product portfolio focusing on the use of sustainable raw materials in product and packaging, incorporating circular economy approaches, and launching diversity and inclusive beauty lines. In October 2021, Watsons announced the launch of a Sustainable Choices campaign with over 1,600 products and working in collaboration with the major suppliers.

Infrastructure

The Infrastructure division comprises a 75.67% 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.

CKI

CKI announced a net profit attributable to shareholders under Post-IFRS 16 basis of HK$7,515 million, 3% higher than last year. Both 2021 and 2020 performances were impacted by deferred tax charges arising from the revision of the UK corporate tax rates. Excluding the non-cash deferred tax impact for both years, as well as the disposal gain from the sale of Portugal Renewable Energy in 2020, the adjusted net profit increased 22% in 2021 compared to last year, reflecting good operational performance across its global portfolio of infrastructure businesses. CKI also recorded a record high[6] in funds from operations, amounting to HK$8.4 billion, an increase of 8% year-on-year for the year ended 31 December 2021. This is testament of CKI's strong recurring cashflow.

This division is expected to operate in a steady regulatory environment with no regulatory reset in 2022. Higher inflation will benefit the performance of this division, particularly for regulated businesses, which will result in higher regulated revenue and asset base. Looking ahead, CKI will continue to explore bolt-on acquisition opportunities at various business unit levels.

Throughout 2021, the Infrastructure businesses continued to be leaders in developing clean technologies in most markets and industries in which they operate. The electricity distribution networks work on cutting-edge grid management, battery storage, solar energy grid export, and electric vehicle charging technologies. Various Infrastructure businesses also have extensive experience in renewable energy and connections – including solar, wind, waste coal mine gas, biomethane as well as municipal waste and sludge. The gas distribution networks and UK Rails are pioneers in the hydrogen transition, while the carbon capture initiatives of Dutch Enviro Energy are progressing well. ista provides energy management services to help customers to be more energy efficient, and HK Electric took a major step forward in its transition from coal-to-gas generation with the synchronisation of a new gas fired unit.

CK Hutchison Group Telecom

Revenue of this division was HK$92,575 million (€10,083 million), 2% higher than 2020, but EBITDA[7] and EBIT[7] of HK$43,052 million (€4,581 million) and HK$23,462 million (€2,446 million) were 11% and 28% lower than 2020 respectively, primarily due to the net impact of one-off items in 2021 being lower than last year. During the year, this division reported net one-time item of HK$9,787 million, comprising a HK$25,259 million disposal gain[8] on the sale of tower assets in Italy and Sweden in 2021, partly offset by a non-cash impairment of goodwill on the Group's Italian telecommunication business of HK$15,472 million. In 2020 the division recognised a HK$16,583 million disposal gain[9] on the sale of tower assets in Denmark, Austria and Ireland where the transactions were completed at the end of 2020.

Note 6: When comparing historic funds from operations, the special dividend payouts from Power Assets in 2017 and 2018 which arose due to the IPO of HK Electric were excluded.

Note 7: Under Post-IFRS 16 basis, EBITDA was HK$50,892 million (2020: HK$56,706 million); EBIT was HK$24,530 million (2020: HK$33,484 million).

Note 8: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$25,316 million. For further information, please see Note 5(b)(xvi) to the Financial Statements of this Annual Report.

Note 9: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$16,763 million. For further information, please see Note 5(b)(xvi) to the Financial Statements of this Annual Report.

3 Group Europe

As at 31 December 2021, the active customer base of **3** Group Europe stands at 38.5 million, flat against last year mainly due to lower customer bases in both Italy and the UK, fully offset by net additions in other operations. Revenue, EBITDA(10) and EBIT(10), before the one-time items mentioned above, of HK$86,972 million, HK$29,892 million and HK$11,259 million were 4%, 9% and 34% lower against last year respectively in local currencies. Performance was adversely impacted by the incremental tower service fees. On a normalised basis(11), EBITDA and EBIT were 5% and 28% lower year-on-year respectively in local currencies, primarily due to Italy which remained an intensely competitive market throughout 2021. Net customer service margin performance in Italy has progressively improved over the second half of 2021 compared to the first half. All the other **3** Group Europe operations reported better or stable total margin which led to improved EBITDA performances in most countries. However, continued investments in IT and 5G rollouts, particularly in the UK, as well as spectrum licence spending, resulted in the lower EBIT performance from higher depreciation and amortisation compared to last year.

Looking ahead to 2022, the business in the UK should resume its EBIT growth and the net customer services margin in the Italian mobile business should also improve due to various initiatives implemented in the second half of this year. Together with expected higher roaming income across all operations as travel resumes in Europe, **3** Group Europe is expected to deliver improved performance overall. The Group will continue to explore in-market consolidation and other opportunities to realise cost synergies and maintain low operating cost.

