Chairman's Statement

In January, the Group has embarked on a strategic reorganisation to better reflect the underlying value of its core businesses and to realise maximum business synergies. The reorganisation will provide greater transparency and investment flexibility for shareholders and investors and together with the Group's solid financial profile, favourably position the Group for new business opportunities and future long term business development.

The proposed merger and reorganisation of the Group and Cheung Kong (Holdings) Limited ("Cheung Kong")'s businesses into two new Hong Kong-listed entities, CK Hutchison Holdings Limited, holding all of the non-property businesses of the two groups and Cheung Kong Property Holdings Limited, combining the property businesses of the two groups, is expected to create significant value for our shareholders. Completion of this proposal is conditional on obtaining shareholders and regulatory approvals and fulfilment of all conditions precedent. Further details on the timetable and shareholders approval process will be provided in due course.

Results

2014 was a year of significant activity and solid financial performance for the Group. Some of our businesses encountered increasing headwinds in the second half of 2014 with increased currency volatility, slow property market in Mainland China and a sharp plunge in crude oil prices. Nevertheless, our businesses overall still achieved solid performances and demonstrated strong resilience.

The Group's recurring profit attributable to ordinary shareholders for the year, before property revaluation gains and profits on disposal of investments and others, was HK$32,008 million, a 3% increase from HK$31,028 million in 2013. Recurring earnings per share increased by 3% to HK$7.51 from HK$7.28 in 2013.

Profits on disposal of investments and others, after tax in 2014 of HK$10,048 million comprise the Group's share of the gain arising from Power Assets Holdings Limited ("Power Assets")'s separate listing of its Hong Kong electricity business of HK$16,066 million, as well as the marked-to-market gain of HK$1,748 million on Cheung Kong Infrastructure Holdings Limited ("CKI")'s investment in Australian Gas Networks Limited ("AGN") (formerly known as Envestra Limited) realised upon the disposal of its interest in AGN to a joint venture with Cheung Kong and Power Assets on the AGN acquisition. These profits were partly offset by:

- provisions relating to the restructuring of **3** Ireland on acquisition of O_2 Ireland amounting to HK$3,388 million;

- Hutchison Telecommunications (Australia) ("HTAL")'s 50% share of Vodafone Hutchison Australia ("VHA") operating losses of HK$1,732 million;

- the Group's share of Husky Energy's impairment charge on certain crude oil and natural gas assets of HK$1,413 million;

- provisions of HK$652 million on the impairment of goodwill and store closure of the Marionnaud businesses to exit Poland and downsize operations in Portugal and Spain; and

- impairment charges on certain ports assets and related provisions of HK$581 million.

This compares to a reported profits on disposal of investments and others, after tax of HK$52 million in 2013.

Investment property revaluation after tax for the year was HK$25,100 million as compared to HK$32 million for 2013.

Profit attributable to ordinary shareholders reported for the year was HK$67,156 million, a 116% increase compared to HK$31,112 million for 2013, after the property revaluation and one-time items mentioned above.

Dividends

The Board declares the payment of a second interim dividend in lieu of a final dividend of HK$1.755 per share (2013 final dividend – HK$1.700 per share) payable on 15 April 2015 to those persons registered as shareholders of the Company on 17 March 2015, being the record date for determining the shareholders' entitlement to the second interim dividend. Combined with the first interim dividend of HK$0.66 per share (2013 interim dividend – HK$0.60 per share), the full year dividend (excluding the special dividend of HK$7.00 per share that was paid in May 2014) amounts to HK$2.415 per share (2013 – HK$2.300 per share).

Ports and Related Services

The ports and related services division's throughput grew 6% to 82.9 million twenty-foot equivalent units ("TEU") in 2014. Total revenue of HK$35,624 million was 4% higher than last year primarily driven by throughput growth, particularly in Europe and Mainland China. This increase, combined with tighter control over operating costs, resulted in the division reporting EBITDA and EBIT of HK$12,133 million and HK$7,944 million respectively, which were 6% and 8% higher than last year respectively.

