

CROSSING NEW WAVES



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**A MEMBER OF THE
WORLD'S LEADING
PORT NETWORK
OF CK HUTCHISON
HOLDINGS LIMITED**

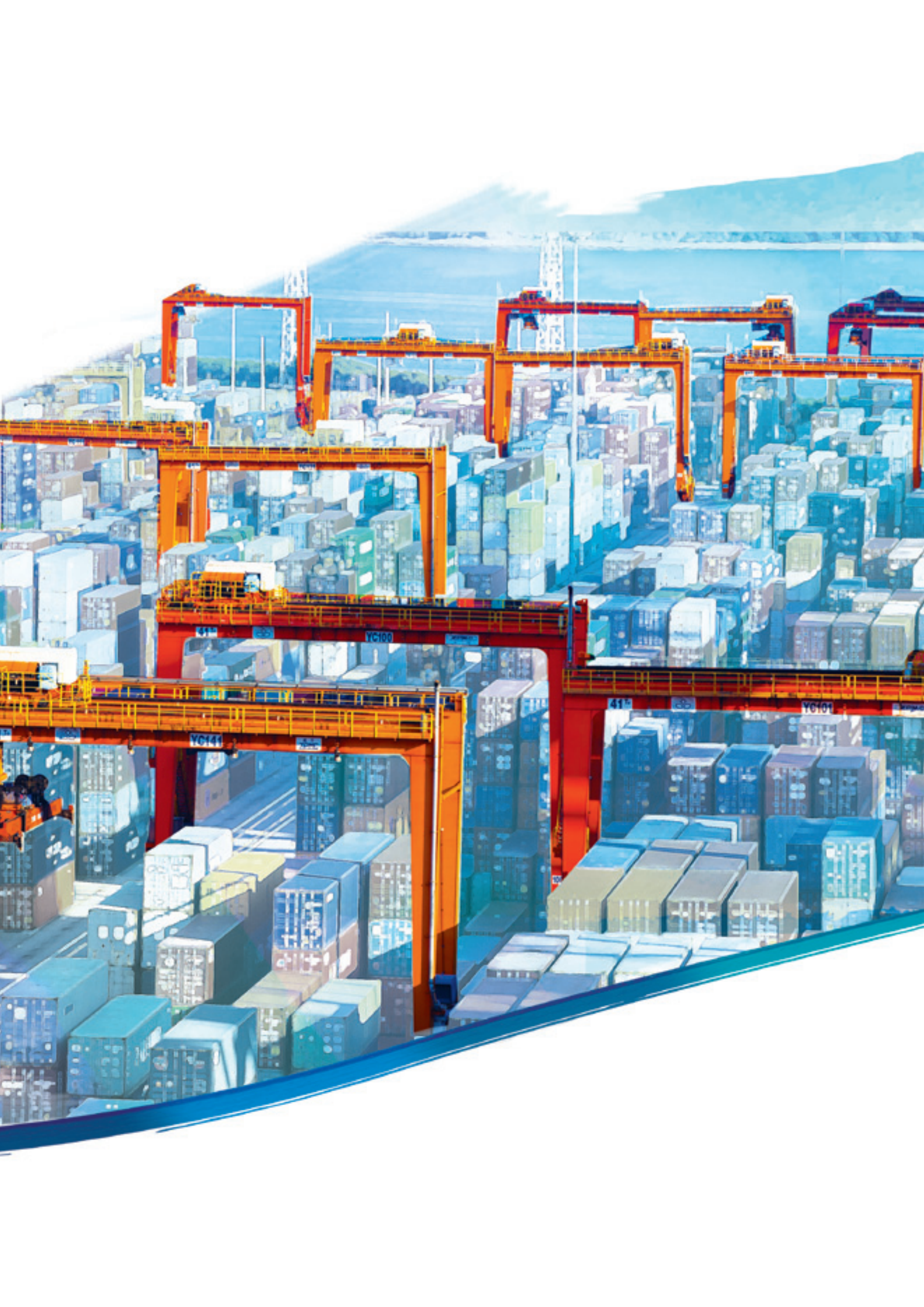




OPERATING FROM A POSITION OF STRENGTH

Our unrivalled operational excellence, strategic partnerships and global network ensure that we remain well placed to deliver on changing industrial trends, capitalise on global opportunities, and continue operating from a position of strength that has been built on hard work, innovation and foresight.





CORPORATE MILESTONES

JANUARY

YANTIAN BERTH SAILS THROUGH OFFICIAL ON-SITE INSPECTION

Yantian's first berth at West Port Phase II passes an official on-site inspection and assessment conducted by the Port Office of Guangdong Province, affirming the effectiveness of the port's rigorous operating and safety standards.



ACT COMMENCES OPERATIONS OF NEW HYBRID RUBBER-TYRED GANTRY CRANES

The addition of 10 new hybrid rubber-tyred gantry cranes ("RTGCs") increases ACT's fleet of hybrid RTGCs to 30. These RTGCs can be powered by either electricity or diesel and contain smaller engines, which reduce diesel consumption by 45%.

FEBRUARY

CMA CGM BENJAMIN FRANKLIN MAKES INAUGURAL CALL AT YANTIAN

Measuring 399 metres long and 54 metres wide, and with a capacity of 18,000 twenty-foot equivalent units ("TEU"), the *Benjamin Franklin* is the largest vessel in CMA CGM's fleet. It is the first mega-vessel deployed in the shipping line's US service and operates as part of CMA CGM's Pearl River Express service.



MARCH



HIT TAKES DELIVERY OF NEW SUPER POST-PANAMAX QUAY CRANES AND BARGE QUAY CRANES

HIT purchases two Super Post-Panamax ("SPP") quay cranes ("QCs"), which boast greater lifting height, outreach and efficiency than the existing QC models. These cranes also offer advanced lifting capacity of 70 tonnes and twin-lifting capabilities, which allow for future remote operation and automation. HIT currently has a fleet of four SPP QCs in operation.

In March, HIT also commissions two barge quay cranes ("BQCs"), replacing jib cranes at its barge wharf and increasing the number of BQCs at the terminal to four. HIT is the only terminal operator with four BQCs in South China.



APRIL



YANTIAN AWARDED 13TH TIEN-YOW JEME CIVIL ENGINEERING PRIZE

Yantian receives the 13th Tien-Yow Jeme Civil Engineering Prize, the top honour for civil engineering and construction in China, for its Phase III Expansion project.

Established by the China Civil Engineering Society and the Beijing Tien-Yow Jeme Foundation for Development of Science and Technology in Civil Engineering, the prize awards civil engineering projects with distinction in innovation and outstanding achievements in technological application.

Yantian's award-winning project has a total of seven deep-water berths, with depth alongside of 17.6 metres and a quay length of three kilometres. It is equipped with 35 SPP QCs, including 21 dual-hoist ones. The project is designed for servicing mega-vessels around the clock, making Yantian the only terminal in South China that is capable of accommodating several 200,000-tonne mega-vessels simultaneously.



YANTIAN A BIG WINNER OF CHINA PORTS AND HARBORS ASSOCIATION AWARDS

Yantian wins prestigious awards:

- Annual throughput in excess of 12 million TEU
- Intermodal volume in excess of 160,000 TEU
- Low electricity and fuel consumption per TEU
- Single-vessel productivity in excess of 100 containers per hour
- International transshipment volume in excess of 1.5 million TEU
- Transshipment volume in excess of 1.8 million TEU



YANTIAN RECEIVES THREE QUAY CRANES

Yantian takes delivery of three QCs for its Phase II project. The cranes have a truss structure, which enhances their ability to withstand wind load caused by typhoons. This delivery increases Yantian's number of QCs to 81.



CORPORATE MILESTONES

JUNE



YANTIAN BECOMES FIRST TERMINAL IN MAINLAND CHINA TO RECEIVE CAPABILITY MATURITY MODEL INTEGRATION MATURITY LEVEL 3

The achievement of the Capability Maturity Model Integration (“CMMI”) Maturity Level 3 rating demonstrates Yantian’s ongoing efforts in process improvement as well as infrastructure and operation optimisation. A highly regarded achievement in the IT industry, the award is testament to the high-quality work delivered by Yantian staff in software development, project management and information services.

JULY



ACT AND COSCO-HIT BOOST USE OF ELECTRIC AND HYBRID RUBBER-TYRED GANTRY CRANES

ACT and COSCO-HIT implement a new yard strategy to expand the deployment of electric and hybrid RTGCs. A key element of their environmental management programme, the new yard strategy allows for an increase in utilisation rate, from 60% to 95%, and a 15% reduction in carbon emissions.



YANTIAN WINS PRESTIGIOUS AWARD AT SEATRADE MARITIME AWARDS ASIA 2016

The decision by Seatrade Maritime Awards Asia to honour Yantian as the sole winner in the Ports & Terminals category is testament to the Trust’s focus on fortifying its strengths and delivering value to its stakeholders. The award recognises Yantian for its initiatives in service excellence and strong customer focus, application of cutting-edge terminal facilities and equipment, and green initiatives that protect the environment.

DECEMBER

ACQUISITION OF EQUITY
INTERESTS IN HUIZHOU
INTERNATIONAL
CONTAINER TERMINALS

Yantian acquires interests in Huizhou International Container Terminals in Guangdong. Following the acquisition, the Trust owns an effective interest of 41.3% in the terminal.

HIT, COSCO-HIT AND ACT
SIGN CO-MANAGEMENT
AGREEMENT

The Trust and COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") announce that HIT, COSCO-HIT and ACT enter into an agreement for the co-management and operation of 16 berths across Terminals 4, 6, 7, 8 and 9 in Hong Kong. With operations handled under one management team, this arrangement allows for the most effective use of facilities and resources, thereby improving the Trust's overall competitiveness.

OTHER MILESTONES

HIT WINS ACCOLADES AT
HONG KONG STAR BRAND
AWARD 2016

The Hong Kong Small and Medium Enterprises Association awards HIT the Enterprise Award and the Innovation and Technology Award at the Hong Kong Star Brand Award 2016. The awards recognise HIT's excellence in terminal services, innovation and technology, sustainable development and corporate social responsibility.

HIT RECEIVES RECOGNITION
FROM CARBONCARE® ACTION
LABEL 2016

HIT's new Internal Tractor Deployment System ("nITDS") earns its CarbonCare® Action Label 2016 for reducing carbon dioxide emissions. In contrast to the old model of tractor deployment, nITDS uses an intelligent rule-based engine that facilitates mandatory condition-checking and prioritises movements. The engine also optimises rule execution, which improves performance with every tractor assignment. Reduced tractor turnaround time is effective in reducing carbon dioxide emissions.

TRUST PROFILE



HPH TRUST

Hutchison Port Holdings Trust (“HPH Trust” or “Trust”) is the world’s first publicly traded container port business trust. It was listed on the Main Board of the Singapore Exchange (“SGX”) in March 2011, and in early 2012 became the first entity to launch dual-currency trading for its units. The Trust was admitted into the Straits Times Index (“STI”) on 3 April 2013, and is one of the top 30 companies on the SGX Main Board.

The Trust’s mandate is principally to invest in, develop, operate and manage deep-water container ports in China’s Guangdong Province, Hong Kong and Macau (collectively known as the Pearl River Delta).

HPH Trust operates Hongkong International Terminals (“HIT”), COSCO-HIT Terminals (“COSCO-HIT”) and Asia Container Terminals (“ACT”) in Hong Kong, and Yantian International Container Terminals (“Yantian”) and Huizhou International Container Terminals (“HICT”) in China. Together, these market-leading, best-in-class deep-water container ports operate 36 berths across 647 hectares of land. In 2016, they delivered a combined throughput of approximately 22.5 million TEU.

The Trust’s core port operations are supported by complementary river port facilities and ancillary services, which provide customers with seamless supply chain solutions for imports and exports. HPH Trust holds economic benefits in two river ports in China (“River Ports Economic Benefits”): Jiangmen International Container Terminals Limited (“Jiangmen Terminal”) and Nanhai International Container Terminals Limited (“Nanhai Terminal”). Collectively, they are known as the “River Ports”. HPH Trust also operates ancillary services via Asia Port Services Limited (“APS”), operator of one of the largest fleets of dedicated barges in Hong Kong; HPH E.Commerce Limited (“Hutchison Logistics”), a provider of supply chain solutions across rail, sea and land networks; and Shenzhen Hutchison Inland Container Depots Co., Limited (“SHICD”), operator of an inland container depot and warehouse in Shenzhen.

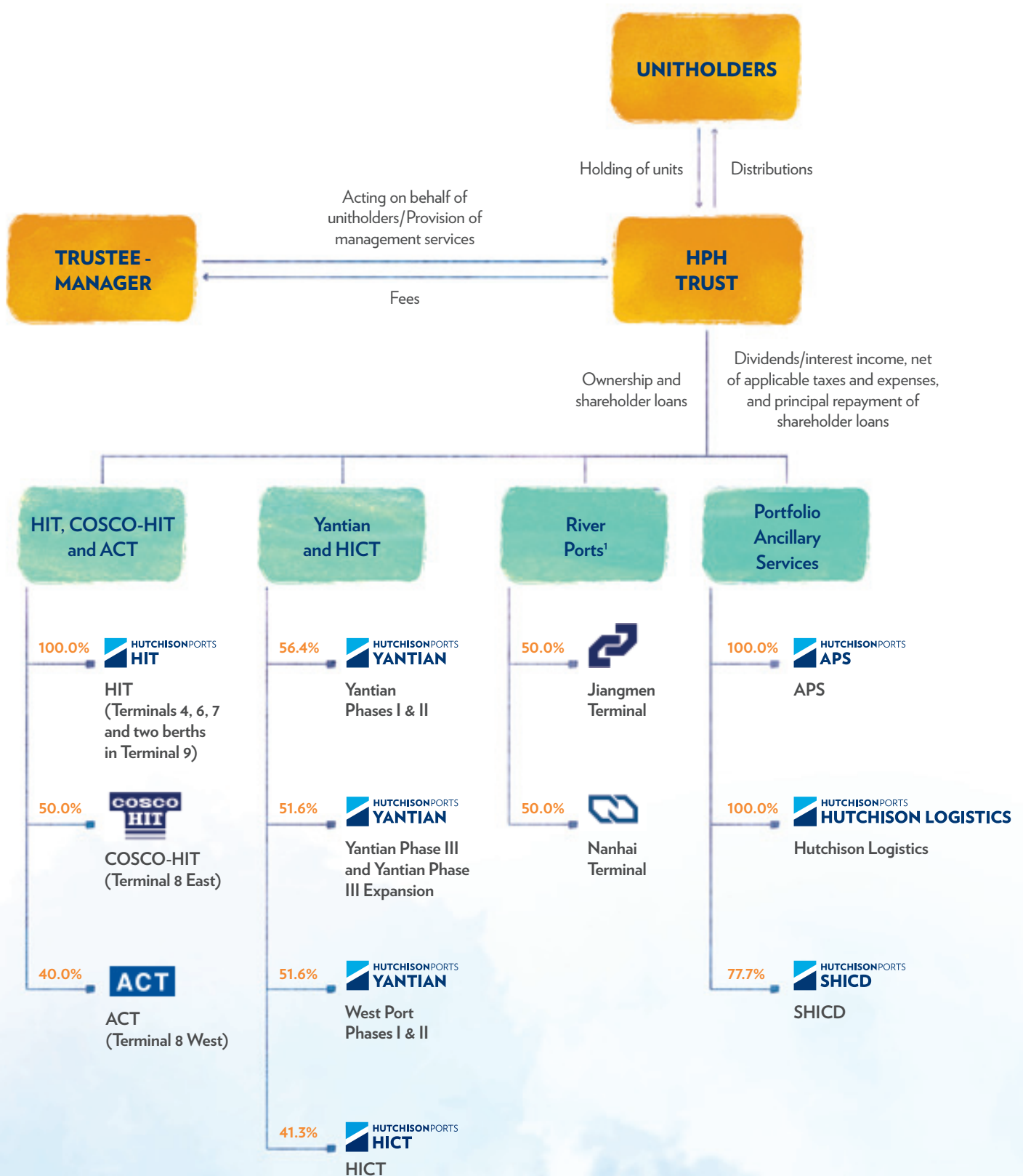
THE TRUSTEE-MANAGER

The Trust is managed by Hutchison Port Holdings Management Pte. Limited (“Trustee-Manager”), an indirect wholly-owned subsidiary of CK Hutchison Holdings Limited (“CKHH”). The Trustee-Manager has dual responsibilities in safeguarding the interests of unitholders and managing HPH Trust’s businesses. The key objective of the Trustee-Manager is to provide unitholders with stable and regular distributions, and long-term growth in distributions per unit (“DPU”).

The Board of Directors of the Trustee-Manager consists of individuals with a broad range of commercial experience and expertise in the port industry.

¹ The River Ports Economic Benefits represent the economic interests and benefits of the River Ports – including all dividends and any other distributions or other monies payable to Hutchison Port Holdings Limited (“HPH”) or any of its subsidiaries in its capacity as a shareholder of the relevant holding company of the River Ports arising from the profits attributable to the business of the River Ports and all sale or disposal proceeds derived from such businesses, assets, rights and/or liabilities constituting any part of the business of the River Ports as agreed with HPH and any of its subsidiaries.

CORPORATE STRUCTURE



¹ HPH Trust holds River Ports Economic Benefits, but not the shares of the River Ports' holding companies

PORTFOLIO OVERVIEW

“Committed to staying competitive, the Trust has stepped up its terminal productivity plans, with the ongoing berth expansion project at Yantian that will augment its mega-vessel handling capacity. Furthermore, both Yantian and HIT have invested in different types of quay cranes for handling various types of vessels, allowing for an overall reduction in turnaround time. The Trust will continue to optimise its facilities and achieve higher productivity levels while ensuring minimal environmental impact.”

As one of the leading natural deep-water terminal operators in South China, HPH Trust operates best-in-class container terminal facilities that span 36 berths and 647 hectares of land in Hong Kong and China. Its market-leading container terminal assets comprise HIT, COSCO-HIT and ACT in Hong Kong; and Yantian and HICT in China. Delivering a combined throughput of 22.5 million TEUs in 2016, these port facilities offer robust and well-established global connectivity and superior container handling capabilities.

These core operations are complemented by two river ports, in Jiangmen and Nanhai, and a comprehensive range of ancillary services that provide customers with seamless logistics and supply chain solutions. These include warehousing, feeder services, trucking, freight handling, cargo depots, container storage and repair, as well as transport networks covering road, rail, sea and air.

With optimised design and layout, advanced terminal infrastructure and facilities, and complementary service offerings; HPH Trust's port assets are well-prepared to offer world-class container handling capabilities to mega-vessels. These assets also allow the Trust to deliver operational and service excellence, underpinned by a proprietary, award-winning terminal management system, nGen. The system automates key planning functions and resource deployment, which helps to improve productivity and deliver significant operational efficiencies by streamlining terminal operations.

The Trust continually looks for ways to build on its strong fundamentals and drive ever-increasing value for its customers. In 2016, HIT extended BOXplus Building Operations Excellence, its efficiency enhancement project for sea-going vessels, to include





barge operations. It aimed to address the increasing demand for barge services, which accounts for around 25% of HIT's annual throughput. Through continuous efforts in efficiency enhancements, HIT has enjoyed significant productivity gains and improved its service delivery, further strengthening its status as the leading transshipment hub in South China.

Committed to staying competitive, the Trust has stepped up its terminal productivity plans, with the ongoing berth expansion project at Yantian that will augment its mega-vessel handling capacity. Furthermore, both Yantian and HIT have invested in different types of quay cranes for handling various types of vessels, allowing for an overall reduction in turnaround time. The Trust will continue to optimise its facilities and achieve higher productivity levels while ensuring minimal environmental impact.

During the year, both Yantian and HIT were recognised for their excellence in business operations. Yantian was the sole winner of the distinguished Ports & Terminals Award at the Seatrade Maritime Awards Asia 2016 and HIT received the Enterprise Award and the Innovation and Technology Award at the Hong Kong Star Brand Award 2016. The prestigious accolades reaffirmed the Trust's position as a leading terminal operator for innovation, best-in-class service and sustainable development.

Throughput of HPH Trust's assets (1995–2016) (thousand TEU)



Note:

The published statistics from the Hong Kong Marine Department ("HKMD") for the total of local and transshipment throughput incorporate liftings to or from ocean-going vessels and containers received from or delivered to ports located within the river trade zone (as defined by the HKMD) by water-borne traffic, i.e. traffic to and from the Pearl River Delta via barges. The HKMD published statistics are not directly comparable to throughput figures of HIT, COSCO-HIT and ACT² shown in the above chart. From 2009 onwards, the HIT, COSCO-HIT and ACT² figures included volumes in relation to lighterwork and the water-borne traffic so as to make the figures more comparable to statistics used by the industry.

¹ Included throughput volume of ACT from 7 March 2013, the date of acquisition

² From 7 March 2013, the date of acquisition

PORTFOLIO OVERVIEW

KWAI TSING, HONG KONG



A HIT

- 12 container berths across Terminals 4, 6, 7 and 9 with a combined land area of 111 hectares
- 100% ownership

B COSCO-HIT

- 2 container berths at Terminal 8 East with a combined land area of 30 hectares
- 50/50 joint venture with COSCO SHIPPING Ports

C ACT

- 2 container berths at Terminal 8 West with a combined land area of 29 hectares
- Strategic partnership between HPH Trust and COSCO SHIPPING Ports, with stakes of 40% and 60%, respectively

SHENZHEN AND HUIZHOU, CHINA



A Yantian Phases I & II

- Effective interests: 56.4%
- 5 container berths with a combined land area of 130 hectares

B Yantian Phase III and Yantian Phase III Expansion

- Effective interests: 51.6%
- 11 container berths with a combined land area of 226 hectares. Yantian Phase III Expansion South Berth was completed and commenced operation in May 2016

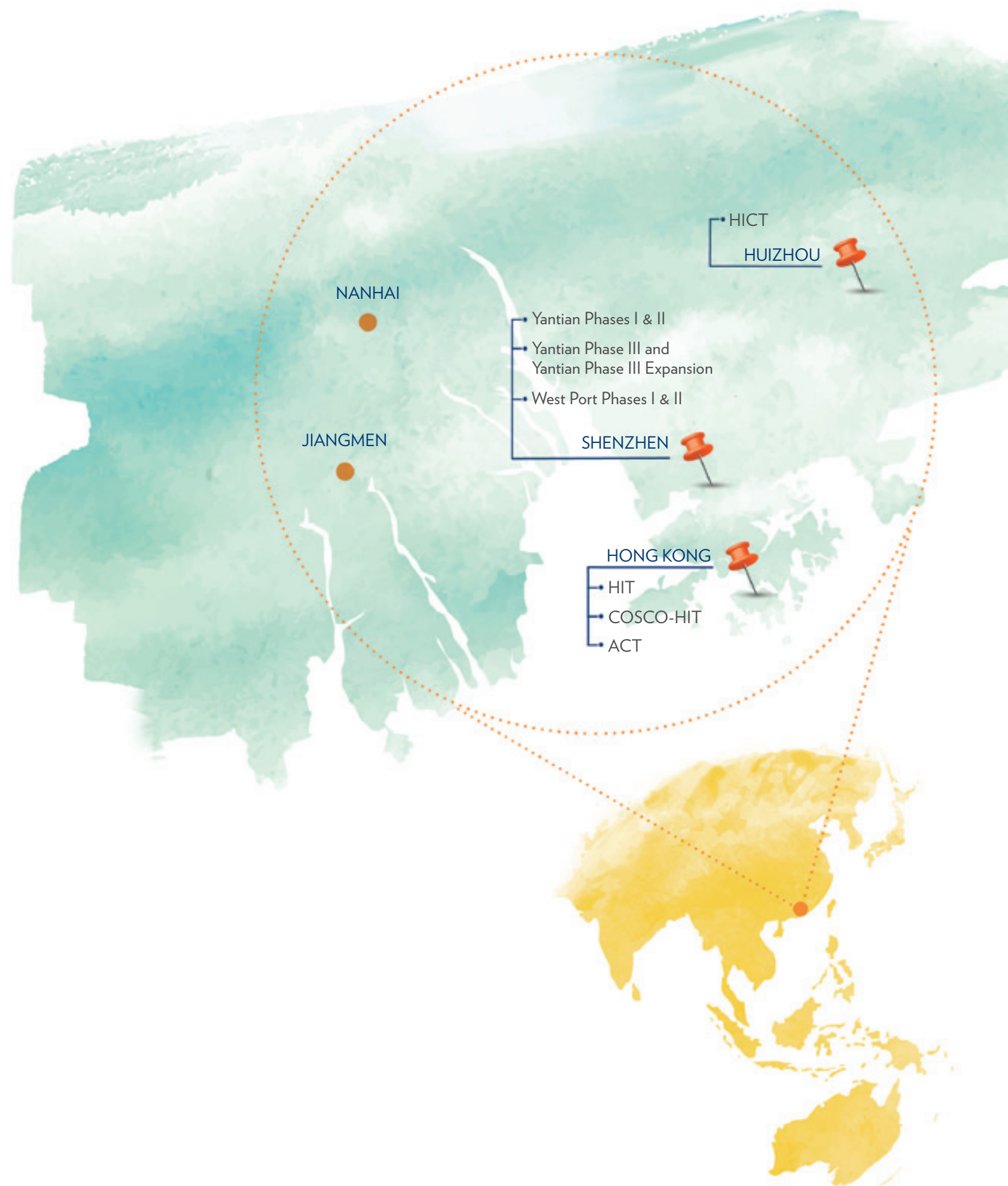
C West Port Phases I & II

- Effective interests: 51.6%
- 1 container berth at West Port Phase I with an area of 17 hectares
- 1 container berth at West Port Phase II commenced operations in February 2016. The combined land area of West Port Phase II is 44 hectares with another two berths under construction



D HICT

- Effective interests: 41.3%
- 2 container berths with a combined land area of 60 hectares



PORTFOLIO OVERVIEW



16

CONTAINER
BERTHS

65

QUAY
CRANES

170

HECTARES OF
LAND

KWAI TSING, HONG KONG

HIT, COSCO-HIT and ACT

Strategically located on the south-east coast of China, Hong Kong is regarded as the gateway to the Pearl River Delta and its vast mainland hinterland. Its deep-water terminal; modern and well-equipped facilities; and a free, open and multilateral trading system allow the city to flourish as one of the world's busiest container terminals and a major transshipment hub in the region.

