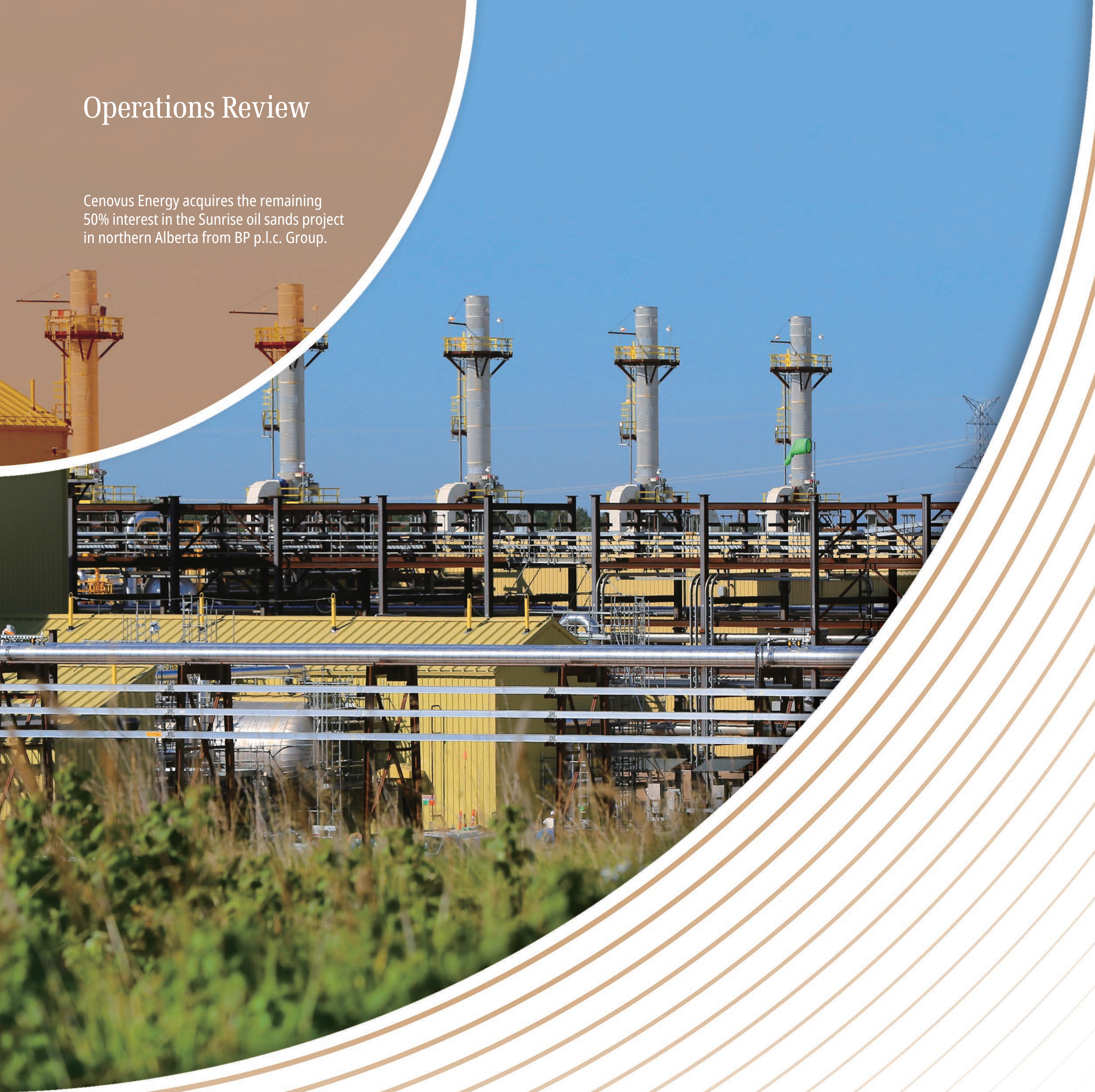
Operations Review

Cenovus Energy acquires the remaining 50% interest in the Sunrise oil sands project in northern Alberta from BP p.l.c. Group.



Finance & Investments and Others

The finance & investments and others segment includes returns earned on the Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited ("HWCL"), listed associate TOM Group ("TOM"), the Marionnaud businesses, listed associate CK Life Sciences Group ("CKLS") and listed subsidiary, Hutchison Telecommunications (Australia) Limited ("HTAL"), which has a 25.05% interest in TPG Telecom Limited ("TPG"). Following the merger of the Group's energy business with Cenovus Energy in January 2021, the Group's 16.6% interest in Cenovus Energy is included under Finance Investments and Others segment.