3 Group Europe's ongoing investment in the 5G rollout is enabling greater opportunities for mobile connected technologies that can facilitate rapid reductions in greenhouse gas emissions as well as greater levels of digital inclusion to less connected sections of the society.

Hutchison Asia Telecommunications

Hutchison Asia Telecommunications ("HAT") includes the Group's telecommunication businesses in Indonesia, Vietnam and Sri Lanka. As of 31 December 2021, HAT reported active customer accounts of approximately 56.2 million, 1% lower than 2020, primarily driven by the operating environment in the Indonesia market, which attributed to 70% of the total active customer base.

For 2021, total revenue of HK$8,786 million was 4% lower than last year primarily due to lower contribution from the Indonesia operation from the pandemic-related restrictions impacting sales and aggressive pricing from other incumbents. However, due to certain one-time foreign currency exchange gains recognised in the year, EBITDA(12) of HK$2,036 million was flat against last year. EBIT(12) of HK$209 million was 62% lower than last year, reflecting the higher depreciation and amortisation from the enlarged asset base due to the network rollout and enhancements across all operations. In local currencies, Revenue, EBITDA and EBIT were 5%, 1% and 63% lower than last year respectively.

In January 2022, the merger transaction between the Group's Indonesia telecommunication business, Hutchison 3 Indonesia ("H3I") and PT Indosat Tbk ("Indosat") was completed. The newly merged company, Indosat Ooredoo Hutchison, remains listed on the Indonesia Stock Exchange and becomes the second largest telecommunication operator in Indonesia with an estimated proforma combined annual revenue of approximately US$3 billion for 2021. Through combination of the highly complementary infrastructure assets of the two companies, the merged company is expected to realise annual run rate pre-tax synergies of approximately US$300 – 400 million over the next 3 to 5 years, providing accretive returns to all stakeholders. Following the completion of the transaction, the Group holds 50% interest in Ooredoo Hutchison Asia Pte. Ltd, which in turn holds 65.6% in Indosat Ooredoo Hutchison.

Note 10: Under Post-IFRS 16 basis, EBITDA was HK$37,267 million (2020: HK$38,929 million); EBIT was HK$12,256 million (2020: HK$16,982 million).

Note 11: Comparison against 2020 results which exclude the proforma contribution from the tower assets in Sweden, Denmark, Austria and Ireland for full year 2020 and in Italy for July to December 2020.

Note 12: Under Post-IFRS 16 basis, EBITDA was HK$4,232 million (2020: HK$4,362 million); EBIT was HK$979 million (2020: HK$1,480 million).

Finance & Investments and Others

The Group's liquidity and financial profile remain strong. Consolidated cash and liquid investments totalled HK$161,360 million and consolidated total bank and other debts[13] amounted to HK$329,529 million, resulting in consolidated net debt[13] of HK$168,169 million (31 December 2020 – HK$185,298 million) and net debt to net total capital ratio[13] of 20.3% (31 December 2020 – 22.2%).

Following the gradual completion of the tower sales, the Group has deployed part of the tower sales proceeds amounting to approximately HK$1.2 billion in on-market share repurchases in 2021.

Sustainability

Accelerating progress of the Group's climate action strategy has been one of our priorities during 2021. Central to this has been the development of science-based targets. HK Electric has already had its target validated by the Science Based Target Initiative ("SBTi") and UK Power Networks also became the first distribution network operator in the UK to be validated by the SBTi in 2021. CK Hutchison Group Telecom, the retail and ports divisions have enlisted carbon experts to help them set science-based targets, develop long-term net-zero plans and baseline their scope 3 footprints. Refining a Group-wide target and plan towards net-zero will be a key focus area for 2022. Developing workplaces where employees of the Group feel supported, recognised and included continues to be a core objective, together with supporting stakeholders during the continuing COVID-19 pandemic. The Group aims to use the sustainability strategies not only as means to address social and environmental challenges but also as a forward looking tool to create profound new business opportunities for the Group.

Outlook

The outlook for the global economy is still uncertain. The emergence of new COVID-19 variants, elevated inflation concerns and expected tightening of monetary policies have increased the difficulty in predicting both the global growth trajectory and the growth trajectories for the world's major economies for 2022. However, the experiences in 2020 and 2021 have shown that resilience and agility are key factors in withstanding major disruptions and uncertainties. Therefore, the Group will continue to maintain its resilience and agility in responding to the evolving market dynamics. The Group is aiming to achieve growth in recurring earnings and will focus on increasing shareholder return while maintaining a strong financial position. We will continue to maintain disciplined and prudent financial, liquidity and cash flow management. We will also continue to emphasise sustainability objectives across all core businesses. Barring any unforeseen circumstances, I expect the Group to be able to maintain a steady growth trajectory and deliver solid performances in the coming years.

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, 17 March 2022

Note 13: 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 20.5% (31 December 2020: 22.7%).