Chairman's Statement

In 2022, most of the world outside of Mainland China and Hong Kong put the COVID pandemic behind and resumed a path to normality. This had attendant positive impacts on growth in many countries and sectors in which the Group conducts business. However, rapidly strengthening demand, tight labour markets and supply chain constraints as economies rapidly opened, together with the conflict in Ukraine resulted in strong inflationary pressures that have led to robust monetary responses and the steepest and fastest rises in rates in over 40 years. This has also led to the strongest US dollar exchange rate in over 20 years, particularly against the British Pound, the Euro and the Renminbi. In addition, the continuation of severe COVID restrictions created considerable headwinds for our businesses in the Mainland and Hong Kong. Lastly, growth remained challenged in the Group's telecom businesses. Nonetheless, the Group was able to report a 10% net earnings growth for 2022 due to the strong contribution from Cenovus Energy and successful completion of several key strategic transactions during the year.

On a pre-IFRS 16 basis, EBITDA and EBIT increased by 7% and 13% respectively in reported currency compared to last year. Excluding the adverse translation impact on major foreign currencies, EBITDA and EBIT increased by 14% and 19% respectively against last year in local currencies. This substantial growth was attributable to improvements in the Ports division, higher contribution from Cenovus Energy, accretive contribution from the merger of the Indonesia telecommunication business since January 2022, as well as the steady performance of the Infrastructure businesses. **3** Group Europe continue to operate in challenging environments exacerbated by the energy crisis experienced in the second half. **3** Group Europe financial performances were also burdened by higher depreciation and amortisation from prior period network investment to maintain competitiveness in its markets. Retail operations in the Mainland also faced challenges with the prolonged pandemic lockdowns, which significantly reduced their contribution to the Group. The recent removal of COVID restrictions, along with border re-opening and increased mobility are expected to provide a constructive path to recovery for these operations in 2023.

The Group's results in 2022 included a net gain attributable to shareholders of HK$9.7 billion from one-off items comprising HK$15.8 billion [(1)] gain from the disposal of the Group's interest in the UK tower asset to Cellnex completed in November 2022 and a net gain of HK$6.1 billion [(2)] from the completion of the merger of the Indonesian telecommunication business in the first half, but was partly offset by a non-cash impairment of goodwill on the Group's telecommunication businesses in Italy and Sri Lanka totalling HK$12.0 billion. In 2021, the Group had included a one-time net earnings benefit of HK$4.9 billion, comprising the disposal gains from tower asset sales in Italy and Sweden, partly offset by a non-cash impairment of goodwill on the Group's Italian telecommunication business, the recognition of a non-cash foreign exchange reserve loss arising from the merger with Cenovus Energy and the Group's share of Cenovus Energy's non-cash impairment. Profit attributable to ordinary shareholders on a pre-IFRS 16 basis of HK$34,869 million was an increase of 4% in reported currency and 10% in local currencies when compared to 2021.

On a post-IFRS 16 basis, profit attributable to ordinary shareholders for 2022 was HK$36,680 million, a 10% increase compared to 2021. This result included a net gain attributable to shareholders of HK$10.9 billion from one-time items mentioned above, which was HK$6.0 billion higher than the one-time items reported in 2021.

Reported earnings per share were HK$9.57 for the year ended 31 December 2022, an increase of 10% from HK$8.70 for last year.

Dividend

The Board of Directors recommends a final dividend of HK$2.086 per share (2021 final dividend – HK$1.860 per share), payable on Thursday, 8 June 2023, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 24 May 2023, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK$0.84 per share, the full year dividend amounts to HK$2.926 per share (2021 full year dividend – HK$2.660 per share).

Ports and Related Services

The Ports and Related Services division handled 84.8 million twenty-foot equivalent units ("TEU") through 295 operating berths in 2022, a 4% drop compared to 2021, mainly due to pandemic restrictions in Shanghai during the first half, reduced volumes of HPH Trust resulting from cross border restrictions in Hong Kong, continued global supply chain disruptions affecting vessel schedules, as well as weak global demand and subdued production volumes, partly offset by new volumes from newly acquired Delta II terminal in the Netherlands and strong performances in Mexico.

Note 1: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$15.9 billion. For further information, please see Note 5(b)(xvi) to the Financial Statements of this Annual Report.

Note 2: Under Post-IFRS 16 basis, the net gain attributable to shareholders was HK$7.2 billion. For further information, please see Note 5(b)(xvii) to the Financial Statements of this Annual Report.