HPH Trust operates 16 of the 24 deep-water berths located in Kwai Tsing, Hong Kong. A co-management agreement between HIT, COSCO-HIT and ACT further allows for optimal flexibility in berth and yard planning across all terminals.

10.8

MILLION TEU
HANDLED IN 2016

AROUND

2,000

EMPLOYEES AND

3,700

EXTERNAL CONTRACTORS
ON-SITE DAILY

SHENZHEN AND HUIZHOU, CHINA

Yantian

The Port of Shenzhen is one of the world's fastest developing container terminals and is the second busiest in China. South China is rapidly developing into a prosperous and dynamic economy, which helps boost the terminal's successful position as the premier gateway for foreign trade.

Yantian, as the sole operator in Eastern Shenzhen, is the preferred port-of-call for mega-vessels in South China. Its natural deep-water berths and unparalleled mega-vessel handling capabilities will ensure that it continues to operate as a world-class hub.

HICT

The Port of Huizhou is a natural coastal port located in Guangdong. A major player in the Pearl River Delta shipping hub, the port is located near the manufacturing hinterland in eastern Guangdong, immediately east of Hong Kong and Shenzhen.

Situated in the Quanwan Port Zone of the Daya Bay Economic and Technological Development Zone, HICT is the first dedicated container terminal in Huizhou. It comprises two container berths with a land area of 60 hectares, a total quay length of 800 metres and depth alongside of 15.7 metres.



20

CONTAINER
BERTHS

87

QUAY
CRANES

477

HECTARES
OF LAND

11.7

MILLION TEU
HANDLED IN 2016

AROUND

2,500

EMPLOYEES AND

4,200

EXTERNAL CONTRACTORS
ON-SITE DAILY

KEY EVENTS

MAY

YANTIAN PHASE III EXPANSION SOUTH BERTH FULLY OPERATIONAL

Yantian Phase III Expansion South Berth became fully operational in May. This berth is ideal for servicing mega-vessels.

The berth measures 886 metres long, and is located only one nautical mile from anchorage.

With a depth alongside of 17.6 metres, and the deployment of eight SPP QCs, the new berth is capable of handling the world's largest container vessels around the clock. It is also equipped with the latest shore power facilities to provide full power supply for berthing mega-vessels.

With a total of 18 deep-water berths, Yantian has the unique capability to accommodate the largest mega-vessels.



JULY

YANTIAN WINS PRESTIGIOUS PORTS & TERMINALS AWARD AT SEATRADER MARITIME AWARDS ASIA 2016

The decision by Seatrade Maritime Awards Asia to honour Yantian as the sole winner in the Ports & Terminals category is testament to the Trust's focus on fortifying its strengths and delivering value to its stakeholders. The award recognises Yantian for its initiatives in service excellence and strong customer focus, application of cutting-edge terminal facilities and equipment, and green initiatives that protect the environment.



MARCH 2016/FEBRUARY 2017

**HIT UPGRADES
TERMINAL FACILITIES**



March 2016

HIT takes delivery of two SPP QCs and two BQCs. The SPP QCs are the largest QCs in Hong Kong and are equipped with hardware that can adapt to remote-controlled operations in the future. The addition of the two new BQCs enables HIT to be the only terminal operator in South China that deploys four BQCs to enhance barge operational efficiency.

February 2017

HIT takes delivery of six new hybrid RTGCs. These new one-over-six cranes replace one-over-five models, offering increased stacking capacity and greater efficiency. Offering a lifting capacity of 41 tonnes and dual-power input capabilities, the new cranes have internal lithium batteries that enable them to run without electricity when crossing container blocks, thereby completely eliminating on-site diesel usage, emissions and engine noise. Optical fibres have been installed in all new hybrid RTGCs to enable remote operation and automation in the future.



FUTUREPROOFING OUR KEY ASSETS

Our competitive edge hinges on the strategic locations of our terminals, advanced terminal facilities, and our diligence in people and process management. To stay ahead of the changing landscape in global trade, we focus on enhancing our services, handling capabilities and berth management. Berth expansion, a new co-management agreement and equipment upgrades, among others, are key initiatives to futureproof our assets.





LETTER TO UNITHOLDERS

“Despite the uncertainties ahead, the Trust has optimised its ports through improvements, facilities and software upgrades, and the implementation of new technologies to prepare for future challenges.”

Strong fundamentals

Since its formation in 2011, HPH Trust has been working diligently to establish the strong fundamentals that allow it to strategically optimise operations, infrastructure and talent. It is this long-term view that enables the Trust to capitalise on new opportunities and weather downturns in the shipping industry.

In recent years, the shipping industry has been exceptionally volatile. 2016 alone saw the bankruptcy of a major shipping line, the formation of new alliances and the consolidation of the shipping industry through mergers and acquisitions. Globally, we have seen numerous changes in the macroeconomic and geopolitical sphere, including political conflicts, financial crises and the exit of Britain from the European Union. The Trust's ability to respond promptly and effectively to this changing landscape has allowed it to minimise adverse impacts and demonstrate its resilience.

The Trust draws its resilience from forward-thinking management policies and decisions that look to mitigate the effects of market cycles on its business. This can be seen, for example, in its proposal to pay back bank loans over a five-year period from 2017 to reduce its overall debt, limiting the Trust's exposure to risk under challenging market conditions.

Last year, outbound cargoes to the US and Europe showed an overall steady increase, a result of the continued increase in US economic activity, and Europe regaining its growth momentum. However, low freight rates as a result of overcapacity continue to affect global trade. Given the relatively soft global trade outlook, the Trustee-Manager remains cautious about expected cargo volumes for 2017 and will continue to focus on cost improvements.

Revenue and other income for 2016 decreased 5.6% over 2015, Net profit after tax (“NPAT”) was down 3.0%, NPAT attributable to shareholders was down 1.8% and DPU to Unitholders was 30.6 HK cents.

Throughput for the Trust's container terminal assets was down 5.9% year-on-year. Transshipment volumes at the Trust's terminals decreased due to cost rationalisation as a result of overcapacity in the shipping industry, a paradigm shift that will only become more pronounced in the year ahead. Pricing competition in Shenzhen has also intensified.

Futureproofing

Shipping lines continue to deploy mega-vessels to achieve better economies of scale. At the same time, they are reforming alliances to improve cost efficiency and cargo canvassing abilities.

Operationally, the Trust and COSCO SHIPPING Ports announced that HIT, COSCO-HIT and ACT have entered into an agreement for the co-management and operation of 16 berths across Terminals 4, 6, 7, 8 and 9 in Hong Kong. With operations handled under one management team, this arrangement will allow for the most effective use of facilities and the sharing of resources, thereby improving the Trust's overall competitiveness.

In late December, Yantian acquired interests in HICT and HPH Trust now owns an effective interest of 41.3% in the terminal. The Trustee-Manager believes the acquisition will provide additional handling capacity and will generate operational synergies with Yantian through the sharing of resources and better utilisation of port and related facilities.

Other programmes are also reaching fruition. One example is HIT's BOXplus productivity enhancement programme. Following the project's success in streamlining container vessel operations, reducing berth idling time and improving equipment utilisation, it was extended to barge operations, in recognition of the increasing importance of, and demand for, barge services.

To remain competitive in the ever-changing shipping environment, HPH Trust's equipment, facilities and software systems are constantly under review and improvement. New equipment deliveries will continue over the next few years.

During the year, Yantian made good progress with ongoing expansion projects. Phase III Expansion South Berth is complete, expanding the terminal's mega-vessel handling capacity. As for the West Port Phase II project, the first berth is now in operation, while the remaining two berths are under construction. With a total of 18 deep-water berths and a unique capability to efficiently service the world's largest mega-vessels, Yantian's position as the terminal operator of choice in South China will be further cemented.

A position of strength

HPH Trust believes the equipment and technology used for managing the inbound and outbound flow of containers is one of the key measurements of a container terminal's strength. At HPH Trust, we continually push the envelope when it comes to implementing the latest container operating equipment.

Driven by a long-term commitment to our stakeholders, HPH Trust continuously seeks to boost its existing equipment. In 2016, HIT took delivery of two new quay cranes (QCs). Not only are these the largest QCs in Hong Kong, they can also be adapted for remote-control operations. With the delivery of two new barge quay cranes, HIT became the only terminal in South China to deploy four such QCs. The additional equipment resulted in notable productivity gains and a reduction in barge turnaround time. Six new hybrid rubber-tyred gantry cranes were also added to HIT's yard operations. Meanwhile, Yantian took delivery of three new QCs, bringing its fleet of QCs to 81.

HPH Trust's position of strength is founded on sound infrastructure and further cemented through various technological improvements. A good example is Yantian's autogate project, which involves the installation of drive-through optical character recognition portals and process re-alignment at its entry/exit gate to alleviate the congestion resulting from its heavy traffic flow and the inefficiency of the manual damage container inspection process. Since the launch of the autogate project, the average processing time has been reduced by 30%.

In addition, HIT's new Internal Tractor Deployment System adopts a new approach in assigning tractors for vessel operations, thereby improving tractor turnaround time and dual-move efficacy. The decrease in tractor turnaround time leads to a reduction of carbon dioxide emissions.

The Trust received a number of industry awards for its impressive throughput levels, vessel productivity, sustainable development and corporate social responsibility, the most notable of which was the prestigious Ports & Terminals Award by Seatrade Maritime Awards Asia. Yantian, as the sole winner, was lauded for its initiatives in service excellence and strong customer focus, application of cutting-edge terminal facilities and equipment, and green initiatives that protect the environment.

The Trust has undergone a rebranding exercise, and is now represented by a new logo that reflects its membership of the world's leading port network of CK Hutchison Holdings Limited. Our rebranded identity seeks to underscore the treasured set of values summarised in one word – UNITY.

Crossing new waves

Despite the uncertainties ahead, the Trust has optimised its ports through improvements, facilities and software upgrades, and the implementation of new technologies to prepare for future challenges. Despite volatility in the macro-environment, we are confident that measures to improve cost efficiency, which build on our strong fundamentals, will enable us to withstand cycles in the shipping industry, contribute to our continued market success, and allow us to capture new opportunities, and cross new waves in 2017.

FOK Kin Ning, Canning
Chairman

BOARD OF DIRECTORS



MR. FOK KIN NING, CANNING, aged 65
Chairman and Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Date of appointment as Chairman:	23 February 2011
Length of service as Director (as at 31 December 2016):	5 years 10 months

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts degree and a Diploma in Financial Management
- Fellow of Chartered Accountants Australia and New Zealand

Present Directorships or Chairmanships

Listed companies

- CK Hutchison Holdings Limited ("CKHH") (executive director and group co-managing director)
- Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") (chairman)
- Hutchison Telecommunications (Australia) Limited (chairman)
- Power Assets Holdings Limited (chairman)
- HK Electric Investments Manager Limited (as the trustee-manager of HK Electric Investments) (chairman)
- HK Electric Investments Limited (chairman)
- Husky Energy Inc. (co-chairman)
- Cheung Kong Infrastructure Holdings Limited (deputy chairman)

Other Principal Commitments

- Director of Cheung Kong (Holdings) Limited
- Director of Hutchison Whampoa Limited

Other Information

- The aforesaid companies are either subsidiaries or associated companies of CKHH Group in which Mr Fok acts as chairman, co-chairman, deputy chairman or director for the purpose of overseeing the management of such businesses.

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited) (chairman)
- HTHKH (alternate director to a director)



MR. IP SING CHI, aged 63
Executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2016):	5 years 10 months

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts degree

Present Directorships or Chairmanships

Listed companies

- Hyundai Merchant Marine Co., Ltd. (outside director)
- Westports Holdings Berhad (non-independent non-executive director)
- COSCO SHIPPING Energy Transportation Co., Ltd. (formerly known as China Shipping Development Company Limited) (independent non-executive director)
- Piraeus Port Authority S.A. (independent, non-executive director)

Other Principal Commitments

- Group managing director of Hutchison Port Holdings Limited
- Chairman of Yantian International Container Terminals Limited

Other Information

- A member of the Hong Kong Port Development Council until the end of December 2014
- Founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited
- Over 35 years of experience in the maritime industry

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited) (independent non-executive director)



MS. EDITH SHIH, aged 65

Non-executive Director

Trustee-Manager

Date of appointment as Director: 1 January 2017

Length of service as Director
(as at 31 December 2016): Not applicable

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines
- Master of Arts degree and a Master of Education degree from Columbia University, New York
- Qualified solicitor in England and Wales, Hong Kong and Victoria, Australia
- Fellow of both The Institute of Chartered Secretaries and Administrators, the United Kingdom and The Hong Kong Institute of Chartered Secretaries

Present Directorships or Chairmanships

Listed companies

- CK Hutchison Holdings Limited ("CKHH") (executive director)
- Hutchison China MediTech Limited (non-executive director)
- Hutchison Telecommunications Hong Kong Holdings Limited (non-executive director)

Other Principal Commitments

- Head Group General Counsel and Company Secretary of CKHH

Other Information

- Vice President and Executive Committee member of The Institute of Chartered Secretaries and Administrators in the United Kingdom
- Past President and current council member and chairperson of various committees and panels of The Hong Kong Institute of Chartered Secretaries
- Chairman of the Remuneration Committee and Vice-Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants
- Previously, a member of the Listing Committee and Corporate Governance Sub-Committee of the Stock Exchange of Hong Kong Limited, the Standing Committee on Companies Law Reform of Hong Kong, as well as a member of Hong Kong Institute of Certified Public Accountants Council

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited) (executive director and alternate director to a director)

BOARD OF DIRECTORS



MS. TSIM SIN LING, RUTH, aged 60

Non-executive Director

Trustee-Manager

Date of appointment as Director: 1 January 2017

Length of service as Director
(as at 31 December 2016): Not applicable

Board committee served on:

- Nil

Academic & Professional Qualifications

- Master of Business Administration degree from the Chinese University of Hong Kong
- Associate Member of the Institute of Chartered Accountants in England and Wales
- Fellow Member of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants
- Member of the Chartered Professional Accountants British Columbia of Canada

Present Directorships or Chairmanships

Listed company

- Westports Holdings Berhad (independent non-executive director)

Other Principal Commitments

- Group chief financial officer of Hutchison Port Holdings Limited

Other Information

- Both public accounting firm and several different industries in the commercial sector with roles in financial controllership
- Extensive background in internal auditing and controls, financial analysis and reporting

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- Nil



MR. CHAN TZE LEUNG, ROBERT, aged 70

Independent Non-executive Director

Trustee-Manager

Date of appointment as Director: 14 February 2011

Length of service as Director
(as at 31 December 2016): 5 years 10 months

Board committee served on:

- Audit Committee of the Trustee-Manager (member)

Academic & Professional Qualifications

- Bachelor of Science (Econ) Hons.
- Master's degree in Business Administration
- Fellow of the Hong Kong Institute of Directors

Present Directorships or Chairmanships

Listed companies

- Noble Group Limited (independent non-executive director)
- Quam Limited (independent non-executive director)
- Sibanye Gold Limited (non-executive director)

Other Principal Commitments

- Non-executive chairman of The Hour Glass (HK) Limited
- Senior adviser to Long March Capital Limited, a fund management company based in Beijing and Shanghai in partnership with leading Chinese institutions including the CITIC Group

Other Information

- Experienced banker with over 39 years of experience in both commercial and investment banking
- Retired as chief executive officer of United Overseas Bank, Hong Kong on 31 December 2011

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- Nil



MR. GRAEME ALLAN JACK, aged 66
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2016):	5 years 10 months

Board committee served on:

- Audit Committee of the Trustee-Manager (chairman)

Academic & Professional Qualifications

- Bachelor of Commerce degree
- Fellow of the Hong Kong Institute of Certified Public Accountants
- Associate of Chartered Accountants Australia and New Zealand

Present Directorships or Chairmanships

Listed companies

- The Greenbrier Companies Inc. (independent non-executive director)
- COSCO SHIPPING Development Co., Ltd. (formerly known as China Shipping Container Lines Company Limited) (independent non-executive director)
- Hutchison China MediTech Limited (independent non-executive director)

Other Principal Commitments

- Independent trustee of retirement plans established for employees of the CK Hutchison Holdings Limited Group

Other Information

- Extensive experience in finance and audit
- Retired as partner of PricewaterhouseCoopers in 2006

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- Nil



MRS. SNG SOW-MEI (ALIAS POON SOW MEI), aged 75
Independent Non-executive Director & Lead Independent Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2016):	5 years 10 months

Board committee served on:

- Audit Committee of the Trustee-Manager (member)

Academic & Professional Qualifications

- Bachelor of Arts degree

Present Directorships or Chairmanships

Listed companies

- Cheung Kong Infrastructure Holdings Limited (independent non-executive director and audit committee member)
- ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) (independent non-executive director and audit committee member)

Other Principal Commitments

- Nil

Other Information

- Lead Independent Director of Trustee-Manager
- Conferred the title of PPA(P) - Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust) (independent non-executive director and audit committee member)

BOARD OF DIRECTORS



MR. KEVIN ANTHONY WESTLEY, aged 68
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2016):	5 years 10 months

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts (Hons) degree
- Fellow of the Institute of Chartered Accountants of England and Wales

Present Directorships or Chairmanships

Listed companies

- Nil

Other Principal Commitments

- Non-executive director of The Zuellig Group Incorporated Limited
- Independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited
- Member of investment committee of the West Kowloon Redevelopment Authority

Other Information

- Retired from the HSBC Group in 2000 as chairman and chief executive of HSBC Investment Bank (Asia) Limited
- Served as an adviser to HSBC Holdings plc until April 2016

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- Nil



MR. WONG KWAI LAM, aged 67
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	2 December 2015
Length of service as Director (as at 31 December 2016):	1 year

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts degree from the Chinese University of Hong Kong
- Ph. D degree from Leicester University, England

Present Directorships or Chairmanships

Listed companies

- ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) (independent non-executive director, member of the audit committee and the designated (finance) committee)
- China Merchants Bank Co., Ltd. (independent non-executive director, chairman of remuneration and appraisal committee and audit committee member)
- K. Wah International Holdings Limited (independent non-executive director, member of the remuneration committee and the nomination committee)
- Langham Hospitality Investments Limited (independent non-executive director, member of the remuneration committee and the nomination committee and chairman of audit committee)
- LHIL Manager Limited (as trustee and manager of Langham Hospitality Investments) (independent non-executive director and chairman of audit committee)

Other Principal Commitments

- Chairman of IncitAdv Consultants Ltd.
- Director of Opera Hong Kong Limited
- Vice chairman of the board of trustees and a member of the investment sub-committee of the board of trustees of New Asia College of the Chinese University of Hong Kong
- A member of the investment sub-committee of the Chinese University of Hong Kong
- A member of the Hospital Governing Committee of the Prince of Wales Hospital
- Director of CUHK Medical Centre Ltd.

Other Information

- Former member of the advisory committee of the Securities and Futures Commission in Hong Kong
- Over 33 years of experience in the commercial and investment banking industry
- Retired as managing director of Asia investment banking division of Merrill Lynch (Asia Pacific) Ltd. in 2009 and served as their senior client advisor until 2010
- Conferred with an honorary fellowship by the Chinese University of Hong Kong

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2014 to 31 December 2016)

- Nil

SENIOR MANAGEMENT

MR. YIM LUI FAI, GERRY

Chief Executive Officer

Mr. YIM Lui Fai, Gerry has been the Chief Executive Officer (“CEO”) of the Trustee-Manager since July 2012. He is also the Managing Director of HIT and a member of the HPH Trust Exco, a committee of executives that determines the strategy for HPH Trust. Mr. Yim was the Managing Director of the Africa, Middle East and Americas division of HPH and was employed by the HPH Group from 2003 to 2009 in various senior positions before joining Hysan Development Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, in December 2009 as its Executive Director and subsequently in March 2010 as its CEO. He has also held senior positions in general management, finance, and investment banking at major organisations in Hong Kong. He is the Chairman of the Shipping & Port Operations Group of the Employers’ Federation of Hong Kong and a member of the Hong Kong Maritime and Port Board. He holds a Bachelor’s degree in Economics and is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

MS. LEE TUNG WAN, DIANA

Chief Financial Officer and Investor Relations Officer

Ms. LEE Tung Wan, Diana was appointed Chief Financial Officer (“CFO”) and Investor Relations Officer (“IRO”) of the Trustee-Manager in May 2016 and has been the Deputy CFO of the Trust-Manager since February 2011. She is also the Finance and Legal Director and Company Secretary of Yantian. She has held various executive positions at HPH. She focused on the financial planning and corporate finance area of the South China division of HPH and served as the CFO of several HPH subsidiaries. She has also served as director on some of HPH Trust business portfolio assets’ boards of directors since 2006. She holds a Bachelor’s degree in Commerce and is an Associate of The Institute of Chartered Accountants in Australia.

MR. LAM HING MAN, PATRICK

Managing Director of Yantian

Mr. LAM Hing Man, Patrick is the Managing Director of Yantian and a member of the HPH Trust Exco. He first joined HIT in 1988 and spent the following two decades developing joint-venture projects for HPH in China. He has held various executive positions at HPH. He was previously the General Manager of two HPH subsidiaries in China, the General Manager of Human Resources at HIT and the Director of Operations and Human Resources at Yantian. He holds a Master’s degree in International Shipping and Transport Logistics.



MR. SHUM KAI SHING, LAWRENCE*Managing Director of COSCO-HIT and Deputy Managing Director of ACT*

Mr. SHUM Kai Shing, Lawrence is the Managing Director of COSCO-HIT, Deputy Managing Director of ACT and a member of the HPH Trust Exco. He has held various executive positions at HPH since his joining in 1996. Before his appointment in May 2016, Mr. Shum spent over 15 years for HPH in China. He played the CFO role at Yantian and was then employed in a number of executive positions in Shanghai, most recently as Regional Director - North & East China of HPH. He is a Fellow of the Association of Chartered Certified Accountants, an Associate of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

MR. TANG HIN KEE, EDWARD*Operations Director*

Mr. TANG Hin Kee, Edward has over 37 years of experience in port operations and is a member of the HPH Trust Exco. He has been the Operations Director of HPH Trust since 2013 and oversees the overall port operations within the Trust. He is also the General Manager of Operations at Yantian. He joined HIT in 1979 and has held various executive positions at HPH. He had successively been the General Manager of three HPH ports in China. He is a member of Hong Kong Port Operations Committee of Marine Department, and a MILT member of The Chartered Institute of Logistics and Transport.

MR. WONG LEK HENG, SIMON*Engineering Director*

Mr. WONG Lek Heng, Simon is currently the General Manager of Engineering at HIT, a member of the HPH Trust Exco and the Engineering Director of HPH Trust. He first joined HIT in 1997 and spent most of his time in overseeing the engineering function of HIT. He had also been the General Manager of Engineering at Yantian for more than three years. Simon holds a Bachelor's degree and a Master's degree in Engineering. He is a Chartered Mechanical Engineer of the Institution of Mechanical Engineers and a member of the Institution of Engineering and Technology. He is also a member of the Hong Kong Institution of Engineers.





REACHING NEW HEIGHTS

We embrace new automation technologies and productivity enhancement programmes to support better long-term growth prospects for the Trust. Leveraging our leadership in innovation and our services capabilities and global network, we aim to cross new waves and forge new frontiers in terminal management, vessel handling and customer service.





FINANCIAL REVIEW

“Given the relatively soft global trade outlook, the Trustee-Manager remains cautious about expected cargo volumes for 2017, and will continue to focus on cost improvements and new equipment deliveries over the next few years, including a replacement programme for yard cranes. Investments in hardware and software – which include remote-controlled yard crane technology and other systems enhancements – will enable the Trust to remain competitive.”



Portfolio expansion strengthens the Trust in the face of overall throughput drop

2016 was a volatile year for the shipping industry. Continuing subdued trade levels and overcapacity resulted in low freight rates, which may have ultimately led to the bankruptcy of one shipping line, while major players merged and formed new alliances for better economies of scale. Throughput was down and tariffs were under constant pressure as shipping lines tried to reduce their operating costs. Despite this, the Trust was resilient and worked diligently on streamlining its operations, recording a mild 3.0% drop in operating profit compared with 2015, to HK\$4.2 billion.

HPH Trust's Hong Kong and Yantian ports both recorded a decrease in transshipment volumes as a result of the service rationalisation of various global shipping lines. This contributed to the overall volume decline in throughput at both locations, with HPH Trust's Hong Kong ports also impacted by a drop in intra-Asia trade.

NPAT for the full year 2016 was HK\$3.0 billion, a 3.0% drop from 2015. NPAT attributable to unitholders was HK\$1.7 billion, down 1.8% from 2015.

On 19 December 2016, HIT, COSCO-HIT, and ACT entered into an agreement for the co-management and operation of the 16 berths across Terminals 4, 6, 7, 8 and 9 in Hong Kong. With operations handled under one management team, the Trustee-Manager believes that this arrangement will allow the most efficient use of facilities and deployment of resources, improving overall competitiveness.

In late December, Yantian acquired interests in HICT and HPH Trust now owns an effective interest of 41.3% in the terminal. The Trustee-Manager believes the acquisition will provide additional handling capacity and will generate operational synergies with Yantian through the sharing of resources and better utilisation of port and related facilities.

Responding to challenges

Compared with 2015, throughput at HPH Trust's deep-water ports was down 5.9%, with the ports handling a total of 22.5 million TEU. Yantian's throughput was 11.7 million TEU, or 3.9% down on last year. The combined throughput of HIT, COSCO-HIT and ACT was 10.8 million TEU, or 8.1% down on last year.





The drop in throughput at Yantian was mainly due to a decrease in empties and transshipment cargoes, and that for Hong Kong was mainly due to weaker intra-Asia and transshipment cargoes.