The division had 282 berths at the end of the year, a net increase of four berths from 2013. Six new berths, comprising one in Brisbane, Australia, two in Westports, Malaysia and three in Sohar, Oman, commenced operations during 2014. Two berths of the old terminal in Oman ceased operations and will be returned to the Port Authority after the full migration of the operations to the new 3-berth terminal at Sohar.

The division is targeting to add and commence operations at five new berths in 2015 including two additional new berths at Dammam, Saudi Arabia; two additional new berths at Barcelona, Spain; and an additional berth at Felixstowe in the UK. Continuing economic growth in the United States, and sluggish growth in Europe, combined with the Mainland's expected stable growth will provide a reasonable outlook for the sector in 2015. The division will continue to focus on productivity gains, cost efficiency and selective acquisition and development opportunities to achieve earnings growth.

Property and Hotels

The property and hotels division reported total revenue of HK$16,069 million, a 34% decrease compared to 2013, primarily due to lower development sales and deferrals in the completion of various development projects in the Mainland to 2015.

The division's 11.8 million square foot portfolio of rental properties in Hong Kong, together with our attributable share of 1.5 million square foot portfolio in the Mainland and overseas, reported solid occupancy and steady rental growth. Reported rental income improved 6% to HK$4,532 million from last year primarily due to higher rental renewal rates.

The division's hotel portfolio comprises 11 hotels with over 8,500 rooms, in which the Group has an average effective interest of approximately 63%, generated EBIT of HK$1,061 million, an increase of 2% compared to 2013.

Several Mainland cities in which the Group operates continue to experience aggressive discounting throughout the year as a result of mounting liquidity constraints in the industry. The division has maintained its pricing strategy in these markets to ensure delivery of a healthy margin return from its premium developments. This resulted in the number of contracted sales in the Mainland to reduce from 6.4 million square feet of attributable GFA or 8,819 residential units in 2013 to 3.6 million square feet of attributable GFA or 4,835 residential units in 2014. The lower sales volume has led to a reduction of attributable revenue and EBIT from the Mainland of HK$8,572 million and HK$3,707 million respectively. As a result, EBITDA and EBIT of this division both decreased 29% to HK$9,998 million and HK$9,661 million respectively, mainly due to the lower sales during the year as mentioned above, partly offset by growth in the recurring rental income base.

Retail

The retail division, with over 11,400 stores in 24 markets, delivered another year of strong revenue, cash generation and earnings growth in 2014. Total revenue of HK$157,397 million, EBITDA of HK$15,549 million and EBIT of HK$13,023 million, were 6%, 10% and 11% higher respectively than last year. The division reported like-for-like sales growth of 2.3%, with 1.4% in Asia and 3.0% in Europe in 2014.

The health and beauty segment overall reported strong sales growth of 8% for 2014 with 9% in Asia and 6% in Europe, but this was partly offset by the negative sales performance of the other retail businesses in Hong Kong.

Health and beauty operations in the Mainland grew total revenue by 14% mainly driven by high quality new store openings as well as strong comparable store sales growth of 3.9% in 2014. This business unit has the highest profit growth within the retail division as a whole. EBITDA and EBIT both grew by 17% in 2014.

With strong brand name recognition and extensive geographical coverage, the health and beauty operations in Asia (excluding operations in Mainland) reported EBITDA and EBIT growth of 5%. This was driven by a comparable store sales growth of 4.6% and a 4% increase in portfolio of stores compared to 2013.

Health and beauty operations in Europe overall delivered strong earnings contribution with EBITDA and EBIT growth of 11% and 13% respectively, through a 6% increase in the portfolio of stores compared to 2013, comparable store sales growth of 3.0% as mentioned above and effective cost control measures.

The division added 854 stores on a net basis in 2014 and is targeting to further expand organically and plans to add around 1,300 stores on a gross basis and around 1,000 stores on a net basis in 2015. The division will continue to place primary focus on the Health and Beauty segment which generated an average new store payback of less than 10 months and to expand in high growth markets such as the Mainland and certain Asian countries, but also expanding selectively in Europe.

In April 2014, the Group entered into a strategic alliance with Temasek Holdings (Private) Limited ("Temasek") with Temasek acquiring a 24.95% equity interest in A S Watson Holdings Limited for approximately HK$44 billion, resulting in an increase of approximately HK$39 billion in the Group's shareholders' funds.