Despite the lower throughput, this division benefited from longer container dwelling time which resulted in higher storage income across all major ports. With the strong performance in Mexico from increased vessel calls and the favourable performance of an associated company in the container shipping business during 2022, this division reported total revenue of HK$44,141 million, EBITDA[3] of HK$15,805 million and EBIT [3] of HK$11,426 million, which increased by 4%, 4% and 6% respectively in reported currency and in local currencies an increase of 10%, 8% and 10% respectively.

Looking ahead to 2023, the easing of supply chain pressure and the Mainland border re-opening will provide a better operating environment for this division. However, softening global trade and demand, together with inflationary risks, high energy prices, much lower container shipping rates and expected lower storage revenues will limit earnings growth. Nevertheless, this division will continue to organically expand existing markets to enhance its future profitability. In August, the division announced it will co-invest with certain major shipping liners and operate two new world-class container terminals in Ain Sokhna Port and El Dekheila Port in Egypt with expanded handling capabilities to cater for future growth within the region. With the operational start-up of the new container facility at Abu Qir, Egypt in late 2023, as well as expansion of current port and yard facilities in Mexico, Pakistan and Thailand, this division is expecting good growth from its diversified asset portfolio in the coming years.

As part of its newly formalised decarbonisation strategy in order to achieve net-zero emissions by 2050, the Ports division has mandated that all new investments in mobile and stationary machinery will be fully electric or supplemented with other forms of clean energy. In 2022, the Ports division also committed to setting near-term and long-term targets to be validated by the Science Based Targets initiative.

Retail

The Retail division had 16,142 stores across 28 markets at the end of 2022, a 2% decrease compared to last year, reflecting the rationalisation of loss making stores, particularly in the Mainland with the prolonged pandemic related restrictions.

The division's total revenue, EBITDA [4] and EBIT [4] of HK$169,645 million, HK$14,309 million and HK$11,048 million decreased by 2%, 11% and 11% respectively in reported currency against last year. In local currencies, total revenue increased by 6%, while EBITDA and EBIT both decreased by 2%. The decreases were primarily due to the adverse performance of Mainland operations due to the COVID restrictions and lockdowns throughout the year. Excluding Health and Beauty China, the division's EBITDA and EBIT grew 9% and 13% respectively in local currencies as almost all other regions delivered strong performances and have mostly returned to pre-pandemic trading levels.

Health and Beauty China was severely affected by ongoing pandemic related restriction measures in 2022. Temporary store closures peaked at over 1,000 in late November. Following the easing of lockdown restrictions at the end of 2022, the operation is preparing for a strong recovery in 2023 from the increased activities and mobility in the Mainland. In this regard early 2023 performance is encouraging. The European businesses delivered robust performances and the Asian operations also showed further recovery in the second half of 2022, driven primarily by recovery of sales from increase in store traffic. Health and Beauty Asia reported 33% and 42% increase in EBITDA and EBIT in local currencies, with healthy EBITDA growth recorded in Malaysia, Thailand, the Philippines and Turkey. Health and Beauty operations in Europe reported 6% and 9% increase in EBITDA and EBIT in local currencies respectively, primarily from the UK and the luxury retail businesses, while the Benelux countries delivered more modest results in 2022 following an exceptionally strong year in 2021.

Looking ahead, the European businesses and Asian operations should deliver steady performances while the Mainland operation should be well-positioned to benefit from the full re-opening of the economy. This division will continue to drive the key strategic pillars of its "O + O" strategy and 141 million loyalty customer base serving to enhance customer engagement and lifetime value.

To enable long term sustainability, this division's Greener Stores Global Framework, launched in April 2022, strives for high levels of sustainability integration in the way its business units design, construct, operate and maintain stores. During the year, the Retail division also had its scope 1, 2 and 3 emissions reduction targets validated by the Science Based Targets initiative.

Note 3: Under Post-IFRS 16 basis, EBITDA was HK$19,007 million (2021: HK$18,008 million); EBIT was HK$13,024 million (2021: HK$11,946 million).

Note 4: Under Post-IFRS 16 basis, EBITDA was HK$23,359 million (2021: HK$26,119 million); EBIT was HK$11,831 million (2021: HK$13,370 million).

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$7,748 million, 3% higher than last year. The result was significantly impacted by higher finance costs due to rising interest rates and higher index linked finance costs, as well as adverse foreign exchange translation against US dollars. Included in this year's results was a gain on partial disposal of a 13% interest in Northumbrian Water completed in December 2022. Excluding corporate items, CKI's portfolio of quality infrastructure assets showed continued resilience and generated good contributions to the division, with a year-on-year growth of 7% and 16% in reported currency and local currencies respectively.

This division operates in a steady regulatory environment with no regulatory resets in 2022. Regulated returns also mitigate cost inflation risks to this division.