Outbound cargoes to the US and Europe showed an upward trend in 2016. Outbound cargoes to the US grew at a faster rate in the fourth quarter of 2016, in response to the strengthening US economy. HPH Trust's performance over the year was also affected by the impact of structural changes in the container shipping industry, including cost rationalisation and changes in global shipping alliances.

HPH Trust's natural deep-water channels and unparalleled mega-vessel handling capabilities continued to cement its position as the preferred port-of-call for mega-vessels.

Revenue and other income was HK\$11.9 billion, HK\$0.7 billion, or 5.6% down on 2015.

Throughout the year, the Trust managed to improve operational efficiency and contain its costs by streamlining workflows and improving service delivery.

Limiting risk with a healthy cash balance and balanced capital structure

HPH Trust concluded 2016 with a cash balance of HK\$7.0 billion. Cash generated from operations in 2016 totalled HK\$6.8 billion, with net cash from operating activities at HK\$5.2 billion. In 2016, HPH Trust recommended a total payout of HK\$2.7 billion in distributions to unitholders, translating to a DPU of 30.6 HK cents and a distribution yield of 9.0% based on the market price of US\$0.435 on 30 December 2016.

Short-term debt as of 31 December 2016 stood at HK\$4.2 billion and the Trust's total outstanding bank loans amounted to HK\$33.6 billion. The Trust has proposed to reduce its overall debt by repaying a minimum of HK\$1 billion of debt annually over a five-year period starting from 2017, limiting the Trust's exposure to risk under challenging market conditions.

Outlook for 2017

Given the relatively soft global trade outlook, the Trustee-Manager remains cautious about expected cargo volumes for 2017 and will continue to focus on cost improvements and new equipment deliveries over the next few years, including a replacement programme for yard cranes. Investments in hardware and software – which include remote-controlled yard crane technology and other systems enhancements – will enable the Trust to remain competitive.

The International Monetary Fund's latest projection for global growth in 2017 is 3.4%, up marginally from 3.1% in 2016 – which is in line with its earlier projection that global growth may pick up slightly from last year's lacklustre pace. In Europe, Britain's terms of exit from the European Union remain unsettled, with uncertain repercussions at this time. On the other hand, the US economy is regaining its growth momentum, and economic activity has increased at a faster pace than expected. However, the new US president and any policy changes may present uncertainties for the US economy and impact global trade in 2017. Although a general slowdown in China's economy may dampen regional trade, this may counteract China's ongoing policy to move also from export-led growth towards domestic consumption. There may be opportunities offered for export trade, especially in light of Renminbi depreciation.

Despite these uncertainties, the management is confident that HPH Trust will respond promptly and effectively to any new challenges, given its strong fundamentals. By focusing on cost improvements and enhancing its mega-vessel handling capabilities through equipment and facility upgrade programmes, the Trust will ensure sustainable growth and stable annual distributions to unitholders.

OPERATIONAL REVIEW

“At HPH Trust, the proactive review of our operating procedures for efficiency and productivity improvement – including the roll-out of a new generation of equipment, the implementation of cutting-edge technology, operational efficiency improvement programmes and new berth constructions – ensures the streamlined management of inbound and outbound container flows.”

At HPH Trust, we continually push the envelope to upgrade container handling equipment and facilities. These upgrades are essential to ensure our competitiveness in the face of changes in the container shipping industry, such as the continued deployment of mega-vessels, and the increased operational complexity arising from changes in shipping alliances.

At HPH Trust, the proactive review of our operating procedures for efficiency and productivity improvement – including the roll-out of a new generation of equipment, the implementation of cutting-edge technology, operational efficiency improvement programmes and new berth constructions – ensures the streamlined management of inbound and outbound container flows.

To remain responsive to the evolving needs of customers and maintain the highest levels of service, the Trust achieved a number of equipment and facilities expansion targets in 2016 that helped to advance its strategy of optimising every aspect of operations.

Asset Enhancement

Among some of the Trust's more significant asset enhancements in 2016 were the purchase of two

new SPP QCs and two new BQCs at its Hong Kong operations. The SPP QCs can be adapted for remote-controlled operations and are the largest QCs in Hong Kong, bringing HIT's fleet of QCs to 48.

HIT is the only container terminal operator in South China to have four BQCs in its fleet. In 2016, HIT handled an accumulative barge throughput of nearly 2 million TEU, the highest in the Pearl River Delta, setting a new handling record of 129 barges and 6,103 moves in a single day.

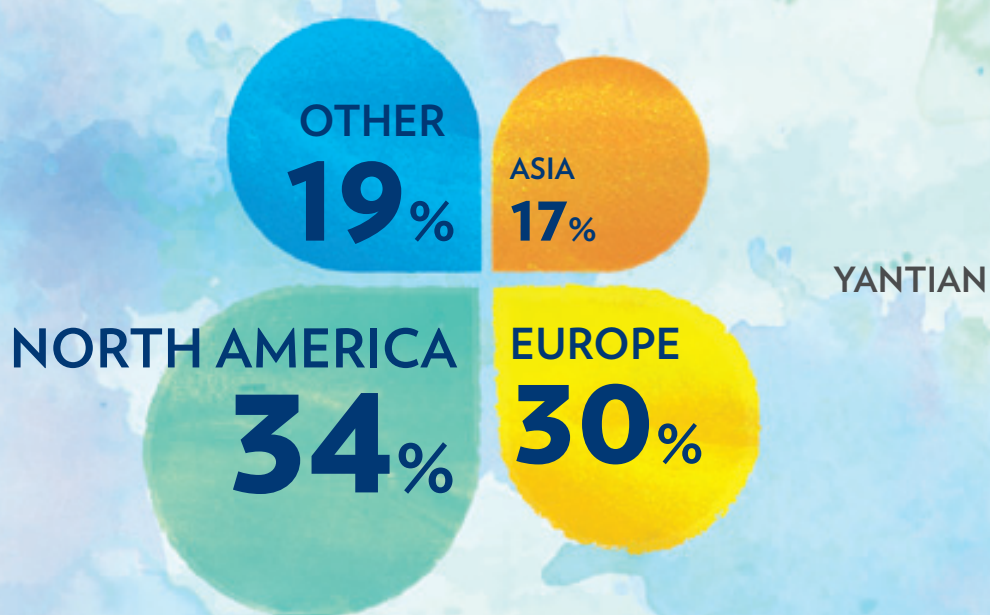
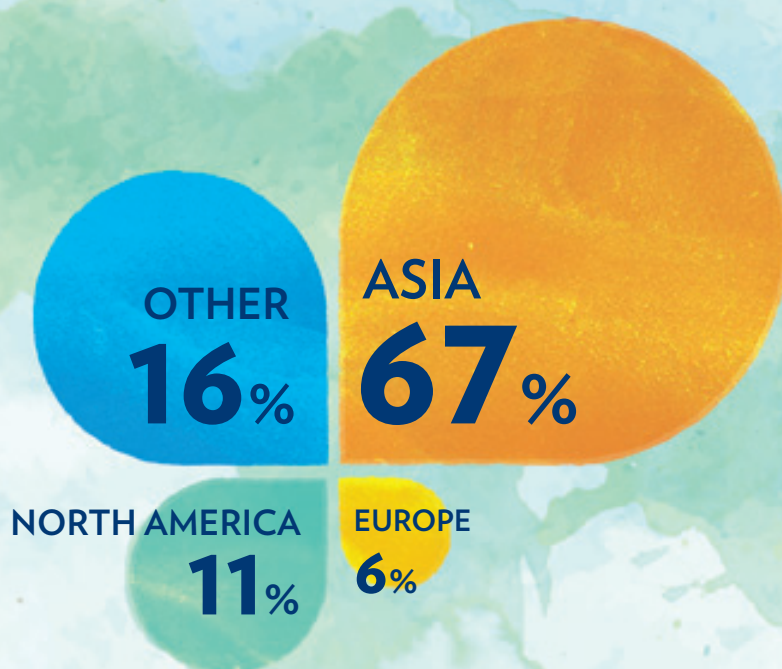
Yantian took delivery of three QCs with a unique truss structure that enhances its ability to withstand wind load caused by typhoons, bringing its fleet of QCs to 81.

As for facility enhancement, the first berth of Yantian's West Port Phase II project passed its official inspection in January, and the remaining two berths are expected to be completed in the first half of 2018. In addition, Yantian's Phase III Expansion South Berth has been fully operational since May. It is equipped with eight SPP QCs, with a depth alongside of 17.6 metres, ideal for handling mega-vessels. This brings the total number of deep-water berths to 18.



PROPORTION OF WEEKLY SERVICES BY TRADE ROUTES (2016)

HIT, COSCO-HIT
AND ACT



OPERATIONAL REVIEW

Operational efficiency

To enhance operational efficiency, improve resource utilisation and drive continuous improvement, HIT introduced its BOXplus project in 2015 and extended it from vessel to barge operations in January 2016 to address the increasing importance of, and the growing demand for, barge operations. This resulted in a berth productivity rate of 14.1 mph, which is a 16% increase over 2015.

BOXplus is a major component in a series of process improvement programmes at HPH Trust that aims to create high-quality, reliable solutions to support business objectives in a timely and cost-effective way.

Prime examples of this initiative are the IT pager and nITDS programmes which focus on streamlining the flow of internal trucks. In the IT pager project, over 500 IT pagers were upgraded to access both an internal Wi-Fi network and the public 3G network, increasing network reliability.

nITDS focuses on improving tractor assignment for vessel operations. It is a rule-based engine that uses mandatory condition-checking and move prioritisation logic to assign tractors to containers. Reducing travelling distance and transit time are key objectives as the system prioritises containers and tractor instructions based on container distance from the available tractors. IT pagers and nITDS, when implemented as an integrated solution, increase the productivity of internal trucks by 5%.

External tractors is also a focus of efficiency programmes at HPH Trust. The autogate project at Yantian was launched in part to help alleviate the operational pressure from the port's heavy traffic flow and to address the inefficiencies in the manual damage inspection process. Equipment for the autogate project includes two drive-through optical character recognition portals with the latest line scan and area scan technology that can capture a picture of a whole container when a truck passes through the portal.

The autogate project, which currently handles around 20% of full-container exports at Yantian, reduces the average processing time per tractor by 30%. The autogate project also serves to minimise the possibility of human error. On 29 August 2016, the autogate project set a record of 3,360 tractor moves in a single day, with an accuracy rate of 99%.

The Trust also took steps to improve operational safety by conducting regular employee training. A good example is in Yantian, where 7,440 staff attended refresher training in a number of areas, including safety laws and regulations, fire safety, dangerous cargo handling and risk assessment. This training was instrumental in the 21% drop in accidents for Yantian staff and contractors in 2016. A similar strategy in Hong Kong resulted in drops in the accident and injury rate of 8% and 5%, respectively, with a 49% drop in stevedoring accidents in 2016.

Green power

The Trust is cognisant of the environmental impact of its terminal operations, and over the years has implemented many green programmes to ensure the environmental sustainability of its operations.

In February 2017, HIT took delivery of six new hybrid RTGCs, each with a 41-tonne lifting capacity. These hybrid RTGCs also mark a leap forward in the use of green technology. The Trust's fleet of 224 RTGCs in Hong Kong runs on either electricity or hybrid power. For those RTGCs running on electricity, their movement is limited by the need to be plugged in to an electrical source. As a result, diesel power is required when moving between container blocks, which requires the RTGC to be unplugged.



The six new RTGCs, under the new design, run on lithium battery power when moving between blocks, completely eliminating on-site diesel usage, emissions and engine noise.

As part of its efforts to reduce terminal emissions, fuel consumption and noise pollution, HIT has been converting its traditional RTGCs into electric or hybrid RTGCs since 2008. Electric and hybrid RTGCs can reduce fume emissions by 80% and fuel consumption by 50%. Furthermore, both types of RTGCs can reduce noise pollution by 45%. Battery-powered intra-terminal vehicles have been in use at the Trust for a number of years. To speed up the electric vehicle (“EV”) implementation plan, HIT installed a battery-charging station with five sets of universal EV chargers.

In Yantian, the second phase of its shore power project is underway. Upon completion, it will provide power supply for 150,000-tonne to 200,000-tonne mega-vessels, eliminating the need for these vessels to use diesel power while at berth.

Commitment and the way forward

The Trust’s equipment, facilities and technology enhancement programmes result in clearly measurable performance improvements and create sustainable value for our stakeholders. They also speak volumes about the Trust’s long-term commitment to the growth of its business in the region.

The Trust’s commitment has been recognised in the many awards it received in 2016. Yantian was awarded the prestigious 13th Tien-Yow Jeme Civil Engineering Prize – one of China’s top honours for civil engineering and construction – in March 2016, for an expansion project covering seven deep-water berths with a depth alongside of 17.6 metres and a quay length of three kilometres.

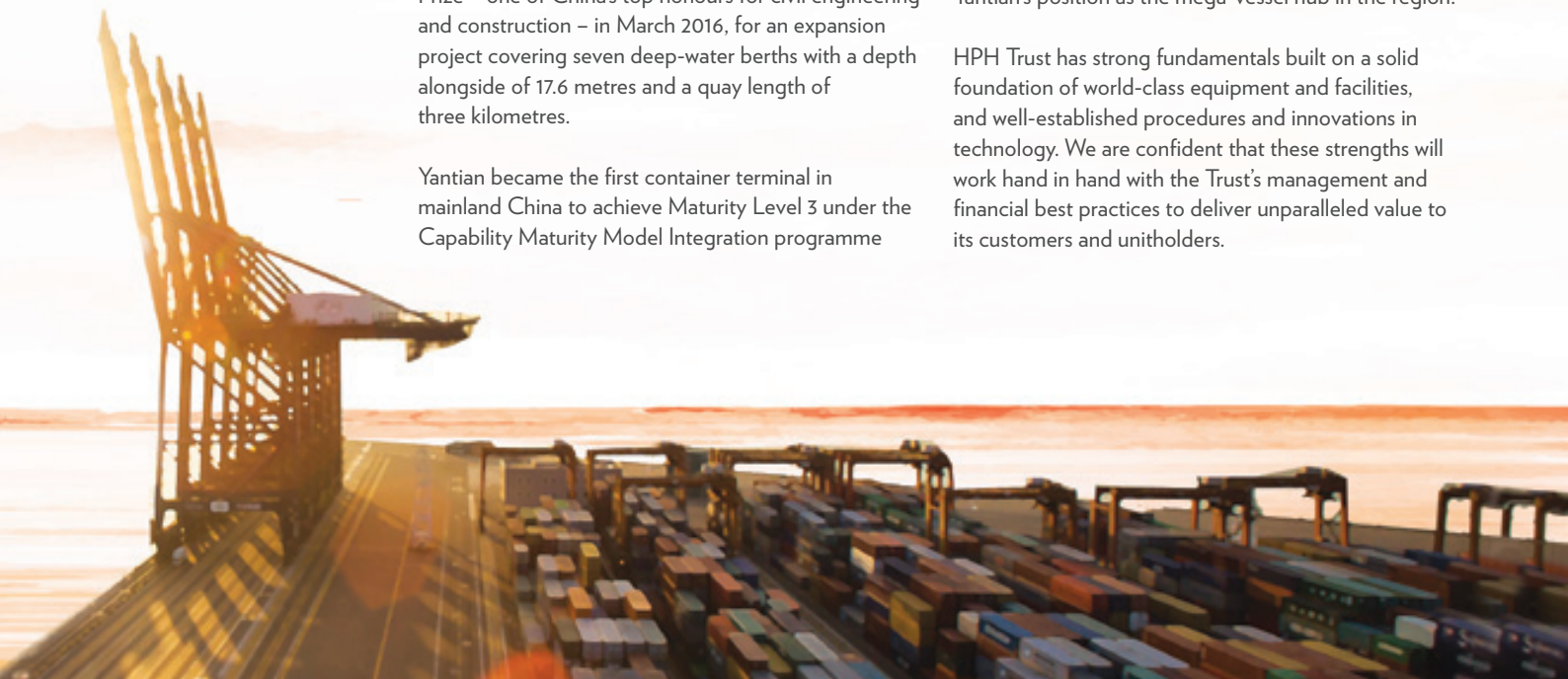
Yantian became the first container terminal in mainland China to achieve Maturity Level 3 under the Capability Maturity Model Integration programme



for its high-quality software development, project management and information services. In Hong Kong, HIT’s nITDS has been recognised by CarbonCare® Action Label 2016 for its efforts to reduce carbon dioxide emissions.

As part of our expansion and facilities upgrade, various types of new equipment are scheduled for delivery in 2017. We also look forward to the completion of Yantian West Port Phase II project, which will solidify Yantian’s position as the mega-vessel hub in the region.

HPH Trust has strong fundamentals built on a solid foundation of world-class equipment and facilities, and well-established procedures and innovations in technology. We are confident that these strengths will work hand in hand with the Trust’s management and financial best practices to deliver unparalleled value to its customers and unitholders.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Stakeholder Engagement

HPH Trust undertakes various activities throughout the year to foster strong and dynamic professional relationships with different stakeholder groups, which include unitholders, customers, suppliers, financial institutions and employees. We are committed to ensuring effective and transparent stakeholder interactions; to better addressing and understanding specific stakeholder concerns; and to making business decisions that create the most sustainable value for all.



US-themed cocktail reception

February 2016: Yantian hosted a cocktail reception themed "Gateway to the US" for about 200 cargo owners, freight forwarders and warehousing enterprises. HPH Trust CEO Gerry Yim and Yantian Managing Director Patrick Lam shared insights and status on the latest port facility upgrades, and other projects in the pipeline designed to increase operating efficiency.



1.1 UNITHOLDERS

Investor communication is an instrumental aspect of our operations. We actively engage with unitholders and the financial and investor communities during the year through quarterly financial updates, results briefings, global non-deal roadshows, industry conferences and various investor outreach events.

1.2 CUSTOMERS

We are proud to count all of the world's top carriers among our customers. In the face of increasing operational complexities and industry developments, we strive to deliver the best customer service, and to remain a trusted business partner to our customers.

Sponsorship for Retail Supply Chain Conference 2016

February 2016: HPH Trust attended the Retail Supply Chain Conference 2016 in Dallas, Texas, as a Gold Sponsor. The four-day event brought together top executives from all aspects of the retail supply chain, from logistics and distribution to transportation, ports and technology providers. At the conference, the Trust was able to directly engage with the attendees to better understand their needs and explore the way that it could work more closely with them.



HIT luncheons

April/June 2016: HIT hosted a luncheon titled “Your Preferred Barge Complex in South China” for barge operators in April 2016, and another themed “Riding the Waves of Change” for shipping lines in June 2016. The events allowed HIT to highlight its new service offerings and initiatives to better support its customers. HIT has been increasing its ability to support South China hinterland cargoes, boosting operational excellence in service delivery to customers, upgrading infrastructure to accommodate customers’ changing needs, and extending its reach to customers to develop business opportunities.

Annual customer communication session

June 2016: Yantian conducted its annual customer communication session, themed “Yantian, the Gateway to the World”, for around 220 guests. Cargo owners, freight forwarders and representatives from shipping lines and related government departments attended the event.



Helping customers comply with new regulations

July 2016: With the approval of an amendment to the 2014 SOLAS (Safety of Life at Sea) Convention by the International Maritime Organization’s Maritime Safety Committee, mandatory container weight verification came into force. Ensuring compliance with the new regulations, which requires a Verified Gross Mass (VGM) declaration for laden export containers, was a key concern for related industries.

HPH Trust, in its role as port service provider, took on the responsibility to ensure the availability of the VGM for laden containers before loading at terminals. Discussion sessions were held to provide our partners with updates on regulatory requirements and the impact on workflow. During the communication session, in-depth discussions were held with carriers and shippers about VGM declarations. These sessions served as a great platform for the Trust to strengthen customer relationships. Shortly after:

- › Yantian carried out pioneering work to raise awareness of the issue in the industry, conducting a SOLAS workshop in partnership with the leading home improvement retailer Lowe’s, shipping lines and third-party logistics companies. The workshop was designed to ensure key stakeholders are familiar with and ready to comply with the SOLAS convention. Around 250 Lowe’s suppliers attended.
- › Yantian participated in more than 10 workshops held by shipping lines, to present information on the VGM declaration and to promote its weighing service.
- › HIT organised a weighing trial with digital camera manufacturer Canon to explore the possibility of collaboration in compliance with SOLAS.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



TPM Asia 2016 conference

October 2016: This financial year marked Yantian's 10th year as a platinum sponsor of the TPM Asia Conference, which is the essential conference for container shipping and logistics professionals to understand and discuss the issues facing the Asia-Europe, trans-pacific and intra-Asia container markets.

International Logistics and Transportation Fair

October 2016: Yantian participated in the 11th China (Shenzhen) International Logistics and Transportation Fair at the Shenzhen Convention and Exhibition Centre. Representatives from Yantian were on hand to showcase the company's "Smart, Green and World-Class Port" vision, and to highlight its geographical advantages, advanced use of technology and green port initiatives.

Building relationships through golf

October 2016: During the Trust's annual Golf Day, key management staff spent a day out golfing with their clients, as a way to build and strengthen relationships. This year's Golf Day culminated in an "Oktoberfest" themed dinner party.

1.3 VISITORS

The Trust welcomes VIPs, foreign and local dignitaries, and ministry officials for guided tours of its advanced port facilities. These tours represent an invaluable opportunity for us to share our insights on the evolving business landscape and to highlight our innovative technical capabilities.

Oman delegation visits Yantian and HIT

February 2016: Sultanate of Oman's Secretary General of the Supreme Council for Planning, and Chairman of Sohar Industrial Port Company, H.E. Sultan Salim Said Al Habsi, led a delegation on a tour of the Trust's facilities in Shenzhen and Hong Kong. HPH Trust introduced the company's latest developments and services to the delegation.



Minister of Environmental Protection visits Yantian

April 2016: Yantian Managing Director Patrick Lam hosted the People's Republic of China's Minister of Environmental Protection, Mr. Chen Jining, and the Mayor of Shenzhen, Mr. Xu Qin, on a yard tour of Yantian's facilities. The tour highlighted the company's terminal developments, innovative shore power facilities and green initiatives.

Ningbo Zhoushan Port Group visit

May 2016: Mr. Cai Shengkang, General Manager, Vice President and Vice Party Secretary of Ningbo Zhoushan Port Group visited Yantian.

Yantian hosts Minister of Human Resources and Social Security

September 2016: Mr. Ai Xuefeng, Deputy Mayor of Shenzhen, and Mr. Du Ling, Secretary of the Communist Party of China, Yantian District Committee, accompanied Mr. Qiu Xiaoping, Vice Minister of Human Resources and Social Security of China, and his delegation toured the Yantian facilities.

1.4 EMPLOYEES

Our human capital is invaluable in ensuring business continuity and sustained growth. We continuously engage our team members to seek feedback, and provide opportunities for our employees to develop their careers with us. We believe that training and communication are crucial to retaining talent and maintaining a committed and effective workforce.

General Managers Open Day

June 2016: Yantian Managing Director Patrick Lam and other general managers engaged and exchanged views with 60 employees during a gathering aimed at sustaining strong relationships between senior management and staff.



Caring for staff during the heat

July/August 2016: In the hot summer months of July and August, Yantian's managers distributed gifts and fruits to 6,500 staff, including contractors, to show their appreciation and to motivate staff at work.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Family outing is a staff favourite

July/September/November 2016: HIT's Sports & Recreation Committee, on behalf of the Trust's business units in Hong Kong, organised a variety of activities and annual gatherings for staff and their families. To cater to the diverse interests of different age groups, participants were offered a variety of programmes to choose from, including a summer movie, Halloween Preview Night, and a hiking trip plus lunch buffet. Around 2,400 employees and family members participated in these activities.

Staff's family members visit terminal

October 2016: Family members of ACT and COSCO-HIT staff were given a tour of the terminals, office areas and Operations Control Tower, through which they gained a better understanding of the port's day-to-day operations, as well as the roles and responsibilities of the different staff groups.

Family Fun Day

November 2016: Yantian held a Family Fun Day at Splendid China & China Folk Culture Village for more than 9,000 employees, customers, contractors and their family members. After an opening ceremony which also highlighted the company's recent rebranding, a series of activities followed: a family talent contest, a dragon boat race and garden games. These activities fostered teamwork and company spirit in a fun and friendly environment.

Business unit bonding

November 2016: Table tennis and snooker tournaments are examples of sports competitions within HPH Trust. These friendly competitions were seen as channels to build networks and strengthen staff relations among business units. Throughout the year, more than 150 staff participated in informal gatherings, games and activities. Many participants established new friendships with colleagues from a different business unit.



Town hall meetings

2016: HIT held town hall meetings twice during the year, involving management and more than 1,000 staff each time. In these meetings, HIT Managing Director Gerry Yim shared insights on the company's business strategy, applauded achievements, openly discussed some of the challenges faced by the business, and provided updates on green, safety and health initiatives.



1.5 SUPPLIERS AND VENDORS

The Trust adheres to policy standards with a strict selection process for its vendors and suppliers. The overall assessment takes into account key performance metrics such as quality of services and products, pricing reasonableness, professional ethics and conduct, as well as past and present performance.

1.6 GOVERNMENT

To ensure smooth, long-term operations, the Trust strives to stay abreast of the latest local, regional and industrial regulations through active engagement with local and regional authorities. We respect the local and industrial legal frameworks, and remain mindful and vigilant of the various compliance requirements.



2. Workplace Quality

The Trust strives to provide a safe and healthy working environment for its employees by enforcing health and safety practices in all its facilities. We recognise that the overall well-being of our staff is fundamental to maintaining employee satisfaction, which in turn bodes well for the Trust's productivity levels and service standards.

2.1 HEALTH AND SAFETY

Kwai Tsing District Road Safety Carnival

February 2016: HIT participated in the Kwai Tsing District Road Safety Carnival, hosting a game booth for the public. The annual carnival was held by the Kwai Tsing District Council, and was designed to strengthen the public's awareness of road safety.