	2022 HK$ million	2021 HK$ million	Change	Local currencies change
Total Revenue	**94,085**	72,036	+31%	+35%
EBITDA [(1)]	**18,469**	5,312	+248%	+254%
- Underlying	**18,722**	10,320	+81%	+85%
- One-off items	**(253)**	(5,008)	+95%	+95%
EBIT [(1)]	**12,009**	(1,219)	+1085%	+1094%
- Underlying	**12,262**	3,789	+224%	+226%
- One-off items	**(253)**	(5,008)	+95%	+95%

Note 1: Under Post-IFRS 16 basis, EBITDA was HK$19,177 million (2021: HK$6,464 million); EBIT was HK$11,736 million (2021: HK$(1,146) million).

Finance and Investments

Finance and investments mainly represents returns earned on the Group's holdings of cash and liquid investments, which totalled HK$154,188 million as at 31 December 2022. Further information on the Group's treasury function can be found in the "Group Capital Resources and Liquidity" section of the 2022 Annual Report.

In 2022, EBITDA and EBIT in this segment included a one-off net loss of HK$0.3 billion, which represented the Group's share of non-cash pre-tax impairment on the energy business' US refinery assets. This is compared to the one-off net loss of HK$5.0 billion in last year, which comprised a non-cash foreign exchange reserve loss following the energy business merger of HK$3.5 billion and the Group's share of non-cash pre-tax impairment on the energy business' US refinery assets of HK$1.5 billion.

Excluding the one-off items, underlying EBITDA and EBIT grew 81% and 224% respectively from 2021 primarily due to the higher contribution from the energy business' underlying operations with constructive commodity prices driving improvement in results.

Other Operations

Hutchison Whampoa (China) Limited

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the United Kingdom, and also has 38.45% interest in HUTCHMED (China) Limited ("HUTCHMED"), which is currently listed on the SEHK, the AIM market of the London Stock Exchange in the UK and the Nasdaq Global Select Market in the US. HUTCHMED is an innovative, commercial-stage, biopharmaceutical company committed to the discovery and global development and commercialisation of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases.

Cenovus Energy

Cenovus Energy is a Canadian-based integrated energy company with shares listed on the Toronto and New York stock exchanges. It operates in Canada, the United States and Asia Pacific region, and is the third largest Canadian oil and natural gas producer, as well as the second largest Canadian-based refiner and upgrader. As at 31 December 2022, the Group held 16.6% interest in Cenovus Energy, together with warrants representing a further 1.1% to 17.7% (2).

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.

TOM Group

TOM, a 36.1% associate, is a technology and media company listed on the SEHK. TOM has technology operations in e-commerce, social network, mobile internet, and investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments.

Marionnaud

Marionnaud had over 750 stores in nine European markets as of 31 December 2022, providing luxury perfumery and cosmetic products.

CK Life Sciences Group

The Group has an approximate 45.32% interest in CKLS, a company listed on the SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialisation, marketing, sale of, and investment in, products and assets which are nutraceuticals, pharmaceuticals and agriculture-related.

HTAL, share of TPG Telecom Limited

HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange ("ASX"), has 25.05% interest of TPG Telecom Limited (also listed on the ASX).

Interest Expense, Finance Costs and Tax

The Group's consolidated interest expenses and other finance costs for the year, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK$14,860 million, increased by 1% when compared to last year. The Group's weighted average cost of debt for 2022 was 2.0% (2021: 1.6%).

The Group recorded current and deferred tax charges of HK$16,091 million in 2022, an increase from HK$9,578 million in 2021, primarily reflecting the adverse variance arising from the disposal of tower assets, higher profit before tax in 2022, as well as the adverse net impact from the revaluation of deferred tax assets and liabilities following the revision of the UK corporate tax rates in 2021.

Note 2: On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants held by the Group.

Summary

Despite various global headwinds ranging from inflationary effects to geopolitical risks, the Group's core businesses' operational and financial performances remain solid and resilient. During the year, 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. 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.

The Group remains focused on the key strategic pillars: creating long term shareholder value, including exploring value accretive transactions and increase operational efficiencies with the aim to enhance margin and profitability; maintaining robust financial profile; leveraging on the Group's geographical and business diversity; as well as focusing on Sustainability progress. The Group will continue to exercise the usual financial discipline by closely monitoring working capital management across all divisions and ensuring investment activities are consistent with maintaining our current investment grade ratings.

Fok Kin Ning, Canning
Group Co-Managing Director

Hong Kong, 16 March 2023