As part of its overall business development strategy, CKI continued to invest in innovations and technologies to support the energy transition, as well as actively pursuing new investment opportunities in the arena of environmental sustainability. This division's electricity distribution networks are all supporting their respective Governments in achieving their net-zero objectives. Initiatives such as electric vehicle charging facilities, smart grid schemes and technologies to facilitate grid solar power integration are being trialled and launched. Energy Developments, an owner and operator of a portfolio of power generation facilities, has successfully generated energy via wind, solar, as well as waste gases from landfills and underground coal mines. HK Electric is in the process of building an offshore liquefied natural gas terminal, and plans for its smart meter rollout are on schedule. The gas distribution companies in the UK and Australia are leading the hydrogen transition in gas networks in their respective markets. The waste management division not only converts waste into energy, but also operates material recovery facilities for household and commercial recycling.

CK Hutchison Group Telecom

Revenue of this division was HK$83,289 million (€10,084 million), 10% lower than 2021 due to adverse foreign currency exchange translation impact and EBITDA [(5)] and EBIT [(5)] of HK$32,192 million (€3,986 million) and HK$12,803 million (€1,640 million) were 25% and 45% lower than 2021 respectively in reported currency, primarily due to the net impact of one-off items in 2022 being lower than last year, lower performance in Italy, as well as adverse foreign currency exchange translation.

During the year, this division reported one-off net gain of HK$7,918 million comprising HK$18,957 million disposal gain [(6)] (after tax gain of HK$15,823 million) on the sale of tower assets in the UK which was completed in November 2022, partly offset by a non-cash goodwill impairment on the Group's Italian business of HK$11,039 million reflecting the continuing challenging business environment in Italy. In 2021, the division had reported net one-time gain of HK$9,787 million, comprising tower asset disposal gain in Italy and Sweden, partly offset by a non-cash goodwill impairment in Italy.

3 Group Europe

As at 31 December 2022, the active customer base of **3** Group Europe stands at 39.7 million, 3% higher against last year mainly due to the UK, where the customer base increased 6% year-on-year driven by notable contract customer growth through the enhanced network and customer experience improvements, as well as continuous growth in the business segment, with better or relatively stable customer base reported by all the other operations.

Note 5: Under Post-IFRS 16 basis, EBITDA was HK$39,002 million (2021: HK$50,892 million); EBIT was HK$14,216 million (2021: HK$24,530 million).

Note 6: Under Post-IFRS 16 basis, the disposal gain and net gain attributable to shareholders were HK$19,060 million and HK$15,926 million respectively. For further information, please see Note 5(b)(xvi) to the Financial Statements of this Annual Report.

Revenue of HK$77,925 million is flat against last year in local currencies as the healthy growth in net customer services revenue due to an increase in the customer base coupled with higher roaming income across all operations following travel resumption in Europe, were fully offset by lower wholesale revenues in Italy of HK$1.4 billion. At operational level, underlying EBITDA was 11% lower than last year in local currencies, as performances were adversely impacted by the incremental tower service fees in Italy and the UK totalling HK$0.7 billion following the tower assets disposals, the higher energy costs and other inflationary impacts of around HK$0.8 billion, as well as higher network costs from the expanded networks. EBIT was further impacted by the higher depreciation and amortisation arising from prior year investments in network expansion, 5G rollout and digitalisation, resulting in a 44% decrease against 2021 in local currencies. The 5G network rollout is progressing well with population coverage reaching 60% to 90% for most **3** Group Europe operations. Accordingly, the network investment cycle is nearing the peak across the footprint and the escalating depreciation impact seen in the last two years is expected to gradually tail off in the coming years.

Looking ahead to 2023, while **3** Group Europe's total revenue is expected to grow steadily, the incremental tower service fees, inflationary impacts of energy cost as well as other operating expenses are expected to continue to put pressure on **3** Group Europe's underlying operating performances. **3** Group Europe will continue to monetise its 5G investments through new revenue streams, to focus on exploring in-market consolidation opportunities, as well as pursuing initiatives to effect an asset-light strategy, including network sharing, in order to enhance profitability.

CK Hutchison Group Telecom has developed its science based targets and during 2022 these were validated by the Science Based Targets initiative, including: reducing scope 1 and 2 emissions by 50% by 2030 and reducing scope 3 emissions by 42% by 2030 versus a 2020 baseline.

Hutchison Asia Telecommunications

Hutchison Asia Telecommunications ("HAT") includes the Group's telecommunication businesses in Indonesia, Vietnam and Sri Lanka. 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 became the second largest telecommunication operator in Indonesia. As a result of the merger, HAT's active customer accounts increased by 119% compared to last year to reach approximately 123.1 million as of 31 December 2022.