Container lashing competition

April 2016: 65 external contractors participated in a container lashing competition, aimed at improving the skills of Yantian's workforce and enhancing operational efficiency and safety.

Occupational Safety and Health Campaign

April 2016: HIT hosted an appreciation event for staff and external contractors who participated in its Occupational Safety and Health Campaign. This campaign was jointly organised by the Hong Kong Container Terminal Operators Association, Hong Kong Labour Department, and the Occupational Safety and Health Council. HIT remains committed to promoting safe and healthy work environments.

Focus on safety training

May 2016: In addition to continuously providing safety training programmes for RTGC operators and stevedores since 2015, HIT developed a customised safety training programme for QC operators to enhance their safety awareness and operating skills. The accident rate between June and December of 2016 dropped 27% over the same period in 2015.

Increasing safety at HIT terminals

May-June 2016: The Occupational Safety and Health Council (OSHC) conducted the annual safety audit at HIT, based on the Continual Improvement Safety Programme Recognition of System (CISPROS). The safety audit focused on evaluating the effectiveness, efficiency and reliability of HIT's Occupational Safety and Health Management System (OSHMS). Following the audit, OSHC confirmed the robustness of HIT's OSHMS and awarded it the CISPROS Level 3 certification.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Fire rescue competition

June 2016: Yantian's fire service team participated in a fire rescue competition organised by the Yantian District Government. After more than 100 teams from the Yantian District competed intensely for two days, Yantian was crowned first runner-up.

Crane rescue simulation practice

September 2016: ACT and COSCO-HIT organised a joint rescue simulation with the Fire Services Department, during which employees simulated the rescuing of sick or injured operators from the cabin of a QC.

Improving crane operator comfort

September 2016: HIT fitted 36 QCs with new 'air type' operator chairs to offer crane operators better vibration absorption for a more comfortable work environment.

Increasing worker safety

October 2016: 167 safety administrators and contractors from Yantian attended a safety training session organised by Yantian District Administration of Work Safety, and all passed a post-event examination.

Safety Re-education

2016: A "Safety Re-education" session for all 7,440 Yantian staff and contractors provided participants with information on safety laws and regulations, fire safety, dangerous cargo handling and risks assessment. The 2016 accident rate for Yantian staff and contractors dropped by 21% year-on-year.

2.2 DEVELOPMENT AND TRAINING

With unyielding long-term commitment to nurturing and developing our staff, we regularly develop and offer a variety of training programmes, including vocation-specific workshops, sharing sessions, thematic seminars and specialised training courses.

2.3 RECRUITMENT AND PROMOTION

The Trust firmly believes that a reliable and skilled workforce represents a key competitive advantage and is essential to its long-term development. To promote staff retention and career progression goals, we conduct regular reviews of the company's employment practices, employee appraisal process and incentive programmes.

As an equal opportunity employer, we welcome applications from all qualified candidates, and offer all successful candidates a structured development path.



3. Sustainability and Environmental Protection

As a long-term player in the industry, we are committed to protecting the environment and conducting our operations in an environmentally conscious manner. We are proud of our track record and will continue to uphold best practices in energy efficiency, pollution prevention, emissions reduction, operational sustainability and environmental protection.

Improving air quality at Kwai Chung

January–June 2016: HIT's enforcement of Hong Kong's Air Pollution Control (Ocean Going Vessels) (Fuel at Berth) Regulation resulted in a reduction in air pollution and a vast improvement in air quality at Kwai Chung.

Data from the Environmental Protection Department shows that average sulphur dioxide concentrations measured between July and December in 2015 at the Kwai Chung Air Quality Monitoring Station have been reduced by 37% when compared with the same months from 2010 to 2014.

HIT protects the environment

February 2016: HIT was awarded the Hong Kong Green Organisation certificate in recognition of its contribution to environmental protection through waste and carbon reduction, energy saving and indoor air quality improvement.



The awards were presented by the Indoor Air Quality Information Centre.



"EcoChallenger" awards at the BOCHK (Bank of China Hong Kong) Corporate Environmental Leadership Award presentation ceremony. The award recognises the company's continuous participation and contribution to environmental protection in the industry.

Breathing easy

June 2016: HIT attained Indoor Air Quality Certificate – Good Class for its office buildings Tower 1, 2 and 4.

Corporate Environmental Leadership Award

June 2016: HIT was presented the "3 Years+ EcoPioneer Companies" and

New yard strategy

July 2016: ACT and COSCO-HIT implemented a new yard strategy to increase the utilisation of electric and hybrid RTGCs. A key element of their environmental improvement programmes, the new strategy resulted in a 15% reduction in carbon emissions.

Millions of fingerlings released

July 2016: Yantian and the Yantian Port Group organised the release of more than half a million fingerlings into Miao Bay in Yantian District. The release, aimed at preserving fish species and the aquatic environment, is now in its eighth consecutive year. Over the years, the company has released more than 46 million fish and shrimp fingerlings into the waters around the port.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Go Green planting initiative

September 2016: HIT and Port Services and Logistics ("PS&L") organised a planting activity to support the Go Green initiative jointly arranged by terminal operators. Around 20 volunteers from HIT and PS&L assisted students from Tsuen Wan Trade Association Primary School – one of HIT's dock schools – to plant a variety of vegetables in their school farm.

No Car Day

September 2016: HIT participated in "No Car Day 2016", encouraging staff to take public transport instead of driving. The initiative was organised by Friends of the Earth (HK), which planted trees at the Dongjiang headstream in recognition of HIT's efforts.

Less waste, more recycling

September–December 2016: HIT's clean terminal campaign resulted in a reduction of waste by around 1,200 kilograms and the recycling of 10,000 plastic

bottles and aluminium cans. The campaign included activities such as a slogan competition, a "Keep Clean" competition for external contractors' offices and recycling of plastic bottles and aluminium cans.

Increase energy efficiency

2016: HIT embarked on a number of green initiatives during 2016. These included replacing a number of internal vehicles with electric vehicles and installing five units of chargers within its premises. HIT has gradually been replacing high-pressure sodium floodlights on its RTGCs, QCs and light towers with energy-saving LED floodlights.

Shore power project

2016: Yantian commenced the second phase of its shore power project which will enable the port to provide power supply to 150,000-tonne to 200,000-tonne mega-vessels. Providing quay side power to a berthed vessel allows it to completely turn off its diesel engines and eliminate emissions.

4. Operating Practices

Through the implementation of stringent frameworks and sound operating procedures, the Trust continues to maintain seamless and uninterrupted operations across its business. We conduct regular internal reviews to evaluate the adequacy and effectiveness of our protocols and company guidelines, which are continuously strengthened and updated in line with international best practices.

4.1 SUPPLY CHAIN MANAGEMENT

The Trust undertakes comprehensive internal controls to ensure transparent and fair procurement processes. It also works to maintain open communication with stakeholders through appropriate channels, to facilitate dialogue and swift reporting of any suspected improprieties. Tender processes are transparent and clearly communicated, and vendors are selected based on merit or specified criteria such as experience and track record, price competitiveness and the ability to meet stated project requirements.

4.2 CUSTOMER PROTECTION

We recognise the need to protect our customer and operation data. The Trust has in place safeguards that work to ensure data privacy and the integrity of intellectual property. There are strict data protection standards and mechanisms to ensure the confidentiality of our customers' information.

4.3 ANTI-CORRUPTION

In establishing a strong internal control framework which includes stringent policies and a vigorous enforcement regime, the Trust has put in place a series of measures against corruption and fraud. The executive management team sets a standard of zero tolerance on corruption and fraud. Such a strong stance is reflected in the Trust's policy on the subject which is communicated to all employees. To reinforce and remind third-party suppliers of this position, the Trust has incorporated appropriate clauses into its supply contracts, and such efforts are further strengthened by its internal audit function.

Suspected incidents of corruption or fraud are immediately reviewed by an independent team. Furthermore, cases falling within certain criteria are brought to the attention of the Audit Committee and executive management, and are thoroughly investigated by our internal auditors. We have also

established an independent whistleblower channel for individuals to anonymously report any suspected or actual irregularities or misdeeds. The Trust also cooperates fully with law enforcement agencies in their investigations.

The Trust takes a strong stance against corruption and fraud, which is an important part of its overall governance framework. Assets and the hard-earned profits of unitholders are key priorities of the Trust and we dedicate resources to safeguard these priorities.

5. Community and Education Involvement

As a responsible corporate citizen, HPH Trust contributes actively to local communities and creates a positive impact by nurturing the youth, supporting the elderly and providing opportunities for employment in the various locations in which it operates. Every year, our employees volunteer outside of their work schedules to organise and participate in a host of activities to contribute to the society.

5.1 COMMUNITY

HIT continues Maritime Museum sponsorship

April 2016: HIT made its annual sponsorship to the Hong Kong Maritime Museum. The donation will be used to expand programmes that educate the public about the maritime industry.

Corporate social responsibility award

May 2016: The Hong Kong Council of Social Service recognised HPH Trust for its commitment to corporate social responsibility, awarding HIT and APS the "10 Years Plus Caring Company" logo for

their decade-long efforts; and presenting Hutchison Logistics with the "5 Years Plus Caring Company" logo.

Seniors Day party

October 2016: Volunteers from Yantian celebrated Seniors Day with the senior residents of the Yantian District Social Welfare Centre. Company staff have been visiting the centre regularly for several years, celebrating traditional Chinese festivals with the residents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Graffiti painting with the elderly

November 2016: HIT joined 30 senior citizens from South Kwai Chung Service Centre in painting a mural at Yeung King House in the Lai King Estate. Jointly organised by HIT, the Housing Department and South Kwai Chung Service Centre, the project also involved teenage volunteers from ChickenSoup Foundation. This was part of a graffiti project aimed at beautifying the estate while promoting intergenerational harmony in the local community.



Caring for the elderly

2016: Throughout the year, HIT volunteers participated in activities jointly organised with the Yan Chai Hospital Fong Yock Yee Neighbourhood Elderly Centre.

Activities included monthly distributions of rice to 75 needy senior citizens between January and March, and helping with the maintenance and cleaning of senior citizens' households in preparation for the Lunar New Year.

In December, HIT volunteers accompanied 30 senior residents from Kwai Tsing District, where the Trust's terminals are located, on an outing. The group visited a museum exhibition and had a lunch gathering.



The volunteers provided on-site support for the seniors especially those in need of wheelchair assistance.

5.2 EDUCATION

HIT Dock School Programme

June 2016: HIT Managing Director Gerry Yim presented certificates and incentive awards to the five winning teams of the Final Year Project Competition as part of the company's Dock School Programme. Twenty teams from the Hong Kong Institute of Vocational Education (Tsing Yi) entered the competition, with the theme "Maritime Transport Management". Each project team focused on a different container terminal for their deliverable. The Dock School Programme aims to encourage more students to consider the maritime industry as a career.

Summer internship programme

June–August 2016: HIT hosted its annual summer internship programme. Through an orientation programme, port visits, group projects and job attachments, the "Happy@HIT" programme allowed students with tertiary education to acquire practical work experience, apply knowledge and skills learnt in a workplace environment, develop a basic understanding of container terminal operations, experience teamwork and extend their social network.

Yantian marks 10 years of summer internships

July 2016: 2016 marked Yantian's 10th anniversary in hosting its annual Summer Internship Programme with Dalian Maritime University (DMU) and Shenzhen University (SZU).

Through study tours to HIT and interactions with their tutors and Yantian staff, students can experience Yantian's corporate culture and learn about terminal and business management. After completing fieldwork and analysis, students presented case studies and related findings to a panel of judges from Yantian.

The event featured academic seminars and a discussion session between Yantian Managing Director Patrick Lam and this year's interns. Mr. Lam, along with DMU President Sun Yuqing and SZU Vice President Professor Li Fengliang, attended the event, alongside 150 other participants.

Since 2007, 234 interns have participated in the programme, and Yantian has been honoured as a hosting organisation at the provincial level.



Yantian welcomes summer camp students

July 2016: A group of students from a primary school in Yunnan visited Yantian for a first-hand look at container handling operations. The visit is part of an annual week-long summer camp in Yantian, and marks the 11th consecutive year that the summer camp has been held in Yantian.



HIT recognised for developing young talent

August 2016: Hong Kong's Labour Department recognised Tang Siu Hin, an engineering apprentice, as one of 10 awardees in the "Most Improved Trainee" category under the Youth Employment and Training Programme. The achievement is one of many showcasing HIT's long-term dedication to grooming and developing tomorrow's workforce via its various programmes. The Secretary for Labour and Welfare, Matthew Cheung Kin-Chung presented the award.



HIT Children Scholarship Scheme

August 2016: HIT awarded scholarships to three children of HIT staff, under the HIT Children Scholarship Scheme. The scheme recognises the outstanding academic performance and achievements of staff's children and aims to build stronger ties with HIT employees' families. The awardees achieved distinguished results in the Hong Kong Diploma of Secondary Education Examination.

HIT Start Your Journey@Port programme

July 2016: Through its collaborations with education institutions, HIT is committed to offering a variety of learning and placement opportunities that nurture young talent. Launched in 2014, the "Start Your Journey@Port" programme is one such initiative.

The programme features the HIT scholarship scheme for students pursuing the Higher Diploma in Logistics and Transport at Hong Kong University SPACE Community College.

This year, the scheme was also extended to students from the Hong Kong Institute of Vocational Education's Engineering Department. Furthermore, a new pre-employment scheme was initiated in the form of the HIT Scholarship (Engineering Studies). The scholarship targets students pursuing the Higher Diploma in Electrical and Mechanical Engineering and encourages them to join HIT for a three-month industrial placement and a 12-month engineering development programme upon graduation.

In the 2016/17 academic year, HIT will offer scholarships with a total value of HK\$150,000 for students from two institutions.

Yantian Management Trainee Programme

July 2016: Three candidates were recruited for Yantian's two-year Management Trainee (MT) Programme from among the summer interns from SZU and DMU. The MT Programme includes in-house and external training, team challenges and three rounds of six-month job rotations in different departments with project assignments.

INVESTOR RELATIONS

Transparent and efficient communication is the cornerstone of our investor relations. We strive to provide unitholders and investment communities with adequate, accurate and timely disclosures on material corporate developments, on a non-discriminatory basis, to support informed investment decisions.

Financial Results and Corporate Literature

We recognise the importance of timely releases of material and price-sensitive information. The Investor Relations team ensures all announcements relating to our financial performance and strategic corporate developments are promptly disseminated via a range of mediums which include, amongst others, our corporate website (hphtrust.com) and the Singapore Exchange's online portal, SGXNET.

We publish our annual report for the financial year in April of the following year. This report is made available on SGXNET and our website, and is also distributed to all stakeholders in CD-ROM format, with printed copies available upon request.

Investors and stakeholders can refer to our corporate website as their first point of reference. We regularly update the Investor Centre section, which houses all news releases, SGXNET announcements, financial results, presentation materials, annual reports, unit price history and related charts and other relevant corporate information. Unitholders may direct their enquiries and concerns to the HPH Trust Investor Relations team via contact details published on the website. Through the website, interested parties can register for email alerts, which offer timely notifications on newly posted information.

The Trustee-Manager periodically organises physical briefings for analysts, fund managers, equity stakeholder representatives, unitholders and various other investor groups. Following the release of our full-year results, the management team holds its Annual General Meeting in Singapore, where unitholders are encouraged to participate in a question and answer session.

Conferences, Briefings and Roadshows

Nurturing and sustaining strong, long-term relationships with our investors is central to our corporate strategy. The management regularly participates in investor conferences, small group and one-on-one meetings, and non-deal roadshows, to cultivate and maintain open dialogue with our global investor and financial analyst communities.

In 2016, HPH Trust management team met with over 200 analysts and investors from around the world, in both individual discussions and larger group events such as investor conferences. Trust management participated in roadshows and key investor conferences, including Deutsche Bank's dbAccess China Conference 2016, HSBC's Asia Day 2016, Citi Research's 13th Annual Asia Pacific Investor Conference 2016, DBS-SGX Hong Kong Corporate Day, Bank of America Merrill Lynch's China Logistics & Transportation Corporate Day, and Singapore Connect – 'Growth and Sustainability' Corporate Day.



Research Coverage

As part of its ongoing efforts to maintain high levels of investor engagement, the Trustee-Manager actively engages analysts with the objective of extending research coverage, thereby cementing our reach to investors. Investors can use regular research and analysts' reports to remain up-to-date on the Trust's operational progress and financial position.

During the financial year, nine research houses cover the Trust, including Citi Research, DBS Vickers, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan, Morgan Stanley, OCBC Investment and UBS.



CORPORATE INFORMATION

TRUSTEE-MANAGER

Hutchison Port Holdings Management Pte. Limited
(incorporated in the Republic of Singapore with
limited liability)

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)

Executive Director

Mr. IP Sing Chi, BA

Non-executive Directors

Ms. Edith SHIH, BSE, MA, MA EdM, Solicitor, FCIS, FCS(PE)
Ms. TSIM Sin Ling, Ruth, MBA, FHKICPA

Independent Non-executive Director and Lead Independent Director

Mrs. SNG Sow-Mei (alias POON Sow Mei), BA, PPA(P)

Independent Non-executive Directors

Mr. CHAN Tze Leung, Robert, BSc (Econ), MBA
Mr. Graeme Allan JACK, BCom, CA (ANZ), FHKICPA
Mr. Kevin Anthony WESTLEY, BA, FCA, BBS
Mr. WONG Kwai Lam, BA, PhD

AUDIT COMMITTEE

Mr. Graeme Allan JACK (Chairman)
Mr. CHAN Tze Leung, Robert
Mrs. SNG Sow-Mei (alias POON Sow Mei)

REGISTERED OFFICE

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Telephone: (65) 6536 5355
Fax: (65) 6536 1360

COMPANY SECRETARY

Ms. Lynn WAN Tiew Leng

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Telephone: (65) 6536 5355
Fax: (65) 6536 1360

AUDITOR

PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424
Telephone: (65) 6236 7668
Fax: (65) 6236 3300
Partner-in-charge: Ms. Charlotte HSU Yuh Feng
Date of appointment: 3 February 2016

PRINCIPAL BANKERS

DBS Bank Ltd
Bank of China Ltd
China Construction Bank Corporation
Industrial and Commercial Bank of China Ltd
Standard Chartered Bank (Hong Kong) Ltd
The Hongkong and Shanghai Banking Corporation Ltd

CORPORATE DIRECTORY

Company Registration No.: 201100749W
Website: hphtrust.com

CORPORATE GOVERNANCE REPORT

HPH Trust is a business trust constituted under the Business Trusts Act, Chapter 31A of Singapore ("BTA"). Hutchison Port Holdings Management Pte. Limited ("Trustee-Manager") as the trustee-manager of HPH Trust is responsible for managing the business of HPH Trust as defined in the deed of trust dated 25 February 2011 and amended by the first supplemental deed dated 28 April 2014 (collectively, "Trust Deed").

The Trustee-Manager strives to attain and maintain high standards of corporate governance best suited to the needs and interests of HPH Trust group of companies ("Group") as it believes that effective corporate governance practices are fundamental to safeguarding interests of unitholders and other stakeholders and enhancing unitholder value. Accordingly, the Trustee-Manager has adopted and applied corporate governance principles that emphasise a quality Board of Directors ("Board"), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Board sets out in this report the corporate governance principles and practices put in place for the financial year ended 31 December 2016 in reference to the BTA, the Business Trusts Regulations 2005 ("BTR"), the Code of Corporate Governance 2012 ("Code") and the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual").

HPH Trust has complied throughout the financial year ended 31 December 2016 with all the principles and guidelines of the Code, where applicable.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1

The Board, which is accountable to unitholders for the long-term performance of HPH Trust, is responsible for directing the strategic objectives of HPH Trust and overseeing the management of the business. Directors are charged with the task of promoting the success of HPH Trust and making decisions in the best interests of HPH Trust with due consideration on sustainability issues. The Board has established a framework for the management of HPH Trust, putting in place all relevant internal controls and risk management processes.

The Board, led by the Chairman (Non-executive), Mr. Fok Kin Ning, Canning, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of HPH Trust, and supervises the management of HPH Trust ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of Mr. Yim Lui Fai, Gerry, the Chief Executive Officer ("CEO").

The Board has established an Audit Committee to assist it in discharging its responsibilities.

The Board meets at least once every quarter with all Board and Board Committee meetings and the Annual General Meeting dates scheduled well in advance, in consultation with the Board. Among other things, the Board approves the quarterly and full year financial results for release to Singapore Exchange Securities Trading Limited ("SGX-ST") and material transactions requiring announcements under the SGX-ST Listing Manual. Whenever warranted, additional meetings are held. Board meetings are also supplemented by resolutions circulated to Directors for decisions as and when necessary.

The Trustee-Manager has adopted and documented internal guidelines setting forth matters reserved for Board approval ("Reserved Matters"). The Reserved Matters include:

- (a) matters in relation to the overall strategy and management of the Group;
- (b) material changes to the Group's capital or corporate structure;
- (c) matters involving financial reporting and distributions;
- (d) major investments, major capital projects and material transactions not in the ordinary course of business;
- (e) transactions between the Trustee-Manager for and on behalf of the Trust and any of its related parties; and
- (f) matters which require Board approval as specified under the SGX-ST Listing Manual, BTA or other relevant laws and regulations.

CORPORATE GOVERNANCE REPORT

The Board held four Board meetings in 2016 with an average Director attendance of approximately 94%.

NAME OF DIRECTOR	ATTENDED / ELIGIBLE TO ATTEND
<u>Chairman and Non-executive Director</u>	
Mr. Fok Kin Ning, Canning	2/4
<u>Deputy Chairman and Non-executive Director</u>	
Dr. John Edward Wenham Meredith ⁽¹⁾	4/4
<u>Executive Director</u>	
Mr. Ip Sing Chi	4/4
<u>Non-executive Directors</u>	
Mr. Frank John Sixt ⁽¹⁾	4/4
Ms. Edith Shih ⁽²⁾	N.A.
Ms. Tsim Sin Ling, Ruth ⁽²⁾	N.A.
<u>Independent Non-executive Directors</u>	
Mr. Graeme Allan Jack	4/4
Mr. Chan Tze Leung, Robert	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Kevin Anthony Westley	4/4
Mr. Wong Kwai Lam	4/4
⁽¹⁾ Resigned with effect from 1 January 2017	
⁽²⁾ Appointed with effect from 1 January 2017	

The constitution of the Trustee-Manager allow directors to participate in the Board and Board Committee meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group.

Upon appointment to the Board, Directors receive a formal letter of appointment setting out directors' duties, a package of orientation materials on the Group, and are provided with a comprehensive induction to the Group's businesses, strategic direction and governance practice by senior executives.

To enable Directors to fully discharge their duties and obligations, each Director has been furnished with a legal and regulatory compliance manual prepared by professional advisers.

Directors are provided with updates and briefings from time to time by professional advisers, auditors and Management on relevant practices, new laws, rules and regulations, directors' duties and responsibilities, corporate governance, changes in accounting standards and risk management issues applicable or relevant to the performance of their duties and responsibilities as Directors.

Briefings and updates provided to Directors for the financial year ended 31 December 2016

At every Audit Committee meeting, the Chief Financial Officer ("CFO"), Mr. Ivor Chow (before his cessation of office on 1 May 2016) or Ms. Diana Lee (after her appointment of office on 1 May 2016), briefed the Audit Committee members on developments in accounting and governance standards.

CORPORATE GOVERNANCE REPORT

At every quarterly Board meeting, the CEO and/or CFO provided business updates and highlights of HPH Trust's quarterly accounts. The scope of such update includes general economic conditions and how it affects HPH Trust's business, overview of industry trends and developments, and developing trends.

The Trustee-Manager arranges and provides continuous professional development ("CPD") training such as seminars and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed entity director. In addition, attendance at external forums and briefing sessions (including delivery of speeches) on relevant topics also counts towards CPD training.

The Directors are required to provide the Trustee-Manager with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2016 is summarised as follows:

NAME OF DIRECTOR	AREAS	
	LEGAL AND REGULATORY	DIRECTORS' ROLES, FUNCTIONS AND DUTIES
<u>Chairman and Non-executive Director</u>		
Mr. Fok Kin Ning, Canning	✓	✓
<u>Deputy Chairman and Non-executive Director</u>		
Dr. John Edward Wenham Meredith ⁽¹⁾	✓	✓
<u>Executive Director</u>		
Mr. Ip Sing Chi	✓	✓
<u>Non-executive Directors</u>		
Mr. Frank John Sixt ⁽¹⁾	✓	✓
Ms. Edith Shih ⁽²⁾	N.A.	N.A.
Ms. Tsim Sin Ling, Ruth ⁽²⁾	N.A.	N.A.
<u>Independent Non-executive Directors</u>		
Mr. Graeme Allan Jack	✓	✓
Mr. Chan Tze Leung, Robert	✓	✓
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	✓	✓
Mr. Kevin Anthony Westley	✓	✓
Mr. Wong Kwai Lam	✓	✓

⁽¹⁾ Resigned with effect from 1 January 2017

⁽²⁾ Appointed with effect from 1 January 2017

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2

As at 31 December 2016, the Board comprised nine Directors, of whom five were independent and non-executive.

Dr. John Edward Wenham Meredith and Mr. Frank John Sixt resigned as Non-executive Directors and Ms. Edith Shih and Ms. Tsim Sin Ling, Ruth were appointed as Non-executive Directors with effect from 1 January 2017.

Ms. Shih is the Deputy Company Secretary of the Trustee-Manager and she is also an executive director, head group general counsel and company secretary of CK Hutchison Holdings Limited, possessing in depth knowledge and expertise in regulatory, compliance and corporate governance affairs. Ms. Tsim is currently the group chief financial officer of Hutchison Port Holdings Limited ("HPH") and has extensive experience in the accounting and finance profession, and specialises in internal auditing and controls, as well as financial analysis and reporting.

The Board is of the view that the qualification, expertise and experience of Ms. Shih and Ms. Tsim would complement the existing Board. It believes that the appointment of Ms. Shih and Ms. Tsim would bring perspectives of significant benefits to the Group.