The net proceeds from the strategic alliance with Temasek of approximately HK$43 billion were partly used for a special dividend distribution of HK$7.00 per share, amounting to approximately HK$30 billion, in the first half of 2014. The net impact of this transaction, after the distribution of the special dividend, resulted in an increase of shareholders' funds of HK$9 billion.

Cheung Kong Infrastructure

CKI, our Hong Kong listed subsidiary, announced profit attributable to shareholders of HK$31,782 million, a growth of 173% compared to 2013, primarily due to its share of the gain, after consolidation adjustments, arising from Power Assets (CKI's 38.87%-owned associated company) separately listing its Hong Kong electricity business on the Main Board of The Stock Exchange of Hong Kong Limited in January 2014. The improvement in CKI's earnings has also been driven by the strong performance of its underlying operations, the full-year profit contribution from the businesses acquired in 2013 including Enviro Waste Services Limited, an integrated waste management business in New Zealand, and AVR-Afvalverwerking BV, the largest "energy-from-waste" business in the Netherlands, together with the accretive income from businesses acquired during 2014 as mentioned below.

In July 2014, a CKI-led joint-venture with Cheung Kong completed the acquisition of Park'N Fly, the largest off-airport car park business in Canada for approximately C$381 million (approximately HK$2,720 million).

In October 2014, a CKI-led joint-venture with Cheung Kong and Power Assets completed its takeover bid for AGN, a distributor of natural gas in Australia, for a cash consideration of A$1.32 per share. CKI, together with Power Assets currently owns approximately 72.5% of AGN. The marked-to-market gain of HK$1,748 million on the disposal of CKI's 17.46% investment in AGN to the joint venture is reported under "profits on disposal of investments and others, after tax".

In January 2015, a CKI-led joint-venture with Cheung Kong entered into an agreement to acquire Eversholt Rail Group ("Eversholt") in the UK. Eversholt is a major rolling stock operating company in the UK, leasing a diverse range of rolling stock to train operators including regional, commuter and high-speed passenger trains, as well as freight locomotives and wagons, on long-term contracts. The acquisition has an enterprise value of approximately £2,500 million (approximately HK$29,300 million) and is expected to complete around April 2015.

In January 2015, CKI completed a share placement and share subscription transaction and resulted in the Group's interest in CKI reducing from 78.16% to 75.67%.

Husky Energy

Husky Energy, our associated company listed in Canada, announced profit from operations attributable to shareholders of C$1,258 million, a 31% decrease from last year. Excluding the after tax impairment charges of C$622 million and C$204 million on certain crude oil and natural gas assets in 2014 and 2013 respectively, profit from operations attributable to shareholders of C$1,880 million is 8% below last year as the exceptionally sharp decline of crude oil prices in the last quarter of 2014 fully offsets the better performances reported in the first half and the higher production in the year.

Average production increased 9% from 312,000 barrels of oil equivalent per day ("BOEs per day") in 2013 to 340,100 BOEs per day in 2014, reflecting increased volumes from the Liwan Gas Project which came on-stream during the year and continued strong production from the new heavy oil thermal developments. Production at the Liwan 3-1 gas field started in March 2014 and the Liuhua 34-2 field was brought online in December 2014. For Oil Sands development, the first phase of the Sunrise Energy Project in northeast Alberta in Canada is expected to begin production towards the end of the first quarter of 2015.

In the current challenging market conditions, Husky Energy is committed to prudent capital management and to maintain a strong balance sheet and liquidity. Operationally, the division will deliver a steady production from sustainable low capital cost projects and will stage its mid to longer-term projects to manage risk.

3 Group Europe

The Group's active customer base in Europe increased 13% during the year and totals over 25.0 million customers. **3** Group Europe reported total revenue of HK$65,623 million, a 6% increase over last year. EBITDA and EBIT grew by 23% and 42% to HK$15,598 million and HK$6,892 million respectively, reflecting the improved net customer service margin, well-disciplined operating cost structures and continued realisation of post-merger cost synergies in Austria and Ireland. With the exception of Italy, all operations in **3** Group Europe increased their contributions to the Group's earnings during the year.