For 2022, in reported currency, total revenue, EBITDA (7) and EBIT (7) of HK$11,628 million, HK$9,420 million and HK$6,745 million increased by 32%, 363% and 3,127% respectively when compared to last year, mainly due to the net gain of HK$5.1 billion (8) from the completion of the merger transaction, partly offset by a non-cash impairment in the Group's telecommunication business in Sri Lanka. Excluding these one-off items, underlying EBITDA and EBIT were HK$4,282 million and HK$1,607 million, respectively, which increased by 110% and 669%, mainly due to accretive contribution arising from the Indonesian merger with strong growth in data traffic from the enlarged customer base, realisation of synergies following the merger and certain gains arising from disposal of non-core assets by the operation during the year.

Finance & Investments and Others

Following the merger of the Group's energy business with Cenovus Energy in January 2021, the share of Cenovus Energy's results forms part of the Finance & Investments and Others segment. The Group's 16.6% interest in Cenovus Energy contributed materially to the Group's profitability in 2022. The Group's share of Cenovus Energy's Post-IFRS 16 EBITDA, EBIT and net earnings were HK$13,751 million, HK$9,424 million and HK$6,333 million, an increase of 111%, 308% and 1,073% compared to last year respectively.

The Group's liquidity and financial profile remain strong. Consolidated cash and liquid investments totalled HK$154,188 million and consolidated total bank and other debts (9) amounted to HK$287,297 million, resulting in consolidated net debt (9) of HK$133,109 million (31 December 2021 – HK$168,169 million) and net debt to net total capital ratio (9) of 16.7% (31 December 2021 – 20.3%).

Following the gradual completion of the tower sales, the Group has deployed part of the tower sales proceeds amounting to approximately HK$1.4 billion in on-market share repurchases since 2021. This is expected to continue in 2023 at the opportune time when market condition permits.

Note 7: Under Post-IFRS 16 basis, EBITDA was HK$12,478 million (2021: HK$4,232 million); EBIT was HK$8,582 million (2021: HK$979 million).

Note 8: Under Post-IFRS 16 basis, the net gain was HK$6.2 billion. For further information, please see Note 5(b)(xvii) to the Financial Statements of this Annual Report.

Note 9: 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 16.9% (31 December 2021: 20.5%).

Sustainability

The Group continued to make progress on its climate action strategy in 2022.

During the year, the Retail division and CK Hutchison Group Telecom had their near-term scope 1, 2 and 3 emissions reduction targets validated by the Science Based Target initiative and the Ports division has also formally committed to setting both near-term and net-zero targets for validation during 2023. In the Infrastructure division, major business units are continuing to develop and communicate their strategies towards net-zero.

With the Group's core businesses having set emissions reduction targets, underpinned by expansive action plans, the Group has established its own Group-wide commitment of reducing scope 1 and 2 emissions by 50% by 2035 versus a 2020 baseline, as well as committing to the long-term pursuit of net-zero carbon emissions across its value chain by 2050.

The Group also published its first standalone Task Force on Climate-related Financial Disclosures ("TCFD") report, alongside its 2021 Sustainability Report. During 2022 and 2023 it has continued to strengthen its approaches by analysing the resilience of the Group's climate strategy through applying a range of climate-related scenarios.

Outlook

Looking forward into 2023, considerable uncertainty remains as to externalities ranging from potential inflationary and/or recessionary outcomes, energy prices, geopolitical risks, and monetary and fiscal policy developments, coupled with a protracted higher interest rate environment. Each has presented headwinds to our businesses in late 2022 and into early 2023 to varying degrees, and may continue to do so through the year. That said, border re-opening and recovery trajectories will most likely be supportive for our businesses in Hong Kong and the Mainland.

The Group has recognised a net gain, under post-IFRS 16 basis, of over HK$10 billion, which included gains arising from various strategic M&A transactions completed during 2022. Although the Group's operating performances continue to be steady and solid, looking at the Group's M&A pipeline for the coming year, as one-off gains of similar magnitude may not materialise and, coupled with the numerous headwinds and externalities that the Group has limited control over, the Group's reported results in 2023 is expected to be affected. However, the Group has and will continue to explore long term value accretive transactions for our shareholders, strengthen our balance sheet and overall financial profile in order to ensure the Group's continued resilience to challenges as they present themselves. The Group will continue to aim to achieve growth in recurring earnings and increase shareholder return while maintaining a strong financial position and ensuring disciplined execution of prudent financial, liquidity and cash flow management. The Group will also continue to seek sustainable business opportunities which align with our core strategy of increasing long term shareholder value.

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, 16 March 2023