Board appointment has been, and will continue to be, made based on attributes that complement and expand the skill set, experience and expertise of the Board as a whole, taking into account the following principles:

- (a) The majority of Board members should be Non-executive and Independent Directors;
- (b) The Chairman of the Board should be a Non-executive Director;
- (c) The Board should comprise Directors with a wide range of commercial and management experience, which provides an appropriate balance of diversity of skills, experience, gender and industry knowledge; and
- (d) At least a majority of the Directors should be independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

The Board considered its board size as appropriate for the current scope and nature of the Group's operations and facilitates effective decision making. Throughout the year, the number of Independent Non-executive Directors on the Board fulfilled the minimum requirement of the BTA. The Directors come from diverse backgrounds with various expertise in the container terminal industry and finance, business, legal and management fields. They are able to apply their expertise and experience to further the interests of HPH Trust. The Board has the appropriate balance of Independent Directors and the five Independent Directors are particularly aware of their responsibility to constantly place the interests of unitholders as a whole foremost in the consideration of all relevant matters.

Chairman and CEO

Principle 3

The role of the Chairman and the Deputy Chairman are separate from that of the CEO to ensure a clear division of responsibilities. Such division of responsibilities reinforces the independence and increases accountability of the Board.

The Chairman, Mr. Fok Kin Ning, Canning, assisted by the Deputy Chairman, Dr. John Edward Wenham Meredith before his retirement, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors, the Company Secretary and the Deputy Company Secretary. With the support of the Executive Director, the Company Secretary and the Deputy Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with unitholders and other stakeholders, as outlined later in this report.

CORPORATE GOVERNANCE REPORT

The CEO is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the Group's businesses, the CEO attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the CFO, and the executive management team of each core business division, the CEO presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the CFO, the CEO sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Mrs. Sng Sow-Mei (alias Poon Sow Mei) is appointed as the Lead Independent Director. Unitholders may contact the Lead Independent Director in cases where they have concerns for which contact through normal channels of the Chairman, the CEO or the CFO has failed to resolve the issue or is inappropriate. Her contact details are available on HPH Trust's corporate website (hphtrust.com/corporate_governance.html).

The Lead Independent Director provides feedback to the Chairman as appropriate should there be any issue coming to her attention from the discussions among the Independent Non-executive Directors without the presence of the other Directors.

Board Membership

Principle 4

As at 31 December 2016, the Board comprised nine Directors, including the Chairman, the Deputy Chairman, one Executive Director, one Non-executive Director and five Independent Non-executive Directors. Subsequent to the change of Directors with effect from 1 January 2017, the Board has nine Directors, including the Chairman, one Executive Director, two Non-executive Directors and five Independent Non-executive Directors. Biographical details of the Directors are set out on pages 22 to 27 of the Annual Report and on HPH Trust's corporate website.

The Board takes into consideration its size, experience and overall competence and expertise to determine if the Board is effective. No Nominating Committee has been established as the Trustee-Manager and not HPH Trust appoints all the Directors. The nomination function, however, is still to be performed annually by the Board, taking into account the performance and contribution of the Directors.

The Board does not set the maximum number of board representations which a Director may hold but confirmation is received from each Director that he/she has provided sufficient time and attention to the affairs of the Group. In addition, Directors disclose to the Trustee-Manager their interests as director and/or other office positions in other public companies and organisations in a timely manner and update the Trustee-Manager on any subsequent changes. The Board, on the basis of the above, is satisfied that the Directors have given sufficient time and attention to the affairs of the Trustee-Manager and HPH Trust.

From time to time, new Directors may be identified by the Board for appointment, if necessary, to complement the experience and competency of the existing members of the Board. Ms. Edith Shih and Ms. Tsim Sin Ling, Ruth were appointed to succeed Dr. John Edward Wenham Meredith and Mr. Frank John Sixt as Non-executive Directors of the Trustee-Manager with effect from 1 January 2017.

No alternate director is appointed to the Board.

CORPORATE GOVERNANCE REPORT

Directors' Independence

A Director is considered to be independent in accordance with the provisions of the BTR if he or she is independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager. The Board has conducted an annual review of the independence of the Independent Directors.

Messrs. Chan Tze Leung, Robert, Kevin Anthony Westley and Wong Kwai Lam are considered to be independent from management and business relationships with the Trustee-Manager, and from every substantial shareholder(s) of the Trustee-Manager. Construed within the context of the BTR, Mr. Graeme Allan Jack and Mrs. Sng Sow-Mei (alias Poon Sow Mei) are considered to be independent from management and business relationships with the Trustee-Manager, but not independent from the substantial shareholder of the Trustee-Manager. With respect to Mr. Graeme Allan Jack and Mrs. Sng Sow-Mei (alias Poon Sow Mei), the Board has in its review taken the following into consideration:

In the case of Mrs. Sng Sow-Mei (alias Poon Sow Mei), notwithstanding that she is currently an independent non-executive director and a member of the audit committee of Cheung Kong Infrastructure Holdings Limited ("CKI"), which is listed in Hong Kong, the Directors noted that these roles should not interfere with her ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

- (i) Mrs. Sng does not have any relationship with the chief executive officer, members of the management team, board of directors or major shareholders of CKI;
- (ii) She is not involved in the day-to-day management and operation of CKI;
- (iii) She does not own any shares of CKI;
- (iv) She exercises independent judgment as a member of the audit committee of CKI, in particular on interested person transactions and on internal audit control and management; and
- (v) CKI, which she is currently an independent non-executive director is in different businesses from HPH Trust.

As such, given her extensive experience and qualifications, she will be able to contribute as an Independent Director on the Board.

In the case of Mr. Graeme Allan Jack, notwithstanding his new appointment as an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Hutchison China MediTech Limited ("China Med") with effect from 1 March 2017, the Directors noted that these roles should not interfere with his ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

- (i) Mr. Jack does not have any relationship with the chief executive officer, members of the management team, board of directors or major shareholder of China Med;
- (ii) He is not involved in the day-to-day management and operation of China Med;
- (iii) He does not own any shares in China Med;
- (iv) He exercises independent judgment as an independent non-executive director of China Med, in particular on interested person transactions and on internal audit control and management;
- (v) China Med is in different businesses from HPH Trust; and
- (vi) He is expected to relinquish his trustee position as the independent trustee of Hutchison Provident Fund and the Hutchison Provident and Retirement Plan, which are the two trusts established for employees of CK Hutchison Holdings Limited Group, on completion of the replacement formalities.

As such, given his extensive experience and qualifications, he will be able to contribute as an Independent Director on the Board.

CORPORATE GOVERNANCE REPORT

Having carried out the review, the Board is satisfied that the relationships described above will not interfere with either Mrs. Sng Sow-Mei's (alias Poon Sow Mei) or Mr. Graeme Allan Jack's independent judgment and ability to act with regard to the interests of all the unitholders of HPH Trust as a whole. Accordingly, the Board has, pursuant to Regulation 12(6) of the BTR, determined that both Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Graeme Allan Jack are independent.

As Mrs. Sng Sow-Mei (alias Poon Sow Mei) is a director of CKI, she will not participate in any discussions of the Board in relation to any transactions with CKI or any matters that might give rise to a conflict of interests with CKI and shall abstain from voting on any such proposals at any meeting of the Board. Mr. Graeme Allan Jack is a director of China Med, he will not participate in any discussion of the Board in relation to any transactions with China Med or any matters that might give rise to a conflict of interests with China Med and shall abstain from voting on any such proposals at any meeting of the Board.

Under the letter of appointment, the Directors are required to report changes of circumstances at any time which may affect their independence.

The Board is satisfied that the Independent Directors are considered to be independent.

Board Performance

Principle 5

Evaluation of the performance of the Board as a whole and the Audit Committee together with the Directors was conducted by questionnaires. The objective of such evaluation is to ensure that the Board, the Audit Committee and the Directors continued to act effectively in fulfilling the duties and responsibilities expected of them.

The Board has reviewed and is satisfied that it has met its performance objectives.

Access to Information

Principle 6

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, Management provides to Directors, on a regular basis, monthly internal financial statements of key operating entities of the Group and other relevant information with respect to the performance, and business activities and development of the Group. Throughout the year, Directors participate in the deliberation and approval of routine and operational matters of the Trustee-Manager by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the CEO, CFO or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at the expense of HPH Trust at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas. Directors also have separate and independent access to Management, the Company Secretary and the Deputy Company Secretary at all times.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Constitution of the Trustee-Manager, the Trust Deed of HPH Trust and the SGX-ST Listing Manual, a Director would abstain from voting on resolutions approving any contract, transaction, arrangement in which he or she is materially interested in and such Director is not counted for quorum determination purposes.

CORPORATE GOVERNANCE REPORT

The appointment and removal of the Company Secretary required the approval of the Board. The Company Secretary, Ms. Lynn Wan Tiew Leng, and the Deputy Company Secretary, Ms. Edith Shih, are accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors of comprehensive Board meeting agendas and papers. Minutes of all Board and Audit Committee meetings are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or the Audit Committee, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of the Board and the Audit Committee meetings are sent to Directors and Audit Committee members respectively for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary and the Deputy Company Secretary are responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments of relevance to the Group and that it takes these into consideration when making decisions for the Group. From time to time, they organise seminars on specific topics of importance and interest and disseminate reference materials to Directors for their information.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7

Directors' remuneration and fees are borne by the Trustee-Manager and not HPH Trust. In practice, the Directors' remuneration and fees are paid out from the Trustee-Manager's fee income, subject to the Board's endorsement and approval by the shareholders of the Trustee-Manager.

No Remuneration Committee has been established as all the Directors are appointed and remunerated by the Trustee-Manager, and not HPH Trust.

The Trustee-Manager has established policy on, and formal procedure for determining, executive remuneration, which is subject to review by the Board from time to time.

Level and Mix of Remuneration

Principle 8

The remuneration of key management personnel is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. The level and structure of remuneration of key management personnel also have regard to the long-term interests and risk policies of the Group and comprise both fixed and variable components. The key management personnel participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9

The table below disclosed (a) the remuneration of the CEO and (b) in bands of S\$250,000, the remuneration of the top five key management personnel (other than the CEO) for the financial year ended 31 December 2016:

Key management personnel	Salary (%)	Variable (%)	Benefits (%)	Total (%)
<u>S\$1,750,001 TO S\$2,000,000</u>				
Mr. Yim Lui Fai, Gerry CEO Managing Director, HIT	30%	67%	3%	100% ¹
<u>\$1,500,001 TO S\$1,750,000</u>				
NIL				
<u>S\$1,250,001 TO S\$1,500,000</u>				
NIL				
<u>S\$1,000,001 to S\$1,250,000</u>				
Mr. Lam Hing Man, Patrick Managing Director, Yantian	46%	46%	8%	100% ²
<u>S\$750,001 TO S\$1,000,000</u>				
NIL				
<u>S\$500,001 to S\$750,000</u>				
Ms. Lee Tung Wan, Diana CFO and Investor Relations Officer ("IRO") (appointed on 1 May 2016 and ceased as Deputy Chief Financial Officer with effect from the same date) Finance and Legal Director and Company Secretary, Yantian	59%	35%	6%	100% ²
Mr. Tang Hin Kee, Edward Operations Director General Manager - Operations, Yantian	55%	43%	2%	100% ²
Mr. Wong Lek Heng, Simon Engineering Director General Manager - Engineering, HIT	63%	32%	5%	100% ²
<u>S\$250,001 to S\$500,000</u>				
Mr. Ivor Chow CFO and IRO (ceased as CFO and IRO effective 1 May 2016) Executive Director, HIT	55%	40%	5%	100% ²
Mr. Ying Tze Man, Kenneth Managing Director, COSCO-HIT (retired on 1 May 2016)	63%	36%	1%	100% ²
Mr. Shum Kai Shing, Lawrence Managing Director, COSCO-HIT (appointed effective 1 May 2016)	60%	34%	6%	100% ²

CORPORATE GOVERNANCE REPORT

Notes:

- ¹ The total remuneration paid to the CEO was S\$1,919,000, most of which was paid by HIT to Mr. Yim Lui Fai, Gerry in relation to his role as Managing Director of HIT and the remainder was paid by the Trustee-Manager (out of its own account)
- ² Most of the aggregate compensation of the relevant key management personnel was paid by the relevant operating subsidiaries of the Group (i.e. HIT to Mr. Ivor Chow in relation to his role as Executive Director of HIT; Mr. Tang Hin Kee, Edward in relation to his role as General Manager – Operations of HIT (1 January to 30 April 2016); Mr. Wong Lek Heng, Simon in relation to his role as General Manager – Engineering of HIT (1 May to 31 December 2016); Yantian to Mr. Lam Hing Man, Patrick in relation to his role as Managing Director of Yantian; Ms. Lee Tung Wan, Diana in relation to her role as Finance and Legal Director and Company Secretary of Yantian; Mr. Tang Hin Kee, Edward in relation to his role as General Manager – Operations of Yantian (1 May to 31 December 2016); Mr. Wong Lek Heng, Simon in relation to his role as General Manager – Engineering of Yantian (1 January to 30 April 2016); and COSCO-HIT to Mr. Ying Tze Man, Kenneth and Mr. Shum Kai Shing, Lawrence in relation to their role as Managing Director of COSCO-HIT), and the remainder of the aggregate compensation of each of the relevant key management personnel was paid by the Trustee-Manager (out of its own account). In 2016, the total remuneration paid to the above key executives (excluding the CEO) was S\$3,930,000
- ³ Remuneration of key management personnel are paid in Hong Kong dollar (“HK\$”) while the table above reflects the remuneration translated in Singapore dollar (“S\$”) based on the 2016 average HK\$/S\$ exchange rate. Therefore, the remuneration set out in the table above are subject to currency exchange rates fluctuations

The remuneration package of key management personnel comprised base salaries and variable bonus and long-term incentive award. Base salaries were determined based on the responsibilities of the job function and the market pay level of similar positions. The variable bonus and long-term incentive award were determined based on the Group’s performance, the individual’s overall work performance and achievement of the agreed performance targets. Long-term incentive awards are vested into cash if certain benchmarks were met over the vesting period of 3 years.

There is no employee of the Trustee-Manager and the Group who is an immediate family member of the Directors or the CEO and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2016.

The Group currently does not have any compensation plan in the form of unit option scheme or arrangement to enable the key management personnel to acquire units in HPH Trust. There are no existing or proposed service agreements with the CEO and the key management personnel of HPH Trust that provide for benefits upon termination of appointment, retirement or post-employment.

The remuneration of the Trustee-Manager is provided for in the Trust Deed. The Trustee-Manager is entitled under the Trust Deed to management fees, acquisition fee, divestment fee and development fee based on pre-agreed mechanisms set out in the Trust Deed. Fees paid to the Trustee-Manager for the financial year ended 31 December 2016 are set out on page 124 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

The Board has overall responsibility to unitholders for ensuring that the Group is well managed and guided by its strategic objectives. In presenting HPH Trust’s quarterly and full-year financial results, the Board aims to provide a balanced and understandable assessment of HPH Trust’s performance, position and prospects.

The Board also reviews the legal and regulatory compliance reports from Management to ensure compliance with the relevant legislative and regulatory requirements.

Management provides the Board with financial and operational reports on HPH Trust’s performance and financial position on a quarterly basis and monthly financial performance reports of key operating entities of the Group. All Directors also have unrestricted access to HPH Trust’s records and information through requests for further explanations, briefings and informal discussions on HPH Trust’s operations or business issues from the Management.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

Principle 11

The Board has overall responsibility for the Group's systems of internal control, corporate governance, compliance and risk management.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. It reviews the risk register which is maintained and prepared by HPH Trust after assessing the different risk levels of potential risks identified. It also reviews and monitors the adequacy and effectiveness of the systems of risk management and internal control on an ongoing basis. Reporting and review activities include review by the CEO and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against budget, review by the Audit Committee of the ongoing work of the Group's internal audit and risk management functions, as well as regular business reviews by the CEO and the executive management team of each core business division.

On behalf of the Board, the Audit Committee regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Internal Control Environment and Systems

Managing Directors or General Managers are appointed to the boards of all material operating subsidiaries and associated companies for monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and business strategies with associated risks identified and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly management of each business is accountable for its conduct and performance. The CEO monitors the performance and reviews the risk profiles of the Group on an on-going basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Director.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and the Executive Director as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each business and holds monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of each of the major businesses attend monthly meetings with the CFO to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations and the Group's Finance Department oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

CORPORATE GOVERNANCE REPORT

The CFO has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Executive Director, the CEO or the CFO are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

HPH Trust is committed to high standards of business integrity. The Group has in place an internal policy on competition law compliance, set out guidelines and conducts trainings for employees to ensure compliance with competition law in all its business dealings and conduct.

Review of Risk Management and Internal Controls Systems

The Trustee-Manager regularly reviews the business and operational activities of HPH Trust to identify areas of significant business risk, assess how the risks are being managed, as well as take appropriate measures to control and mitigate these risks. HPH Trust adopts the Enterprise Risk Management framework which is consistent with the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework. The Audit Committee has been provided with risk management reports which include the risk profile and the risk register documenting the risks identified and mitigation actions taken. The Trustee-Manager reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board.

The Board has received assurance from the CEO and the CFO that (i) the Group's financial records have been properly maintained and the financial statements give a true and fair view of HPH Trust's operations and finances and (ii) the risk management and internal control systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology control and risks management for the financial year ended 31 December 2016.

The Board, through the Audit Committee, has conducted a review of the adequacy and effectiveness of the Group's risk management and internal controls systems for the financial year ended 31 December 2016 covering all financial, operational, compliance and information technology controls. Based on such reviews and the work performed by the internal and external auditors, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management and internal control systems addressing material financial, operational, compliance and information technology risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2016. Such review covered reviews on the Group's compliance with terms provided for in the right of first refusal agreement ("ROFR Agreement") and the non-compete agreement ("Non-Compete Agreement"), both dated 28 February 2011 and amended by the respective amendment agreement dated 22 December 2015, entered into between HPH and the Trustee-Manager, in its capacity as the trustee-manager of HPH Trust. Details of the ROFR Agreement and Non-Compete Agreement are set out in the "Statement of Policies and Practices" section on pages 68 and 69 of the Annual Report. In addition, it has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 12

As at 31 December 2016, the Audit Committee comprised two Independent Non-executive Directors and one Non-executive Director who possessed the relevant business, accounting and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of HPH Trust. It is chaired by Mr. Graeme Allan Jack with Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Frank John Sixt (before his resignation on 1 January 2017) as members. On 1 January 2017, Mr. Chan Tze Leung, Robert replaced Mr. Frank John Sixt as a member of the Audit Committee.

The Audit Committee held four meetings in 2016 with 100% attendance.

Name of Member	Attended/Eligible to attend
Mr. Graeme Allan Jack (Chairman)	4/4
Mr. Frank John Sixt ⁽¹⁾	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Chan Tze Leung, Robert ⁽²⁾	N.A.

⁽¹⁾ Resigned with effect from 1 January 2017

⁽²⁾ Appointed with effect from 1 January 2017

In 2016, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the Code.

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Trustee-Manager and its external auditor and external audit process, review the Group's quarterly and full-year results and financial statements, and any formal announcements relating to the Group's financial performance, oversee the Group's internal control and risk management function, monitor compliance with statutory and the SGX-ST Listing Manual requirements, review the scope, extent and effectiveness of the activities of the Group's internal audit function, oversee interested person transactions of the Group, report to the Board any inadequacies or deficiencies or matters of concern within its terms of reference and engage independent legal and other advisers and perform investigations as it determines to be necessary.

The Audit Committee meets with the CFO and other senior management of the Group from time to time for the purposes of reviewing the quarterly and full-year results and financial statements, and any formal financial performance-related announcements and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong and Singapore. It also meets at least four times a year with the Group's principal external auditor, PricewaterhouseCoopers LLP ("PwC"), to consider the reports of PwC on the scope, strategy, progress and outcome of its independent review of the quarterly financial information and its annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, the CFO and the internal auditor separately without the presence of Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal controls. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews with the Group's internal auditor the work plan for its audits together with its resource requirements and considers the report of the General Manager of the Group's internal audit function to the Audit Committee on the effectiveness of internal controls in the Group's business operations. Further, it also receives reports from the Deputy Company Secretary on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year. The Audit Committee has adequate resources, including access to external consultants and auditor, to enable it to discharge its responsibilities properly.

CORPORATE GOVERNANCE REPORT

During 2016, the Audit Committee reviewed the volume and nature of non-audit services provided by the external auditor and received the requisite information from the external auditor evidencing the latter's independence. Based on the information, the Audit Committee is satisfied that the non-audit services provided by the external auditor will not prejudice the independence and objectivity of the external auditor.

The total fees paid to the external auditor, PwC, are disclosed in the table below:

External Auditor Fees For FY2016	HK\$'000	% of total fees
Total Audit Fees	15,120	98%
Total Non-Audit Fees	344	2%
Total Fees Paid	15,464	100%

Based on the Interested Person Transactions Policy, the Audit Committee monitored the procedures established by the Trustee-Manager to regulate interested person transactions to ensure timely, complete and accurate reporting of these transactions. The Audit Committee also reviewed the volume and nature of interested person transactions.

HPH Trust has in place a Whistle-blowing Policy where staff of the Group and any other person may, in confidence, approach the Audit Committee to raise concerns about possible improprieties in matters of financial reporting or other matters. The Whistle-blowing Policy is available on our corporate website (hpitrust.com/misc/Whistle_Blowing_Policy.pdf).

Internal Audit

Principle 13

The General Manager of the Group's internal audit function, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's internal control systems, formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the CEO, the CFO and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditor so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, the reviews of compliance and information technology controls as well as risk management system, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the General Manager of the Group's internal audit function and, as appropriate, to the CFO and the finance director or financial controller of the relevant executive management team. These reports are reviewed and the appropriate actions are taken.

The Audit Committee reviews the adequacy and effectiveness of the internal audit function annually. The review covers an assessment on the adequacy, qualifications and experience of its staff.

CORPORATE GOVERNANCE REPORT

Legal and Regulatory

The Legal Department has the responsibility of safeguarding the legal interests of the Group. It is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management of legal and commercial issues of concern. In addition, the Legal Department is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response or filings to relevant regulatory and/or government authorities and consultations as the case may be. The department also determines and approves the engagement of external legal advisers, ensuring the requisite professional standards are adhered to as well as most cost effective services are rendered.

UNITHOLDER RIGHTS AND RESPONSIBILITIES

Unitholder Rights

Principle 14

The Group's corporate governance practices promote the fair and equitable treatment of all unitholders. The Trustee-Manager ensures that all pertinent information is conveyed to unitholders on a comprehensive, accurate and timely basis via SGXNET to facilitate the exercise of unitholders' ownership rights. The Board is committed to the release of timely and relevant information to enable unitholders to make informed decisions in respect of their investments in HPH Trust.

All unitholders are entitled to attend the Annual General Meeting and are given the opportunity to participate effectively in the Annual General Meeting. In accordance with the Trust Deed, a unitholder is allowed to appoint up to two proxies to attend and vote at the Annual General Meetings on his or her behalf through proxy forms sent in advance. Unitholders who hold units through nominees such as custodian banks may vote through their nominee or custodian banks. Such unitholders may also, upon presentation of official letters issued by their nominees, attend the Annual General Meeting as observers, subject to availability of seats.

Communication with Unitholders

Principle 15

The Group actively promotes investor relations and communication with the investment community throughout the course of the year. An Investor Relations Policy, which is available on HPH Trust's corporate website, was adopted and is subject to regular review by the Board from time to time to ensure pertinent information is conveyed to unitholders regularly in order to promote regular, effective and fair communication with unitholders. Through its CEO and CFO and the Group's Corporate Affairs function, the Group responds to requests for information and queries from the investment community including unitholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations.

The Board is committed to providing clear and full information on the Group to unitholders through the publication of notices, announcements, circulars, quarterly and full-year financial results. The Trustee-Manager does not practise selective disclosures and releases its financial results and other material information to the unitholders of HPH Trust on a timely basis in accordance with the requirements of the SGX-ST Listing Manual, via the SGXNET system. All announcements made on behalf of HPH Trust are also available on HPH Trust's corporate website throughout the year.

All unitholders of HPH Trust will receive a copy of the Annual Report, and Notice of Annual General Meeting of the unitholders annually. Notices of all general meetings of the unitholders will also be advertised in a major newspaper in Singapore and will be made available on the SGX-ST's website.

CORPORATE GOVERNANCE REPORT

Conduct of Unitholder Meetings

Principle 16

At the general meetings of the unitholders, unitholders will be given opportunities to participate, engage, and openly communicate their views on matters relating to HPH Trust to the Board. The Chairman of the Board, the Chairman and/or members of the Audit Committee, Management, as well as the external auditor will be available to attend to any queries raised by the unitholders.

Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meetings.

All Directors attended the Annual General Meeting of the unitholders held on 18 April 2016 other than Mr. Kevin Anthony Westley who was not available to attend due to other prior engagements.

Unitholders are given the opportunity to vote at the Annual General Meeting and Extraordinary General Meeting, if any. However, as the authentication of unitholder identity information and other related security issues still remain a concern, the Trustee Manager has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Voting at all general meetings are conducted by way of poll. Electronic polling was adopted for the Annual General Meeting held on 18 April 2016. Detailed results of the outcome are announced after the meeting via SGXNet.

The Company Secretary prepares minutes of unitholders' meetings and these minutes are available to unitholders upon their request.

Further information concerning the Group and its business can be located on the Group's website.

The Group values feedback from unitholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or HPH Trust are welcome and can be addressed to the Group Corporate Affairs function by mail at 150 Beach Road, #17-03 Gateway West, Singapore 189720 or by email to the Group at ir@hphtrust.com.