On 15 July 2014, the Group completed the acquisition of O_2 Ireland for €780 million with an additional deferred payment of €70 million payable upon achievement of certain agreed financial targets.

In January 2015, the Group agreed to enter into exclusive negotiations with Telefónica SA for the potential acquisition of O_2 UK, for an indicative price of £9.25 billion cash and deferred upside interest sharing payments of up to £1 billion upon achievement by the combined business of **3** UK and O_2 UK of agreed financial targets.

The Group will continue to explore growth opportunities through potential consolidation in markets which the Group currently operates in, enhancing network capabilities and maintaining operational efficiencies across all operations.

Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and in Macau, had an active mobile customer base of approximately 3.2 million as at 31 December 2014. This is a decrease of 15% over last year following the operation's strategy in maintaining a high value customer base. The announced profit attributable to shareholders of HK$833 million and earnings per share of 17.3 HK cents, were 9% lower than last year. The mobile business experienced keen price competition in the first half of 2014. With the Hong Kong mobile market consolidated to a four-player market during the year, the intense pricing pressure has gradually eased and the performance for the second half of 2014 is a 58% improvement against the first half of 2014 and 48% improvement against the second half of 2013. The operation is expecting an improved performance in 2015.

Hutchison Asia Telecommunications

As of 31 December 2014, Hutchison Asia Telecommunications ("HAT") had an active customer base of approximately 54.5 million, representing a 25% increase from 2013. Although HAT increased its customer base during the year, total revenue decreased 9% to HK$5,757 million and LBITDA and LBIT of HK$278 million and HK$1,465 million respectively were adverse compared to last year. The poor performance and the change from a positive EBITDA of HK$502 million reported for the first half to a LBITDA for the second half of HK$780 million and HK$278 million for the full year, were mainly due to charges in the year of approximately HK$1.1 billion relating to inappropriate dealer credit and commissioning practices in the Indonesian operation. Senior management of the Indonesian operation has been replaced and strengthened internal controls put in place to prevent any recurrence, and for the business to remain on a strong growth footing.

Finance & Investments and Others

Contribution from this segment represents returns earned on the Group's holdings of cash and liquid investments as well as results of other small operating units.

During 2014, the Group raised HK$77,895 million from the debt market and HK$43,696 million from the strategic alliance with Temasek, and repaid debts as they matured and early repaid certain long-term borrowings and notes of HK$44,860 million. The Group's weighted average cost of debt for the year remained flat at 3.1% from 31 December 2013. At 31 December 2014, the Group's consolidated cash and liquid investments totalled HK$140,459 million and consolidated debt amounted to HK$246,867 million, resulting in consolidated net debt of HK$106,408 million and net debt to net total capital ratio of 16.8%.

The Group will continue to closely monitor its liquidity and debt profile and to ensure that appropriate capital structure is in place for future investment and expansion opportunities. As a result, the Group expects its consolidated Group net debt to net total capital ratio to remain less than 25% for the foreseeable future.

Outlook

Looking ahead to 2015, the Central Government will continue to broaden and deepen its reforms, enhancing economic growth and improving livelihood in the Mainland and at the same time driving global economic development. The Mainland is expected to continue to pursue proactive fiscal and prudent monetary policies, with a view of maintaining steady economic growth so as to achieve sustainable development.

The United States is showing signs of good economic progress. Growth in Europe is expected to remain sluggish in the near term but the fall in the Euro against other major currencies is expected to increase Europe's competitiveness and to benefit its economic development in the long term. The Group with its globally diversified portfolio is positioned to continue to strengthen its market leading position in all of its core businesses.

Looking forward, we will adhere to our principle of "Advancing with Stability" and make prudent investment decisions based on the long-term interests of our shareholders. Barring unforeseen material adverse external developments and after taking into consideration the current oil price, I expect that we will continue to meet these objectives and achieve a solid performance in 2015. I have full confidence in our prospects.

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.

Li Ka-shing
Chairman

Hong Kong, 26 February 2015