DEALING IN SECURITIES

The Trustee-Manager has adopted its own internal codes of conduct to provide guidance to all officers of the Trustee-Manager with regard to dealings in units of HPH Trust ("Codes of Conduct") in compliance with Rule 1207(19) of the SGX-ST Listing Manual. Pursuant to the Codes of Conduct, the Directors, employees of the Trustee-Manager and executive staff of the Group are prohibited from dealing in the Units:

- (a) in the period commencing one month before the public announcement of HPH Trust's annual results and two weeks before the public announcement of HPH Trust's quarterly results, and expiring on the date of announcement of the relevant results; and
- (b) at any time while in possession of price sensitive information.

The Directors, employees of the Trustee-Manager and executive staff of the Group are also expected not to deal in the units of HPH Trust on short-term considerations and to observe insider-trading laws at all times even when dealing with units of HPH Trust within the permitted trading period.

In response to specific enquiries made, all Directors have confirmed that they have complied with the relevant Codes of Conduct in their securities transactions throughout 2016. Key officers may, as requested by the Trustee-Manager, be required to confirm annually that they have complied with and are not in breach of the provisions of the relevant Codes of Conduct.

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Trustee-Manager is committed to ensuring that its commercial activities have minimal impact on both the marine environment and climate change. The Trustee-Manager is also committed to ensuring that high standards are adhered to in relation to health, safety and welfare of its employees. The Trustee-Manager places strong emphasis on developing a corporate culture premised on socially and environmentally responsible actions and behaviour.

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance responsibility and focuses on initiatives related to its stakeholders, its employees, the environment, its operating practices and the community. Details of the HPH Trust's initiatives are set out on pages 38 to 49 of the Annual Report.

STATEMENT OF POLICIES AND PRACTICES

The Trustee-Manager has established the following policies and practices in relation to its management and governance:

- (a) The trust property of HPH Trust is properly accounted for and trust property is kept distinct from the property of the Trustee-Manager held in its own capacity. Different bank accounts are maintained for the Trustee-Manager in its capacity as trustee-manager of HPH Trust and the Trustee-Manager in its own capacity, and regular internal reviews are carried out to ascertain that all trust property has been fully accounted for.
- (b) The Management provides regular updates to the Board and the Audit Committee about potential projects that it is looking into on behalf of HPH Trust and the Board and the Audit Committee ensure that all such projects are within the permitted business scope under the Trust Deed. Prior to the carrying out of any significant business transaction, the Board, the Audit Committee and/or the Management will have careful regard to the provisions of the Trust Deed and when in doubt seek advice from professional advisers.
- (c) The Trustee-Manager is not involved in any other businesses other than managing HPH Trust. All potential conflicts, if arising, will be identified by the Board and the Management and reviewed. In addition, the majority of the Board are Independent Directors of the Trustee-Manager who do not have management or business relationships with the Trustee-Manager and are independent from any substantial shareholder of the Trustee-Manager and are therefore able to examine independently and objectively, any potential conflicts between the interest of the Trustee-Manager in its own capacity and the interests of all unitholders of HPH Trust. In respect of matters in which a Director has an interest, direct or indirect, such interested Director will abstain from participating in the review and approval process with regard to the matter. There is (i) the Non-Compete Agreement pursuant to which HPH has undertaken not to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau and HPH Trust has undertaken not to invest in, develop, operate and manage deep-water container ports in any part of the world outside of the Guangdong Province, Hong Kong and Macau, save that HPH may pursue any investment opportunity (including undertaking greenfield port development) declined by HPH Trust; and (ii) the ROFR Agreement pursuant to which (aa) a right of first refusal has been granted by HPH to HPH Trust to acquire a port development project or a developed port falling within the investment mandate of HPH Trust and owned by HPH or its subsidiaries and (bb) a right of first refusal has been granted by the Trustee-Manager as the trustee-manager of HPH Trust to HPH to acquire a port development project or a developed port of HPH Trust, both on terms and conditions contained in the ROFR Agreement. The Trustee-Manager maintains a register of all opportunities/transactions arising from the implementation of the Non-Compete Agreement and the ROFR Agreement. Also, the Trustee-Manager incorporates in its internal audit plan, a review of the implementation of the Non-Compete Agreement and the ROFR Agreement and the Audit Committee reviews the internal audit reports at least twice a year to ascertain that the terms of the Non-Compete Agreement and the ROFR Agreement have been complied with.

CORPORATE GOVERNANCE REPORT

- (d) The Management identifies interested person transactions in relation to HPH Trust. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by HPH Trust and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into. The Trustee-Manager incorporates into its internal audit plan a review of all interested person transactions entered into by HPH Trust. The Audit Committee reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with and conducts an annual review of all such transactions to determine if such transactions have been conducted on normal commercial terms and will not be prejudicial to the interests of HPH Trust and the unitholders. In addition, all such interested person transactions conducted and any contract entered into by the Trustee-Manager on behalf of HPH Trust with a related party of the Trustee-Manager or HPH Trust, shall comply with and be in accordance with all applicable requirements of the SGX-ST Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.
- (e) The expenses payable to the Trustee-Manager in its capacity as the trustee-manager of HPH Trust out of the Trust property are appropriate and in accordance with the Trust Deed, and regular internal reviews are carried out to ensure such expenses payable are in order. Fees and expenses paid to the Trustee-Manager out of HPH Trust property for the financial year ended 31 December 2016 are disclosed in note 29(i)(e) to the financial statements, on page 124 of the Annual Report.
- (f) The Trustee-Manager has engaged the services of and obtained advice from professional advisers and consultants from time to time, and has complied with the requirements of the BTA and the SGX-ST Listing Manual.

INTERESTED PERSON TRANSACTIONS

The aggregate of transactions entered into with interested persons of HPH Trust during the financial year ended 31 December 2016 pursuant to Rule 907 of the SGX-ST Listing Manual are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	2016 HK\$'000	2016 HK\$'000
CK Hutchison Holdings Limited and its subsidiaries and its associates	693,868	NIL

MATERIAL CONTRACTS

There are no material contracts between HPH Trust and its subsidiaries involving the interests of the CEO, each Director or controlling unitholder² of HPH Trust, either still subsisting at the end of the financial year ended 31 December 2016, or if not then subsisting, entered into since the end of the previous financial year, other than, where applicable:

- (a) as disclosed on page 305 to 330 of the IPO Prospectus¹;
- (b) as disclosed in note 29 to the financial statements of the Annual Report; and
- (c) interested person transactions as listed in the Interested Person Transactions section of the Annual Report.

¹ The Prospectus dated 7 March 2011 and registered with the Monetary Authority of Singapore on 7 March 2011

² "Controlling unitholder" refers to a person with an interest in the units of HPH Trust consisting not less than 15% of all outstanding units

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REPORT OF THE TRUSTEE-MANAGER

The directors of Hutchison Port Holdings Management Pte. Limited, the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust" or the "Trust" and the trustee-manager of HPH Trust, the "Trustee-Manager") present their report to the unitholders of the Trust together with the audited financial statements of the Trust and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

Directors

The directors of the Trustee-Manager in office at the date of this report are as follows:

Mr. Fok Kin Ning, Canning (Chairman)	
Mr. Ip Sing Chi	
Ms. Edith Shih	(appointed with effect from 1 January 2017)
Ms. Tsim Sin Ling, Ruth	(appointed with effect from 1 January 2017)
Mr. Chan Tze Leung, Robert	
Mr. Graeme Allan Jack	
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	
Mr. Kevin Anthony Westley	
Mr. Wong Kwai Lam	

Dr. John Edward Wenham Meredith and Mr. Frank John Sixt were directors of the Trustee-Manager during the year up to their resignations which took effect from 1 January 2017.

Arrangements to enable directors to acquire units and debentures

Neither at the end of nor at any time during the year was the Trustee-Manager a party to any arrangement whose object was to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in, or debentures of, the Trust.

Directors' interests in units or debentures

According to the register kept by the Trustee-Manager for the purposes of Sections 13 and 76 of the Business Trusts Act, Chapter 31A of Singapore, particulars of the interests of directors who held office at the end of the year or during the year in units in, or debentures of, the Trust are as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	At 31.12.2016	At 1.1.2016
Number of units held by:				
Mr. Fok Kin Ning, Canning	—	—	601,000	601,000
Dr. John Edward Wenham Meredith ⁽¹⁾	—	—	—	—
Mr. Ip Sing Chi	—	—	—	—
Mr. Frank John Sixt ⁽¹⁾	1,000,000	—	20,000	20,000
Mr. Chan Tze Leung, Robert	—	—	400,000	400,000
Mr. Graeme Allan Jack	—	—	—	—
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	—	—	1,000,000	1,000,000
Mr. Kevin Anthony Westley	—	—	250,000	250,000
Mr. Wong Kwai Lam	—	—	—	—

(1) Resigned with effect from 1 January 2017

REPORT OF THE TRUSTEE-MANAGER

Directors' interests in units or debentures (Continued)

Ms. Edith Shih and Ms. Tsim Sin Ling, Ruth were appointed as directors of the Trustee-Manager with effect from 1 January 2017. Ms. Edith Shih held 525,700 units in her own name and deemed to have an interest in 100,740 units of the Trust. Ms. Tsim Sin Ling, Ruth did not have any interest in units in, or debentures of, the Trust.

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2017.

Options

There were no options granted during the year by the Trustee-Manager to any person to take up unissued units in the Trust.

No units have been issued during the year by virtue of the exercise of options to take up unissued units of the Trust.

There were no unissued units of the Trust under option at the end of the year.

Audit Committee

The members of the audit committee of the Trustee-Manager (the "Audit Committee") during the year, at the end of the year and at the date of this report were as follows:

Mr. Graeme Allan Jack (Chairman)
Mrs. Sng Sow-Mei (alias Poon Sow Mei)
Mr. Frank John Sixt⁽¹⁾
Mr. Chan Tze Leung, Robert⁽²⁾

(1) Resigned with effect from 1 January 2017

(2) Appointed with effect from 1 January 2017

The existing members of the audit committee are independent and are non-executive directors.

The Audit Committee carried out its functions in accordance with Regulation 13(6) of the Business Trusts Regulations 2005. In performing its functions, the Audit Committee has reviewed:

- the scope and the results of internal audit procedures with the internal auditor of the Trustee-Manager;
- with the independent auditor of the Trust, the audit plan of the Trust and the independent auditor's report in relation to significant accounting, tax and internal control matters of the Trust arising from the statutory audit;
- the assistance given by the officers of the Trustee-Manager to the independent auditor; and
- the statement of financial position and statement of changes in equity of the Trust and the consolidated financial statements of the Group for the year ended 31 December 2016 before their submission to the Board of Directors of the Trustee-Manager (the "Board"), as well as the independent auditor's report on the statement of financial position and statement of changes in equity of the Trust and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment as the auditor of the Trust at the forthcoming Annual General Meeting of the unitholders.

REPORT OF THE TRUSTEE-MANAGER

Board Opinion on the Adequacy of Internal Controls

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's systems of internal controls covering financial, operational, compliance and information technology controls, and risk management for the year ended 31 December 2016, and is of the opinion that the Group's internal control and risk management systems addressing material financial, operational, compliance and information technology risks is adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2016. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors of the Trustee-Manager

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

10 February 2017

STATEMENT BY THE TRUSTEE-MANAGER

In the opinion of the directors of the Trustee-Manager,

- (a) the financial records of the Group for the financial year have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group for the year ended 31 December 2016;
- (b) the consolidated income statement and consolidated statement of comprehensive income set out in the financial statements on pages 82 and 83 are drawn up so as to give a true and fair view of the results of the business of the Group for the year ended 31 December 2016;
- (c) the statements of financial position set out on pages 84 and 85 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Trust at 31 December 2016;
- (d) the statements of changes in equity set out on pages 87 and 88 are drawn up so as to give a true and fair view of the changes in equity of the Group and of the Trust for the year ended 31 December 2016;
- (e) the consolidated statement of cash flows set out on page 86 is drawn up so as to give a true and fair view of the cash flows of the Group for the year ended 31 December 2016; and
- (f) at the date of this statement, there are reasonable grounds to believe that the Trustee-Manager will be able to fulfill, out of the Trust's property, the Trust's debts as and when they fall due.

In accordance with Section 86(2) of the Business Trusts Act, Chapter 31A of Singapore, we further certify:

- (a) the fees or charges paid or payable out of the trust property of the Trust to the Trustee-Manager are in accordance with the Deed of Trust dated 25 February 2011 (as amended) constituting the Trust;
- (b) the interested person transactions entered into by the Group during the year are not detrimental to the interests of all the unitholders of the Trust as a whole based on the circumstances at the time of the relevant transactions; and
- (c) the Board of Directors of the Trustee-Manager is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

The Board of Directors has, on the date of this statement, authorised the above statements and the financial statements of the Group as at and for the year ended 31 December 2016 for issue.

On behalf of the Board of Directors of the Trustee-Manager

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

10 February 2017

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

In accordance with Section 86(3) of the Business Trusts Act, Chapter 31A of Singapore, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

Yim Lui Fai, Gerry
Chief Executive Officer

10 February 2017

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Hutchison Port Holdings Trust ("the Trust") and its subsidiaries ("the Group") and the statement of financial position of the Trust are properly drawn up in accordance with the provisions of the Singapore Business Trusts Act ("the Act") and Hong Kong Financial Reporting Standards ("HKFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Trust for the financial year ended on that date.

What we have audited

The financial statements of the Trust and the Group comprise:

- the consolidated statement of financial position of the Group as at 31 December 2016;
- the statement of financial position of the Trust as at 31 December 2016;
- the consolidated income statement of the Group for the year then ended;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the statement of changes in equity of the Trust for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Goodwill</p> <p><i>Refer to notes 3(b) and 14(b) to the financial statements.</i></p> <p>The Group has a significant amount of goodwill arising primarily from the acquisition of deep-water container ports in Shenzhen and Hong Kong in 2011. As at 31 December 2016, the carrying value of goodwill amounted to HK\$22,629 million.</p> <p>Goodwill is subject to impairment tests annually and when there is an indication of impairment.</p> <p>For the purpose of the Group's impairment assessment of goodwill, impairment was assessed using value in use model for deep-water container ports in Shenzhen and Hong Kong.</p> <p>In carrying out the impairment assessments, significant judgements are required to determine the assumptions. The most significant assumptions relate to discount rates and growth rates in revenue and cost of services rendered.</p> <p>Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of goodwill. This conclusion was based on recoverable amounts, calculated under the value-in-use models, which exceeded the carrying value of goodwill as at 31 December 2016.</p> <p>The significant assumptions are disclosed in note 14(b) to the consolidated financial statements.</p>	<p>We have performed the following procedures to evaluate the Group's impairment assessment:</p> <ul style="list-style-type: none"> Assessed the appropriateness of the valuation methodology used; Assessed the reasonableness of key assumptions based on our knowledge of the business and industry and with the involvement of our valuation specialists; Performed sensitivity analyses on the key assumptions where we adjusted the discount rates and growth rates in revenue and cost of services rendered as these are the key assumptions to which the valuation models are the most sensitive; and Tested source data to supporting evidence on a sample basis, such as approved budgets and available market data and considered the reasonableness of these budgets. <p>We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p><i>Refer to notes 3(e) and 4 to the financial statements.</i></p> <p>Revenue from rendering of container handling services is recognised and accrued with reference to the throughput handled and the terms of agreements for such service.</p> <p>For the year ended 31 December 2016, revenue from container handling services amounting to HK\$11,588 million is recognised based on the containers handled as well as the tariff applied. The tariff applied is the rate agreed with customers or estimated by management based on the latest terms of the agreement or latest negotiation with customers and other industry considerations as appropriate.</p> <p>Due to the large variety and complexity of contractual terms, as well as ongoing negotiations with customers, significant judgements are required to estimate the tariff rates applied. If the actual rate differs from the estimated rate applied, this will have an impact on the accuracy of revenue recognised in the current year and accrued as at year end.</p>	<p>We have performed the following procedures in relation to the accuracy of revenue recognised and accrued:</p> <ul style="list-style-type: none"> • Understood, evaluated and tested the key controls over the tariff applied in container handling services. • We selected a sample of transactions and: <ul style="list-style-type: none"> ○ Agreed the applied tariff to the respective terms in the contracts or latest correspondence with customers where the tariff has been estimated by management. ○ Agreed throughput handled, used in the calculation of tariffs, to the operating system recording throughput. ○ Tested revenue calculations and agreed the revenue recognised to the underlying accounting records. • Checked to bank advices or credit notes on a sample basis for the net settlement and reviewed aged items for any disputed amounts. <p>We found the judgement made by management in estimating tariffs in the revenue recognized and accrued to be supportable and reasonable based on available evidence.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recoverability of trade receivables</p> <p><i>Refer to note 20 to the financial statements.</i></p> <p>The Group has net trade receivables of HK\$3,260 million after providing for impairment of HK\$61 million as at 31 December 2016.</p> <p>Trade receivables of the Group comprise mainly receivables for port and related services rendered to shipping line customers. The challenging operating environment in the container shipping industry during the year has increased the risks of default on trade receivables from the Group's customers. In particular, in the event of insolvency of customers, the Group is exposed to a heightened risk of significant financial loss when the customers fail to meet their contractual obligations in accordance with the requirements of trade agreements.</p> <p>For the purpose of impairment assessment, significant judgements and assumptions, including the credit risks of customers and the timing and amount of realisation of these receivables, are required for the identification of impairment events and the determination of any impairment charge.</p>	<p>We have performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> • Tested the aging of trade receivables at year end on a sample basis. • Obtained a list of long outstanding receivables and identified any debtors with financial difficulty through discussion with management as well as conducting market research on the industry. • Assessed the recoverability of these outstanding receivables on a sample basis through our discussion with management and with reference to the credit profile, historical payment patterns, publicly available information and latest correspondence with customers. • Tested settlement of trade receivables after the balance sheet date on a sample basis. <p>We found the judgement and assumptions used by management in determining the provision for impairment of trade receivables to be supportable and reasonable based on the available evidence.</p>

Other Information

Hutchison Port Holdings Management Pte. Limited (the "Trustee-Manager") is responsible for the Other Information. The Other Information refers to the information in the annual report which does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the information on statistics of unitholdings, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the Other Information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the Other Information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

When we read the information on statistics of unitholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

Responsibilities of Trustee-Manager for the Financial Statements

The Trustee-Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and HKFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the Trustee-Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Trustee-Manager's responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Charlotte Hsu Yuh Feng.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants
Singapore, 10 February 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue and other income	4	11,912,290	12,612,781
Cost of services rendered		(4,251,049)	(4,575,062)
Staff costs		(297,428)	(306,588)
Depreciation and amortisation		(2,916,490)	(2,821,195)
Other operating income		88,780	232,049
Other operating expenses*		(312,051)	(789,294)
Total operating expenses		(7,688,238)	(8,260,090)
Operating profit	5	4,224,052	4,352,691
Interest and other finance costs	6	(701,150)	(624,202)
Share of profits less losses after tax of associated companies		17,748	22,379
Share of profits less losses after tax of joint ventures		59,157	118,662
Profit before tax		3,599,807	3,869,530
Tax	7	(645,850)	(824,894)
Profit for the year		2,953,957	3,044,636
Allocated as: Profit attributable to non-controlling interests		(1,240,370)	(1,299,737)
Profit attributable to unitholders of HPH Trust	9	1,713,587	1,744,899
		HK cents	HK cents
Earnings per unit attributable to unitholders of HPH Trust	9	19.67	20.03

* Other operating expenses for the year ended 31 December 2016 included a government rent and rates refund of HK\$430.0 million received in March 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	2,953,957	3,044,636
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	(60,328)	(39,442)
Items that may be reclassified subsequently to profit or loss:		
Valuation losses taken to reserves	(6,346)	(27,609)
Currency translation differences	(275,162)	(153,807)
Total other comprehensive loss	(341,836)	(220,858)
Total comprehensive income for the year	2,612,121	2,823,778
Allocated as: Attributable to non-controlling interests	(1,115,007)	(1,229,832)
Attributable to unitholders of HPH Trust	1,497,114	1,593,946

Note:

Items shown within other comprehensive loss have no tax effect.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Fixed assets	10	25,026,458	24,480,774
Projects under development	11	1,846,912	2,966,246
Leasehold land and land use rights	12	40,925,107	41,269,830
Railway usage rights	13	12,428	13,859
Customer relationships	14(a)	6,504,390	6,838,596
Goodwill	14(b)	22,629,044	22,629,044
Associated companies	15	842,464	161,307
Joint ventures	16	3,869,947	3,898,495
Other non-current assets	17	773,500	1,272,025
Deferred tax assets	18	12,512	12,695
		<u>102,442,762</u>	<u>103,542,871</u>
Current assets			
Cash and bank balances	19	6,999,879	6,840,810
Trade and other receivables	20	3,818,176	3,723,445
Inventories		112,277	123,469
		<u>10,930,332</u>	<u>10,687,724</u>
Current liabilities			
Trade and other payables	21	7,648,259	7,294,967
Bank and other debts	22	4,242,156	8,911,165
Current tax liabilities		259,146	312,738
		<u>12,149,561</u>	<u>16,518,870</u>
Net current liabilities		<u>(1,219,229)</u>	<u>(5,831,146)</u>
Total assets less current liabilities		<u>101,223,533</u>	<u>97,711,725</u>
Non-current liabilities			
Bank and other debts	22	29,240,615	24,082,292
Pension obligations	23	279,072	200,269
Deferred tax liabilities	18	10,932,749	11,204,694
Other non-current liabilities	24	89,226	56,863
		<u>40,541,662</u>	<u>35,544,118</u>
Net assets		<u>60,681,871</u>	<u>62,167,607</u>
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		<u>(27,305,140)</u>	<u>(25,953,724)</u>
Net assets attributable to unitholders of HPH Trust		<u>41,248,699</u>	<u>42,600,115</u>
Non-controlling interests		<u>19,433,172</u>	<u>19,567,492</u>
Total equity		<u>60,681,871</u>	<u>62,167,607</u>

STATEMENT OF FINANCIAL POSITION OF HUTCHISON PORT HOLDINGS TRUST

at 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current asset			
Investment in a subsidiary company	26	54,675,024	57,561,334
Current assets			
Cash and bank balances	19	3,206	3,723
Trade and other receivables	20	1,070	1,291
		4,276	5,014
Current liability			
Trade and other payables	21	50,287	52,329
Net current liabilities			
		(46,011)	(47,315)
Total assets less current liabilities/Net assets			
		54,629,013	57,514,019
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(13,924,826)	(11,039,820)
Total equity			
		54,629,013	57,514,019

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Operating activities			
Cash generated from operations	27	6,769,763	6,778,485
Interest and other finance costs paid		(637,953)	(568,071)
Tax paid		(967,815)	(1,225,703)
Net cash from operating activities		5,163,995	4,984,711
Investing activities			
Purchase of fixed assets, projects under development, leasehold and land use rights		(1,765,113)	(2,041,991)
Proceeds on disposal of fixed assets		31,838	13,101
Dividends received from investments		22,602	35,635
Dividends received from associated companies and joint ventures		82,959	137,705
Interest received		42,220	73,091
Repayment of loans by joint ventures		1,600	241,800
Restricted deposit	19	(42,000)	–
Proceeds on cessation of economic benefits of an investment	17	–	347,232
Net cash used in investing activities		(1,625,894)	(1,193,427)
Financing activities			
New borrowings		9,426,550	14,013,324
Repayment of borrowings		(8,926,480)	(14,642,400)
Upfront debt transaction costs and facilities fees of borrowings		(59,495)	(69,838)
Capital contribution from non-controlling interests		–	345,300
Distributions to unitholders of HPH Trust		(2,848,530)	(3,310,219)
Dividends to non-controlling interests		(1,013,077)	(1,085,447)
Net cash used in financing activities		(3,421,032)	(4,749,280)
Net changes in cash and cash equivalents		117,069	(957,996)
Cash and cash equivalents at beginning of the year		6,840,810	7,798,806
Cash and cash equivalents at end of the year	19	6,957,879	6,840,810

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Units in issue HK\$'000	Exchange and other reserves HK\$'000	Revaluation reserve HK\$'000	Pension reserve HK\$'000	Accumulated losses HK\$'000	Attributable to unitholders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Group								
At 1 January 2016	68,553,839	(33,164)	(40,667)	(19,037)	(25,860,856)	42,600,115	19,567,492	62,167,607
Profit for the year	—	—	—	—	1,713,587	1,713,587	1,240,370	2,953,957
Other comprehensive loss:								
Remeasurement of defined benefit plans	—	—	—	(60,328)	—	(60,328)	—	(60,328)
Investments:								
Valuation losses taken to reserves	—	—	(6,346)	—	—	(6,346)	—	(6,346)
Currency translation differences	—	(149,799)	—	—	—	(149,799)	(125,363)	(275,162)
Transferred to/(from) reserves	—	44	—	—	(44)	—	—	—
Total other comprehensive loss	—	(149,755)	(6,346)	(60,328)	(44)	(216,473)	(125,363)	(341,836)
Total comprehensive (loss)/income	—	(149,755)	(6,346)	(60,328)	1,713,543	1,497,114	1,115,007	2,612,121
Transactions with owners:								
Distributions	—	—	—	—	(2,848,530)	(2,848,530)	—	(2,848,530)
Dividends	—	—	—	—	—	—	(1,249,327)	(1,249,327)
At 31 December 2016	68,553,839	(182,919)	(47,013)	(79,365)	(26,995,843)	41,248,699	19,433,172	60,681,871
At 1 January 2015	68,553,839	50,735	(13,058)	20,405	(24,295,533)	44,316,388	19,077,807	63,394,195
Profit for the year	—	—	—	—	1,744,899	1,744,899	1,299,737	3,044,636
Other comprehensive loss:								
Remeasurement of defined benefit plans	—	—	—	(39,442)	—	(39,442)	—	(39,442)
Investments:								
Valuation losses taken to reserves	—	—	(27,609)	—	—	(27,609)	—	(27,609)
Currency translation differences	—	(83,902)	—	—	—	(83,902)	(69,905)	(153,807)
Transferred to/(from) reserves	—	3	—	—	(3)	—	—	—
Total other comprehensive loss	—	(83,899)	(27,609)	(39,442)	(3)	(150,953)	(69,905)	(220,858)
Total comprehensive (loss)/income	—	(83,899)	(27,609)	(39,442)	1,744,896	1,593,946	1,229,832	2,823,778
Transactions with owners:								
Equity contribution from non-controlling interests	—	—	—	—	—	—	345,300	345,300
Distributions	—	—	—	—	(3,310,219)	(3,310,219)	—	(3,310,219)
Dividends	—	—	—	—	—	—	(1,085,447)	(1,085,447)
At 31 December 2015	68,553,839	(33,164)	(40,667)	(19,037)	(25,860,856)	42,600,115	19,567,492	62,167,607

STATEMENT OF CHANGES IN EQUITY OF HUTCHISON PORT HOLDINGS TRUST

for the year ended 31 December 2016

	Units in issue HK\$'000	Accumulated losses HK\$'000	Attributable to unitholders HK\$'000
Trust			
At 1 January 2016	68,553,839	(11,039,820)	57,514,019
Loss and total comprehensive loss for the year	—	(36,476)	(36,476)
Transaction with owners:			
Distributions	—	(2,848,530)	(2,848,530)
At 31 December 2016	68,553,839	(13,924,826)	54,629,013
At 1 January 2015	68,553,839	(7,696,072)	60,857,767
Loss and total comprehensive loss for the year	—	(33,529)	(33,529)
Transaction with owners:			
Distributions	—	(3,310,219)	(3,310,219)
At 31 December 2015	68,553,839	(11,039,820)	57,514,019

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Hutchison Port Holdings Trust (“Trust” or “HPH Trust”) is a business trust constituted by a deed of trust dated 25 February 2011 (as amended) (the “Trust Deed”) and registered with the Monetary Authority of Singapore. HPH Trust is principally regulated by the Business Trusts Act, Chapter 31A of Singapore and Securities and Futures Act, Chapter 289 of Singapore. Under the Trust Deed, Hutchison Port Holdings Management Pte. Limited (the “Trustee-Manager”), has declared that it will hold all its assets (including businesses) acquired on trust for the unitholders as the Trustee-Manager of HPH Trust. The registered address of the Trustee-Manager is at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. HPH Trust was listed on the Main Board of Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 18 March 2011.

HPH Trust is established with the principal investment mandate of investing in, developing, operating and managing deep-water container ports in the Guangdong Province of the People’s Republic of China (“PRC”), Hong Kong and Macau. HPH Trust may also invest in other types of port assets including river ports, which are complementary to the deep-water container ports owned by HPH Trust, as well as undertake certain port ancillary services including, but not limited to, trucking, feeder, freight-forwarding, supply chain management, warehousing and distribution services.

2 Basis of preparation and significant accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention except for investments and derivative financial instruments which are stated at fair value, as explained in the significant accounting policies set out below.

There is no material difference in preparing the financial statements using HKFRS and International Financial Reporting Standards (“IFRS”). No material adjustments are required to restate the financial statements prepared under HKFRS to comply with IFRS.

At 31 December 2016, HPH Trust and its subsidiary companies (the “Group”) recorded net current liabilities of HK\$1.2 billion, mainly resulting from an unsecured bank loan of US\$0.5 billion (approximately to HK\$3.9 billion), which will mature in May 2017. Management is confident to complete the refinancing arrangement before the expiry of this existing loan. Based on the Group’s history in obtaining external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRS requires management to exercise its judgements in the process of applying the accounting policies of the Group. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Adoption of amendments to existing standards

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual period beginning 1 January 2016. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results or financial position.

Standards and amendments which are not yet effective

At the date of authorisation of the financial statements, the following standards and amendments were in issue and relevant to the Group but not yet effective and have not been early adopted by the Group:

Amendments to HKAS 7 ⁽¹⁾	Disclosure Initiative
Amendments to HKAS 12 ⁽¹⁾	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
Amendments to HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
HKFRS 9 (2014) ⁽²⁾	Financial Instruments
Amendments to HKFRS 2 ⁽²⁾	Classification and Measurement of Share-based Payment Transactions
HKFRS 16 ⁽³⁾	Leases
Amendments to HKFRS 10 and HKAS 28 ⁽⁴⁾	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture

(1) Effective for annual periods beginning 1 January 2017

(2) Effective for annual periods beginning 1 January 2018

(3) Effective for annual periods beginning 1 January 2019

(4) New effective date to be determined

The Group is assessing the full impact of these new or revised HKFRS, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the financial statements. It is not expected to have material impact on the Group.

(a) Basis of consolidation

The consolidated financial statements of the Group for the year ended 31 December 2016 include all its direct and indirect subsidiary companies and also incorporate the interest in associated companies and joint ventures on the basis set out in Notes 2(c) and 2(d) below. Results of subsidiary companies, associated companies and joint ventures acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2016 or up to the dates of disposal as the case may be. The acquisition of subsidiary companies is accounted for using the acquisition method.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(b) Subsidiary companies

A subsidiary company is an entity in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. In the unconsolidated financial statements of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of subsidiary companies are the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On the acquisition by acquisition basis, the Group recognises a non-controlling interest in the acquiree either at fair value or at non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(c) Associated companies

An associated company is an entity, other than a subsidiary company or a joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, which includes participation in the financial and operating policy decisions.

The results and assets and liabilities of associated companies are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, "Non-current assets held for sale and discontinued operations". The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint ventures involve the establishment of separate entities. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, "Non-current assets held for sale and discontinued operations". The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Properties comprise buildings and civil works. Buildings and civil works are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land and land use rights, whichever is lesser. The period of the lease includes the period for which a right of renewal is attached. Other assets comprise motor vehicles, computer equipment and other fixed assets.

Depreciation of fixed assets other than properties is provided at rates calculated to write off their costs to their residual values over their estimated useful lives on a straight line basis as follows:

Container handling equipment	10 - 30 years
Barges	15 years
Motor vehicles	5 years
Computer equipment	5 years
Other fixed assets	5 - 25 years

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Projects under development

Projects under development are carried at cost and include project development expenditure and capitalised interest on related loans incurred up to the date of completion. On completion, projects under development are transferred to fixed assets.

(g) Leasehold land and land use rights

The acquisition costs and upfront payments made for leasehold land and land use rights are presented on the statement of financial position as leasehold land and land use rights and expensed in the income statement on a straight-line basis over the period of the lease/rights.

(h) Customer relationships

Customer relationships, which are acquired in a business combination, are recognised at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships, ranging from approximately 23 to 33 years.

(i) Goodwill

Goodwill is initially measured at cost being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and joint ventures at the date of acquisition, and subject to impairment test annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(i) Goodwill (Continued)

The profit or loss on disposal of a subsidiary company, associated company or joint venture is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(j) Railway usage rights

Railway usage rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over the period of operation of approximately 45 years.

(k) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Investments

Investments (other than investments in subsidiary companies, associated companies or joint ventures) are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from investments are recognised as other operating income in the income statement when the right to receive payment is established. When investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve are removed from revaluation reserve and recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(m) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(o) Inventories

Inventories consist mainly of replacement parts and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with maturity less than three months, and bank overdrafts, excluding secured bank balances, if any.

(q) Borrowings and borrowing costs

The borrowings are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(t) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying values of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

(u) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement. At the same time the carrying amount of the hedged asset or liability in the statement of financial position is adjusted for the changes in fair value.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the income statement.

(v) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a valuation of the plans. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/asset) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/asset).

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(v) Pension plans (Continued)

The contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs are charged against the income statement within staff costs. The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

(w) Foreign exchange

The consolidated financial statements are presented in Hong Kong dollars, which is same as the functional currency of HPH Trust.

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

The financial statements of foreign operations (i.e. subsidiary companies, associated companies, joint ventures or branches whose activities are based or conducted in a country or currency other than those of the Trust) are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associated companies or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and is recognised in the income statement.

All other exchange differences are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(x) Distributions to the Trust's unitholders

Distributions to the Trust's unitholders are recorded in equity in the period in which they are approved for payment.

(y) Operating leases

Leases in which a significant portion of the risks and rewards of ownership of assets remains with the leasing company are accounted for as operating leases. Payments made/income received under operating leases net of any incentives received from/provided to the leasing company are charged/credited to the income statement on a straight-line basis over the lease periods.

(z) Revenue and other income recognition

Revenue is recognised:

- (i) for ports and related services and transportation and logistics solutions, when the service is rendered; and
- (ii) for management and service fee income and system development and support fees, when the service is rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

3. Critical accounting estimates and judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates as well as the accounting policies and methods used in the preparation of the financial statements.

(a) Long lived assets

The Group has made substantial investments in tangible long-lived assets in its container terminal operating business. Changes in technology or the intended use of these assets may cause the estimated period of use or value of these assets to change.

The Group considers its assets impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates by management.

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements (Continued)

(a) Long lived assets (Continued)

Assets that are subject to depreciation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Management's judgements are required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the Group; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(b) Goodwill

For the purposes of impairment tests, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on financial projections approved by management. There are a number of assumptions and estimates involved for the preparation of cash flow projections. The key assumptions adopted in the value-in-use calculations are based on management's best estimates and past experience. Changes to key assumptions can affect significantly the results of the impairment tests.

Key assumptions are made with respect to the expected growth in revenues and cost of services rendered, timing of future capital expenditures, terminal value, growth rates and selection of discount rate, which approximately reflect the risks involved. The growth in revenues will be affected by the growth in both the volume of containers handled and tariff. The volume of containers handled will be impacted by economic and global market conditions, and influenced by the performance and growth of regional and international trading economies. If key export markets for local exporters experience an economic downturn or recession, export volumes may decrease. The growth of tariff depends on the Group's overall competitiveness, which is determined by a number of factors, such as geographical reach and connectivity, operating efficiency, berth availability, mega vessel handling capability, technology offerings, transportation and logistics network and ancillary services and facilities.

A significant portion of cost of services rendered is labour cost which will be impacted by labour supply and inflation. In addition, the introduction of ever larger vessels by shipping lines will require upgrading of equipment and new work practices to increase productivity so as to remain competitive.

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements (Continued)

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships.

The Group considers its impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates by management. Intangible assets with definite useful lives that are subject to amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amounts of the intangible assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement. Management's judgements are required in the area of intangible asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; and (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the Group.

(d) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(e) Accrual of net revenue

Revenue is accrued at period end with reference to the throughput handled and the terms of agreements for container handling service. Consequently, recognition of revenue is based on the volume of services rendered as well as the latest tariff agreed with customers or best estimated by management. This estimate is based on the latest tariff and other industry considerations as appropriate. If the actual revenue differs from the estimated accrual, this will have an impact on revenue in future periods.

(f) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with Hong Kong Accounting Standards ("HKAS") 19 (2011), Employee Benefits. Under this method, the cost of providing pensions is charged to consolidated income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements (Continued)

(f) Pension costs (Continued)

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/asset) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/asset).

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgements are required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(g) Tax

The Group is subject to income taxes in different jurisdictions. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgements regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue and other income and segment information

(a) Revenue and other income

	2016 HK\$'000	2015 HK\$'000
Revenue		
Rendering of port and related services	11,587,944	12,227,776
Rendering of transportation and logistics solutions	199,070	237,806
Management and service fee income	60,546	57,751
System development and support fees	20,162	22,434
Others	1,356	1,594
	<u>11,869,078</u>	<u>12,547,361</u>
Other income		
Interest income	43,212	65,420
	<u>11,912,290</u>	<u>12,612,781</u>

(b) Segment information

The chief operating decision maker has been determined to be the executive committee of HPH Trust (the "Executive Committee"). The Executive Committee reviews the internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

HPH Trust is principally engaged in investing in, developing, operating and managing deep-water container ports and port ancillary services and therefore management considers that HPH Trust operates in one single business segment.

Disclosures by geographical location are shown below:

	Revenue and other income		Non-current assets	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,820,432	5,093,308	28,655,048	29,403,256
Mainland China	7,091,858	7,519,473	73,787,714	74,139,615
	<u>11,912,290</u>	<u>12,612,781</u>	<u>102,442,762</u>	<u>103,542,871</u>

NOTES TO THE FINANCIAL STATEMENTS

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2016 HK\$'000	2015 HK\$'000
<u>Crediting</u>		
Dividend income from River Ports Economic Benefits (Note 17)	17,767	19,605
Net exchange gain	—	3,305
Gain on cessation of economic benefits of an investment	—	155,532
<u>Charging</u>		
Auditor's remuneration		
- audit services	15,120	14,461
- non-audit services	344	1,751
Amortisation		
- leasehold land and land use rights	1,284,395	1,265,546
- railway usage rights	528	557
- customer relationships	334,206	334,206
Depreciation of fixed assets	1,297,357	1,220,886
Net loss on disposal of fixed assets	4,316	2,733
Operating lease rentals		
- office premises and port facilities	63,040	54,057
Staff costs included in cost of services rendered	1,293,811	1,314,636
Net exchange loss	29,295	—

6 Interest and other finance costs

	2016 HK\$'000	2015 HK\$'000
Bank loans and overdrafts	485,587	464,582
Guaranteed notes	154,395	103,480
Loans from non-controlling interests	1,523	1,519
Other finance costs	59,645	54,621
Fair value loss on interest rate swaps	4,973	38,784
Less: fair value adjustment to bank and other debts under fair value hedge	(4,973)	(38,784)
	701,150	624,202

NOTES TO THE FINANCIAL STATEMENTS

7 Tax

	2016 HK\$'000	2015 HK\$'000
Current tax	917,517	1,062,983
Deferred tax (Note 18)	(271,667)	(238,089)
	<u>645,850</u>	<u>824,894</u>

The tax charge on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of the Group as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before tax excluding share of profits less losses after tax of joint ventures and associated companies	3,522,902	3,728,489
Tax calculated at weighted average tax rate of 23.9% (2015: 24.4%)	841,658	908,360
Tax exemption in the PRC	(373,818)	(242,104)
Income not subject to tax	(3,972)	(29,694)
Expenses not deductible for tax purposes	76,819	57,855
Withholding tax on unremitted earnings	116,951	121,888
Utilisation of previously unrecognised tax losses	(9,712)	(623)
(Over)/under provision in prior year	(4,271)	6,229
Tax losses not recognised	2,127	1,745
Others	68	1,238
Total tax	<u>645,850</u>	<u>824,894</u>

8 Distributions

	2016 HK\$'000	2015 HK\$'000
For the period from 1 July 2014 to 31 December 2014		
Distribution of 22.30 HK cents per unit	–	1,942,576
For the period from 1 January 2015 to 30 June 2015		
Distribution of 15.70 HK cents per unit	–	1,367,643
For the period from 1 July 2015 to 31 December 2015		
Distribution of 18.70 HK cents per unit	1,628,976	–
For the period from 1 January 2016 to 30 June 2016		
Distribution of 14.00 HK cents per unit	1,219,554	–
	<u>2,848,530</u>	<u>3,310,219</u>

On 10 February 2017, the Board of Directors of the Trustee-Manager recommended the distribution of 16.60 HK cents per unit for the financial result from 1 July 2016 to 31 December 2016 (2015: 18.70 HK cents per unit) amounting to HK\$1,446.0 million (2015: HK\$1,629.0 million) and payable on 30 March 2017. This distribution is not reflected in these financial statements and will be recognised in equity in the financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

9. Earnings per unit

The calculation of earnings per unit is based on profit attributable to unitholders of HPH Trust of HK\$1,713,587,000 for the year ended 31 December 2016 (2015: HK\$1,744,899,000) and on 8,711,101,022 units in issue (2015: 8,711,101,022 units in issue), which is the weighted average number of units for the year ended 31 December 2016.

Diluted earnings per unit is the same as the basic earnings per unit for the years ended 31 December 2016 and 2015.

10 Fixed assets

Group	Properties HK\$'000	Container handling equipment HK\$'000	Barges HK\$'000	Other assets HK\$'000	Total HK\$'000
2016					
Opening net book amount	16,456,613	7,535,708	33,989	454,464	24,480,774
Additions	20,483	88,060	9,082	2,254	119,879
Transfer from projects under development (Note 11)	1,004,206	752,682	—	136,494	1,893,382
Depreciation	(571,605)	(637,947)	(7,852)	(79,953)	(1,297,357)
Disposals	(426)	(34,440)	(24)	(1,264)	(36,154)
Currency translation differences	(104,193)	(23,116)	—	(6,757)	(134,066)
Closing net book amount	16,805,078	7,680,947	35,195	505,238	25,026,458
At 31 December 2016					
Cost	20,029,045	11,337,092	60,996	805,755	32,232,888
Accumulated depreciation	(3,223,967)	(3,656,145)	(25,801)	(300,517)	(7,206,430)
Net book amount	16,805,078	7,680,947	35,195	505,238	25,026,458
2015					
Opening net book amount	16,881,119	7,783,412	26,473	348,996	25,040,000
Additions	22,015	129,411	17,892	3,222	172,540
Transfer from projects under development (Note 11)	156,842	222,553	—	172,229	551,624
Depreciation	(568,087)	(580,978)	(7,016)	(64,805)	(1,220,886)
Disposals	(179)	(10,698)	(3,360)	(1,597)	(15,834)
Currency translation differences	(35,097)	(7,992)	—	(3,581)	(46,670)
Closing net book amount	16,456,613	7,535,708	33,989	454,464	24,480,774
At 31 December 2015					
Cost	19,132,511	10,316,454	52,737	741,657	30,243,359
Accumulated depreciation	(2,675,898)	(2,780,746)	(18,748)	(287,193)	(5,762,585)
Net book amount	16,456,613	7,535,708	33,989	454,464	24,480,774
At 1 January 2015					
Cost	19,000,276	9,968,715	39,970	597,179	29,606,140
Accumulated depreciation	(2,119,157)	(2,185,303)	(13,497)	(248,183)	(4,566,140)
Net book amount	16,881,119	7,783,412	26,473	348,996	25,040,000

NOTES TO THE FINANCIAL STATEMENTS

11 Projects under development

Group	2016 HK\$'000	2015 HK\$'000
At beginning of the year	2,966,246	2,331,967
Additions	838,325	1,252,333
Transfer to fixed assets (Note 10)	(1,893,382)	(551,624)
Currency translation differences	(64,277)	(66,430)
At end of the year	1,846,912	2,966,246

Projects under development mainly represent the cost of construction of port facilities in the PRC incurred by subsidiary companies.

12 Leasehold land and land use rights

Group	2016 HK\$'000	2015 HK\$'000
Net book value		
At beginning of the year	41,269,830	42,554,823
Additions	1,029,886	–
Amortisation	(1,284,395)	(1,265,546)
Currency translation differences	(90,214)	(19,447)
At end of the year	40,925,107	41,269,830
Cost		
At beginning of the year	48,223,507	47,294,114
Accumulated amortisation	(7,298,400)	(6,024,284)
	40,925,107	41,269,830

13 Railway usage rights

Group	2016 HK\$'000	2015 HK\$'000
Net book value		
At beginning of the year	13,859	15,002
Amortisation	(528)	(557)
Currency translation differences	(903)	(586)
At end of the year	12,428	13,859
Cost		
At beginning of the year	14,938	16,561
Accumulated amortisation	(2,510)	(2,702)
	12,428	13,859

NOTES TO THE FINANCIAL STATEMENTS

14 Intangible assets

(a) Customer relationships

Group	2016 HK\$'000	2015 HK\$'000
Net book value		
At beginning of the year	6,838,596	7,172,802
Amortisation	(334,206)	(334,206)
At end of the year	6,504,390	6,838,596
Cost		
At beginning of the year	8,440,000	8,440,000
Accumulated amortisation	(1,935,610)	(1,601,404)
At end of the year	6,504,390	6,838,596

(b) Goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to geographical locations as the Group has one business segment only. The goodwill is allocated as follows:

Group	2016 HK\$'000	2015 HK\$'000
Hong Kong	1,666,002	1,666,002
Mainland China	20,963,042	20,963,042
	22,629,044	22,629,044
At beginning of the year	22,629,044	22,629,044
Impairment of goodwill (accumulated: HK\$19.0 billion)	—	—
At end of the year	22,629,044	22,629,044

Management performed an impairment assessment as at 31 December 2016 based on value-in-use calculations and determined that no further impairment of goodwill is required. As in prior years, the impairment methodology assumed terminal values and discount rates of 2% - 3% and 8% - 10% per annum, respectively. Terminal values are determined by considering both internal and external factors relating to the port operation and discount rates reflect specific risks relating to the relevant business.

The assumptions regarding the growth rates in revenue and cost of services rendered used in the current year's assessment of the Hong Kong CGU were comparable to last year. For illustration purposes, a hypothetical 0.5% decrease in the revenue growth rate, a 0.5% increase in costs of services rendered and a 0.5% increase in the discount rate, with all other variables and assumptions held constant, would decrease the recoverable amount of the Hong Kong CGU, by HK\$3.0 billion, HK\$1.6 billion and HK\$1.9 billion, respectively.

Actual results in the future may differ materially from the sensitivity analysis due to developments in the global markets and changes in economic conditions which may cause fluctuations in growth and market interest rates to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

NOTES TO THE FINANCIAL STATEMENTS

15 Associated companies

Group	2016 HK\$'000	2015 HK\$'000
Share of net assets	842,464	161,307

Details of the principal associated companies at 31 December 2016 and 2015 are as follows:

Name	Place of establishment	Principal activities	Effective Interest held	
			2016	2015
Shenzhen Yantian Tugboat Company Ltd.	PRC	Provision of tugboat services in the PRC	23.84%	23.84%
Huizhou International Container Terminals Limited ⁽¹⁾	PRC	Development and operation of a container terminal	41.31% (Note)	—

(1) Audited by PricewaterhouseCoopers network firms

There is no associated company as at 31 December 2016, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

There are no material contingent liabilities relating to the Group's interests in the associated companies.

Note:

On 28 December 2016, the Group through its subsidiary companies, acquired 41.31% effective interest of Huizhou International Container Terminals Limited from a related company at a total consideration of US\$86.3 million (approximately to HK\$672.8 million).

The aggregate amounts of revenue, results, assets and liabilities of the associated companies are as follows:

	2016 HK\$'000	2015 HK\$'000
Revenue	241,598	265,966
Net profit for the year	57,852	72,963
Total assets	2,962,793	530,746
Total liabilities	2,194,988	43,421

The Group's share of revenue and results of associated companies are as follows:

	2016 HK\$'000	2015 HK\$'000
Share of revenue	73,889	81,271
Share of results	17,748	22,379

NOTES TO THE FINANCIAL STATEMENTS

16 Joint ventures

Group	2016 HK\$'000	2015 HK\$'000
Share of net assets	3,559,097	3,586,045
Loans to joint ventures	310,850	312,450
	<u>3,869,947</u>	<u>3,898,495</u>

A loan of HK\$300,000,000 (2015: HK\$300,000,000) provided to a joint venture is interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 5.0% per annum (2015: HIBOR plus 5.0% per annum). Another loan provided to a joint venture of HK\$10,850,000 (2015: HK\$12,450,000) is interest free. Both of the loans provided to joint ventures are unsecured and not expected to be repayable within one year. The carrying amount of the loans to joint ventures approximates its fair value.

Details of principal joint ventures at 31 December 2016 and 2015 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Effective interest held
COSCO-HIT Terminals (Hong Kong) Limited ⁽¹⁾	Hong Kong	Development and operation of a container terminal	50.00%
Asia Container Terminals Limited ⁽¹⁾	Hong Kong	Development and operation of a container terminal	40.00%
Beijing Leading Edge Container Services Co., Limited ⁽¹⁾	PRC	Provision of logistic services	50.00%
Mercury Sky Group Limited ⁽²⁾	British Virgin Islands	Investment holding	50.00%
Shenzhen Leading Edge Port Services Co., Limited ⁽¹⁾	PRC	Provision of port agency services	49.00%
Yantian Port International Information Company Limited	PRC	Provision of electronic port community system	28.21%

(1) Audited by PricewaterhouseCoopers network firms

(2) Not required to be audited under the laws of the country of incorporation

There is no joint venture as at 31 December 2016, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

There are no material contingent liabilities relating to the Group's interests in the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

16 Joint ventures (Continued)

The aggregate amounts of revenue, results, assets and liabilities of the joint ventures are as follows:

	2016 HK\$'000	2015 HK\$'000
Revenue	1,449,563	1,682,791
Net profit for the year	126,713	246,878
Non-current assets	8,836,489	9,142,524
Current assets	2,034,298	1,828,455
Total assets	10,870,787	10,970,979
Non-current liabilities	3,692,505	3,705,370
Current liabilities	735,016	771,680
Total liabilities	4,427,521	4,477,050

The Group's share of revenues and results of joint ventures are as follows:

	2016 HK\$'000	2015 HK\$'000
Share of revenue	672,129	783,230
Share of results	59,157	118,662

17 Other non-current assets

Group	2016 HK\$'000	2015 HK\$'000
Investments		
Listed equity security	54,000	60,413
River Ports Economic Benefits (Note)	518,600	518,600
Prepayment for fixed assets, leasehold land and land use rights	83,032	652,547
Other receivables	117,868	40,465
	773,500	1,272,025

Note:

The River Ports Economic Benefits represent the economic interest and benefits of the river ports in Nanhai and Jiangmen, the PRC (together the "River Ports"), including all dividends and any other distributions or other monies payable to a related company or any of its subsidiary companies in its capacity as a shareholder of the relevant holding company of the River Ports arising from the profits attributable to the business of the River Ports and all sale or disposal proceeds derived from such businesses, assets, rights and/or liabilities constituting any part of the business of the River Ports as agreed with a related company and any of its subsidiary companies.

In the fourth quarter of 2015, the Economic Benefits in Zhuhai Jiuzhou was ceased for a consideration of approximately HK\$347,232,000 and a gain of approximately HK\$155,532,000 are resulted and recognised in 2015.

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax

Group	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	(12,512)	(12,695)
Deferred tax liabilities	10,932,749	11,204,694
Net deferred tax liabilities	10,920,237	11,191,999

The movements in deferred income tax (assets)/liabilities during the year are as follows:

	Unused tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Fair value adjustments arising from acquisitions HK\$'000	Withholding tax on unremitted earnings HK\$'000	Others HK\$'000	Total HK\$'000
2016						
At 1 January 2016	(18,156)	600,373	10,386,949	222,958	(125)	11,191,999
Tax charged/(credited) to income statement	564	11,836	(291,917)	14,431	(6,581)	(271,667)
Other temporary differences	–	21	(67)	(273)	224	(95)
At 31 December 2016	(17,592)	612,230	10,094,965	237,116	(6,482)	10,920,237
2015						
At 1 January 2015	(17,612)	583,169	10,674,440	190,438	(312)	11,430,123
Tax (credited)/charged to income statement	(544)	17,187	(287,424)	32,693	(1)	(238,089)
Other temporary differences	–	17	(67)	(173)	188	(35)
At 31 December 2015	(18,156)	600,373	10,386,949	222,958	(125)	11,191,999

Notes:

- (a) The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority.
- (b) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profit is probable. The Group has unrecognised tax losses of HK\$259,928,000 at 31 December 2016 (2015: HK\$410,613,000) to carry forward against future taxable income. Of these, HK\$246,495,000 (2015: HK\$405,489,000) can be carried forward indefinitely. The remaining HK\$13,433,000 (2015: HK\$5,124,000) expires in the following years:

	2016 HK\$'000	2015 HK\$'000
In the first year	–	–
In the second year	–	–
In the third year	2,467	–
In the fourth year	6,884	1,150
In the fifth year	4,082	3,974
	13,433	5,124

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax (Continued)

Notes (Continued):

- (c) Deferred tax liabilities are calculated in full on temporary differences under the liabilities method using the tax rate of the countries in which the Group operated. The temporary differences are for accelerated depreciation allowances, fair value adjustments arising from acquisitions and withholding taxes arising from unremitted earnings.
- (d) Deferred tax assets and liabilities are expected to be recovered or settled mostly after more than twelve months.

19 Cash and bank balances

Group	2016 HK\$'000	2015 HK\$'000
Cash and cash equivalents		
Cash at bank and on hand	573,487	472,085
Short-term bank deposits	6,384,392	6,368,725
	6,957,879	6,840,810
Restricted deposit (Note)	42,000	–
Cash and bank balances	6,999,879	6,840,810

Trust	2016 HK\$'000	2015 HK\$'000
Cash and cash equivalents		
Cash at bank and on hand	3,206	3,723

Note:

At 31 December 2016, a deposit of HK\$42,000,000 was placed by a subsidiary company of the Group as a collateral for the secured bank loan entered in 2016 as in Note 22.

Cash and bank balances are denominated in the following currencies:

Group	2016 Percentage	2015 Percentage
Hong Kong dollar	57%	60%
Renminbi	8%	14%
United States dollar	35%	26%
	100%	100%

Trust	2016 Percentage	2015 Percentage
Hong Kong dollar	32%	72%
United States dollar	25%	3%
Singapore dollar	43%	25%
	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

19 Cash and bank balances (Continued)

The carrying amounts of cash and bank balances approximate their fair values. The maximum exposure to credit risk is the carrying amounts of the cash and bank balances.

20 Trade and other receivables

Group	2016 HK\$'000	2015 HK\$'000
Trade receivables	3,320,919	3,066,699
Less : provision for impairment of receivables	(60,850)	(14,961)
	3,260,069	3,051,738
Other receivables and prepayments	350,384	436,938
Amounts due from related companies (Note a)	17,767	35,237
Amounts due from joint ventures (Note a)	185,585	191,994
Amounts due from associated companies (Note a)	4,371	7,538
	3,818,176	3,723,445

Trust	2016 HK\$'000	2015 HK\$'000
Other receivables and prepayments	1,070	1,291

Trade and other receivables are denominated in the following currencies:

Group	2016 Percentage	2015 Percentage
Hong Kong dollar	55%	59%
Renminbi	18%	28%
United States dollar	27%	13%
	100%	100%

Trust	2016 Percentage	2015 Percentage
Singapore dollar	85%	68%
United States dollar	15%	32%
	100%	100%

The carrying amounts of trade and other receivables of the Group and of the Trust approximate their fair values.

Notes:

- (a) The amounts due from related companies, associated companies and joint ventures of the Group are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables (Continued)

Notes (Continued):

- (b) At 31 December 2016, trade receivables of the Group amounting to HK\$1,484,145,000 (2015: HK\$1,391,857,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
Up to 2 months	678,984	654,644
2 to 3 months	199,322	213,446
Over 3 months	605,839	523,767
	<u>1,484,145</u>	<u>1,391,857</u>

- (c) At 31 December 2016, trade receivables of the Group amounting to HK\$60,850,000 (2015: HK\$14,961,000) were impaired and provided for. The impaired receivables are balances mainly related to a customer that was in financial difficulties. The Group does not hold any collateral over these balances.

Movements of provisions for impairment of trade receivables of the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	14,961	11,967
Provision for impairment	50,015	3,899
Write back of provision for impairment	(16)	(561)
Receivables written off as uncollectible	(4,110)	(173)
Currency translation differences	—	(171)
At end of the year	<u>60,850</u>	<u>14,961</u>

The creation and release of provisions for impairment of receivables have been included in the income statement. Amounts charged to the provision for impairment of receivables are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

21 Trade and other payables

Group	2016 HK\$'000	2015 HK\$'000
Trade payables, other payables and accruals	7,148,930	7,049,124
Loans from non-controlling interests (Note a)	156,342	161,942
Amounts due to related companies (Note b)	106,737	83,901
Dividend payable to non-controlling interests	236,250	–
	7,648,259	7,294,967

Trust	2016 HK\$'000	2015 HK\$'000
Trade payables, other payables and accruals	16,347	21,713
Amounts due to:		
- a related company (Note b)	17,809	12,502
- a subsidiary company (Note b)	16,131	18,114
	50,287	52,329

Trade and other payables are denominated in the following currencies:

Group	2016 Percentage	2015 Percentage
Hong Kong dollar	75%	80%
Renminbi	14%	18%
United States dollar	11%	2%
	100%	100%

Trust	2016 Percentage	2015 Percentage
Hong Kong dollar	32%	35%
United States dollar	36%	24%
Singapore dollar	32%	41%
	100%	100%

At 31 December 2016, the carrying amounts of trade and other payables of the Group and of the Trust approximate their fair values.

Notes:

- (a) The loans from non-controlling interests of the Group are unsecured, interest free except for an amount of HK\$30,380,000 (2015: HK\$30,380,000) which bears interest at Hong Kong Dollar Prime Rate (2015: Hong Kong Dollar Prime Rate) and has no fixed terms of repayment.
- (b) Amounts due to related companies of the Group; and amounts due to a related company and a subsidiary company of the Trust are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

22 Bank and other debts

Group	Current portion HK\$'000	Non-current portion HK\$'000	Total HK\$'000
Unsecured bank loans	4,240,000	21,525,350	25,765,350
Secured bank loan	4,480	71,680	76,160
Guaranteed notes	–	7,800,000	7,800,000
Total principal amount of bank and other debts	4,244,480	29,397,030	33,641,510
Unamortised loan facilities fees and discounts related to debts	(2,324)	(112,658)	(114,982)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	–	(43,757)	(43,757)
At 31 December 2016	4,242,156	29,240,615	33,482,771
Unsecured bank loans	8,819,200	16,420,000	25,239,200
Secured bank loan	108,000	–	108,000
Guaranteed notes	–	7,800,000	7,800,000
Total principal amount of bank and other debts	8,927,200	24,220,000	33,147,200
Unamortised loan facilities fees and discounts related to debts	(16,035)	(98,924)	(114,959)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	–	(38,784)	(38,784)
At 31 December 2015	8,911,165	24,082,292	32,993,457

The carrying amounts of bank loans of the Group approximate their fair values as the bank loans bear floating interest rates and are repriced within six months at the prevailing market interest rates. The loans will be fully repayable from May 2017 to November 2021 (2015: repayable from July 2016 to April 2019).

In March 2015, the Group issued a 3-year US\$500 million 2.25% guaranteed note due 2018 and a 5-year US\$500 million 2.875% guaranteed note due 2020. Interest rate swaps are utilised by the Group in the management of its interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swap agreements with banks to swap the fixed interest rate guaranteed notes to floating interest rate.

The effective interest rate of the Group's bank and other debts at 31 December 2016 is 1.8% per annum (2015: 1.6% per annum).

Bank and other debts are denominated in the following currencies:

Group	2016 Percentage	2015 Percentage
Hong Kong dollar	12%	13%
United States dollar	88%	87%
	100%	100%

At 31 December 2016, leasehold land and land use rights of the Group totaling HK\$232,332,000 (2015: HK\$237,136,000) were pledged as security for a bank loan.

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations

Group	2016 HK\$'000	2015 HK\$'000
Defined benefit plans		
Pension obligations	279,072	200,269

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's defined benefit plans in Hong Kong are a contributory final salary pension plan and a non-contributory guaranteed return defined contribution plan. The Group's plans were valued by Towers Watson Hong Kong Limited, qualified actuaries at 31 December 2016 and 31 December 2015 using the projected unit credit method to account for the pension accounting costs in accordance with HKAS 19 (2011) "Employee Benefits".

The principal actuarial assumptions used for accounting purposes are as follows:

	2016 Percentage	2015 Percentage
Discount rate	0.90 – 1.00	1.20 – 1.50
Future salary increases	4.00	4.00
Interest credited on plan accounts	5.00 – 6.00	5.00 – 6.00

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2016 HK\$'000	2015 HK\$'000
Present value of defined benefit obligations	1,464,270	1,368,791
Fair value of plan assets	(1,185,198)	(1,168,522)
Net defined benefit liabilities	279,072	200,269

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

The movements in the present value of the defined benefit liabilities and its components are as follows:

	Defined benefits obligations HK\$'000	Fair value of plan assets HK\$'000	Net defined benefit liabilities HK\$'000
2016			
At 1 January	1,368,791	(1,168,522)	200,269
Net charge/(credit) to the income statement			
Current service cost	53,701	395	54,096
Interest cost/(income)	16,895	(14,597)	2,298
	70,596	(14,202)	56,394
Net charge to other comprehensive income			
Remeasurements loss:			
Actuarial loss arising from:			
Experience adjustment	20,493	—	20,493
Financial assumptions	39,736	—	39,736
Return on plan assets excluding interest income	—	99	99
	60,229	99	60,328
Other			
Contributions paid by the employer	—	(37,919)	(37,919)
Contributions paid by the employee	8,807	(8,807)	—
Benefits paid	(42,873)	42,873	—
Net transfer	(1,280)	1,280	—
At 31 December	1,464,270	(1,185,198)	279,072

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

	Defined benefits obligations HK\$'000	Fair value of plan assets HK\$'000	Net defined benefit liabilities HK\$'000
2015			
At 1 January	1,300,081	(1,156,002)	144,079
Net charge/(credit) to the income statement			
Current service cost	51,009	597	51,606
Interest cost/(income)	20,015	(18,035)	1,980
	71,024	(17,438)	53,586
Net charge/(credit) to other comprehensive income			
Remeasurements loss:			
Actuarial loss arising from:			
Experience adjustment	17,031	—	17,031
Financial assumptions	34,959	—	34,959
Return on plan assets excluding interest income	—	(12,548)	(12,548)
	51,990	(12,548)	39,442
Other			
Contributions paid by the employer	—	(36,838)	(36,838)
Contributions paid by the employee	8,732	(8,732)	—
Benefits paid	(54,648)	54,648	—
Net transfer	(8,388)	8,388	—
At 31 December	1,368,791	(1,168,522)	200,269

Fair value of the plan assets is analysed as follows:

	2016 HK\$'000	2015 HK\$'000
Equity instruments	729,108	811,092
Debt instruments	383,981	326,842
Cash and others	72,109	30,588
At 31 December	1,185,198	1,168,522

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

	2016 Percentage	2015 Percentage
Equity Instruments		
Conglomerates and manufacturing	5%	6%
Construction and materials	2%	2%
Consumer markets	5%	6%
Energy and utilities	4%	4%
Financial institutions and units trust	15%	20%
Health and care	7%	6%
Insurance	4%	5%
Real estate	3%	4%
Information technology	12%	11%
Others	5%	5%
	62%	69%
Debt instruments		
Government (other than US)	14%	10%
Financial institutions	4%	3%
US Treasury	8%	6%
Others	6%	9%
	32%	28%
Cash and others	6%	3%
	100%	100%

The debt instruments are analysed by issuer's credit rating as follows:

	2016 Percentage	2015 Percentage
Aaa/AAA	35%	24%
Aa1/AA+	18%	12%
Aa2/AA	10%	2%
Aa3/AA-	4%	5%
A1/A+	6%	8%
A2/A	8%	6%
A3/A-	4%	7%
Baa1/BBB+	5%	2%
Baa2/BBB	3%	7%
Other lower grade	4%	7%
No investment grade	3%	20%
	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed at 31 December 2015 and 2016. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the pension plans of the Group to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the major defined benefit plans of the Group are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 1 August 2015 reported a funding level of 127% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4% per annum. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. At 31 December 2016, this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year ended 31 December 2016, forfeited contributions totalling HK\$978,000 (2015: HK\$729,000) were used to reduce the level of contributions of the year ended 31 December 2016 and no forfeited contribution was available at 31 December 2016 (2015: Nil) to reduce future year's contributions.

The sensitivity of the defined benefit obligation to changes in the significant principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 1.9%	Increase by 2.0%
Salary increase	0.25%	Increase by 0.6%	Decrease by 0.5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

The Group expects to make contributions of HK\$39,896,000 (2015: HK\$39,029,000) to the defined benefit plans during the next year.

The weighted average duration of the defined benefit obligation is 7.6 years as at 31 December 2016 (2015: 7.9 years).

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$70,296,000 (2015: HK\$69,464,000).

24 Other non-current liabilities

Group	2016 HK\$'000	2015 HK\$'000
Fair value hedges		
Interest rate swaps	43,757	38,784
Others	45,469	18,079
	<u>89,226</u>	<u>56,863</u>

25 Units in issue

Group and Trust	Number of units	HK\$'000
At 1 January 2015, 31 December 2015 and 31 December 2016	<u>8,711,101,022</u>	<u>68,553,839</u>

All issued units are fully paid and rank pari passu in all respects.

26 Investment in a subsidiary

Trust	2016 HK\$'000	2015 HK\$'000
Investment cost	10,000	10,000
Capital contribution	54,665,024	57,551,334
	<u>54,675,024</u>	<u>57,561,334</u>

Pursuant to an investment agreement entered between the HPH Trust and a wholly-owned subsidiary, HPHT Limited, dated 4 August 2011, HPH Trust made capital contributions of HK\$67,280,000,000 to HPHT Limited ("Capital Contribution") through capitalising the amounts due from the subsidiary. HPH Trust has no right to require HPHT Limited to return any Capital Contribution. HPHT Limited may return to HPH Trust any Capital Contribution at any time in whole or in part. Accordingly, the capital contribution is accounted for as investment in a subsidiary.

Details of subsidiary companies of the Group are disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

27 Reconciliation of operating profit to cash generated from operations

	Note	2016 HK\$'000	2015 HK\$'000
Operating profit		4,224,052	4,352,691
Depreciation and amortisation		2,916,490	2,821,195
Gain on cessation of economic benefits of an investment	17	—	(155,532)
Net loss on disposal of fixed assets		4,316	2,733
Dividend income		(21,277)	(23,727)
Interest income		(43,212)	(65,420)
Operating profit before working capital changes		7,080,369	6,931,940
Decrease in inventories		11,192	10,290
Increase in trade and other receivables		(179,663)	(496,271)
Decrease in amounts due from associated companies and joint ventures		9,576	71,239
(Decrease)/increase in trade and other payables		(170,186)	244,539
Increase in pension obligations		18,475	16,748
Cash generated from operations		6,769,763	6,778,485

28 Commitments

(a) The Group's capital commitments for fixed assets and projects under development are as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	186,684	645,143
Authorised but not contracted for (Note)	1,073,846	1,606,629
	1,260,530	2,251,772

The Group's share of capital commitments of the joint ventures is as follows:

	2016 HK\$'000	2015 HK\$'000
Authorised but not contracted for	74,147	89,007
	74,147	89,007

Notes:

The capital commitments were budgeted amounts estimated for future capital expenditures of the Group. These estimates are subject to a rigorous authorisation process before the expenditure is committed.

NOTES TO THE FINANCIAL STATEMENTS

28 Commitments (Continued)

- (b) At 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises and port facilities as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	23,218	23,796
Between two to five years	3,825	16,842
More than five years	40	–
	<u>27,083</u>	<u>40,638</u>

- (c) At 31 December 2016, the Group had future aggregate minimum lease receivable under non-cancellable operating leases for office premises and port facilities as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	18,952	6,326
Between two to five years	50,281	33,570
	<u>69,233</u>	<u>39,896</u>

29 Related parties transactions

Significant transactions between the Group and related parties during the year that are carried out in the normal course of business are disclosed below and Note 15 above. Outstanding balances with associated companies, joint ventures and Group companies are disclosed in Notes 20 and 21.

- (i) Income from and expenses to related parties

	2016 HK\$'000	2015 HK\$'000
Income:		
Container handling fees received from joint ventures and related companies (Note a)	35,308	35,464
Management and service fee received from joint ventures and related companies (Note b)	80,144	77,946
Transportation management services fee income from a joint venture and related companies (Note c)	<u>32,271</u>	<u>29,461</u>

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties transactions (Continued)

(i) Income from and expenses to related parties (Continued)

	2016 HK\$'000	2015 HK\$'000
Expenses:		
Container handling charges paid to joint ventures, associated companies and a related company (Note d)	847,156	1,022,289
Operating lease rentals on premises paid to joint ventures and related companies (Note d)	8,833	12,470
Trustee-Manager management fees (Note e)		
- Base fee	22,954	22,613
- Acquisition fee	5,335	—
Global support services fees to a related company (Note f)	137,698	135,680
Information technology ("IT") support and maintenance service fees paid to an associated company and related companies (Note g)	46,816	45,239
Telecommunication charges paid to related companies (Note h)	6,452	5,308
Security guards service fees paid to a related company (Note i)	13,628	12,964
Purchases of fixed assets from related companies (Note j)	14,893	3,828

Notes:

- (a) Container handling fees received from joint ventures and related companies were charged at terms pursuant to the relevant agreements.
- (b) Management and service fee received from joint ventures and related companies were charged at terms mutually agreed.
- (c) Revenue from a joint venture and related companies for the provision of transportation management services was charged at prices and terms mutually agreed.
- (d) Container handling charges and operating lease rentals paid to joint ventures, associated companies and related companies were charged at terms pursuant to relevant agreements.
- (e) The Trustee-Manager's management fees were charged in accordance with the Trust Deed.

The base fee was charged at a fixed fee of US\$2,500,000 (equivalent to HK\$19,500,000) per annum which is subject to increase each year from 2012 by such percentage representing the percentage increase in the Hong Kong Composite Consumer Price Index. The base fee for the year ended 31 December 2016 is payable in cash. As the December 2016 figure for the Hong Kong Composite Consumer Price Index is yet to be published as at the date of preparation of these financial statements, the adjustment to the base fee, if required, will be accounted for in the subsequent financial period.

Acquisition fee was related to the acquisition of 41.31% effective interest in Huizhou International Container Terminals Limited in December 2016. It was calculated based on 0.5% of the enterprise value (as defined in the Trust Deed) of such investments acquired, directly or indirectly by HPH Trust, pro-rated to the portion of HPH Trust's interest in the acquired investments.

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties transactions (Continued)

- (i) Income from and expenses to related parties (Continued)

Notes (Continued):

- (f) Global support services fees in respect of administration services, and licence for certain intellectual property rights were charged at prices and terms mutually agreed.
- (g) IT support and maintenance services fees in respect of the support and maintenance of IT systems paid to an associated company and related companies were charged at prices and terms mutually agreed.
- (h) Telecommunication charges paid to related companies were charged at prices and terms mutually agreed.
- (i) Security guards service fees paid to a related company were charged at prices and terms mutually agreed.
- (j) Acquisition of fixed assets from related companies were charged at prices and terms mutually agreed.

- (ii) Key management compensation

Key management of the Group includes managing directors and key management of the deep-water container ports of the Group. The compensation paid or payable to key management for employee services is shown below:

	2016 HK\$'000	2015 HK\$'000
Salaries and employee benefits	31,262	30,951

30 Financial risk and capital management

(a) Cash management and funding

The major financial instruments of the Group include liquid funds, investments, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risk management programme of the Group is designed to minimise the financial risks of the Group. These risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The Group generally obtains long-term financing to meet funding requirements. Management of the Group regularly and closely monitors its overall net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(b) Capital management

The Group's strategy involves adopting and maintaining an appropriate mix of debt and equity to ensure optimal returns to unitholders, while maintaining sufficient flexibility to implement growth strategies.

The Group may consider diversifying its sources of debt financing by accessing the debt capital markets through the issuance of bonds to optimise the debt maturity profile and to make adjustments to the capital structure in light of changes in economic conditions.

The Group has complied with all externally imposed capital requirements which include leverage ratio.

At 31 December 2016, total equity amounted to HK\$60,681,871,000 (2015: HK\$62,167,607,000), and consolidated net debt of the Group was HK\$26,641,631,000 (2015: HK\$26,306,390,000).

(c) Credit exposure

The Group's holdings of cash and cash equivalents expose the Group to counterparty credit risk. The Group controls its credit risk to non-performance by its counterparties through regular review and monitoring of their credit ratings.

The receivables from customers and other counterparties also expose the Group to credit risk. The Group controls its credit risk by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

(d) Interest rate exposure

The Group's main interest risk exposures relate to cash and cash equivalents, loans from non-controlling interests, bank and other debts. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates.

The impact of a hypothetical 5 basis points increase in market interest rate at the end of the reporting period would reduce the Group's profit and unitholders' equity by HK\$13,439,000 (2015: HK\$13,570,000).

(e) Foreign currency exposure

For overseas subsidiaries, associated companies and joint ventures, which consist of non-Hong Kong dollar assets, the Group generally monitors the development of the Group's cash flows and debt market and, when appropriate, would expect to refinance these businesses with local currency borrowings.

Currency risk as defined by HKFRS 7 arises on financial instruments denominated in a currency that is not the functional currency and being of a monetary nature. Differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(e) Foreign currency exposure (Continued)

The impact of a hypothetical 5% weakening of the HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year is set out as below.

	Hypothetical increase/ (decrease) in profit	
	2016 HK\$'000	2015 HK\$'000
Renminbi	3,419	16,667
United States dollar	(1,351,100)	(1,340,450)
Singapore dollar	114	91
	<u>(1,347,567)</u>	<u>(1,323,692)</u>

(f) Liquidity exposure

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's and the Trust's financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date on which the Group and the Trust can be required to pay:

Group	Contractual maturities				
	Carrying Amounts HK\$'000	Total undiscounted cash flows HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000	After 5 years HK\$'000
2016					
Trade and other payables	7,648,259	7,648,259	7,648,259	—	—
Bank and other debts, and other non-current liabilities	33,571,997	33,599,846	4,255,806	29,311,000	33,040
	<u>41,220,256</u>	<u>41,248,105</u>	<u>11,904,065</u>	<u>29,311,000</u>	<u>33,040</u>

Group	Contractual maturities			
	Carrying Amounts HK\$'000	Total undiscounted cash flows HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000
2015				
Trade and other payables	7,294,967	7,294,967	7,294,967	—
Bank and other debts, and other non-current liabilities	33,050,320	33,181,705	8,947,044	24,234,661
	<u>40,345,287</u>	<u>40,476,672</u>	<u>16,242,011</u>	<u>24,234,661</u>

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(f) Liquidity exposure (Continued)

The table for the Group above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$650,130,000 (2015: HK\$590,146,000) in “within 1 year” maturity band, HK\$1,251,139,000 (2015: HK\$924,239,000) in “within 2 to 5 years” maturity band, HK\$2,727,000 (2015: Nil) in “after 5 years” maturity band, and after assuming the effect of interest rates with respect to variable rate financial liabilities remaining constant and no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Trust	Contractual maturities			
	Carrying amounts HK\$'000	Total undiscounted cash flows HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000
2016				
Trade and other payables	50,287	50,287	50,287	—
2015				
Trade and other payables	52,329	52,329	52,329	—

(g) Fair value estimation

The table below analyses recurring fair value measurements for financial assets/(liabilities). These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

	Note	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2016					
Listed equity security	17	54,000	—	—	54,000
River Ports Economic Benefits	17	—	—	518,600	518,600
Fair value hedges on interest rate swaps	24	—	(43,757)	—	(43,757)
		54,000	(43,757)	518,600	528,843
At 31 December 2015					
Listed equity security	17	60,413	—	—	60,413
River Ports Economic Benefits	17	—	—	518,600	518,600
Fair value hedges on interest rate swaps	24	—	(38,784)	—	(38,784)
		60,413	(38,784)	518,600	540,229

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(g) Fair value estimation (Continued)

The fair value of financial instruments that are not traded in active market (level 3) is determined by discounted cash flow analysis with reference to inputs such as dividend stream.

During the years ended 31 December 2016 and 2015, there were no transfers between the Level 1, Level 2 and Level 3 fair value measurements.

At 31 December 2016, the fair value of bank and other debts (note 22) was HK\$33,535.2 million. The carrying amounts of the remaining financial assets and financial liabilities approximate their fair values.

The movements of the balance of River Port Economic Benefits which is categorised into Level 3 are as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 January	518,600	740,000
Valuation losses taken to reserves	—	(29,700)
Derecognition	—	(191,700)
At 31 December	518,600	518,600

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

31 List of subsidiary companies of the Group

(a) Details of principal subsidiary companies of the Group at 31 December 2016 and 2015 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/ registered capital	Effective interest held	
				2016	2015
HPHT Limited ⁽¹⁾	Hong Kong	Investment holding	HK\$10,000,000	100%	100%
Giantfield Resources Limited ⁽²⁾	British Virgin Islands	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Classic Outlook Investments Limited ⁽²⁾	British Virgin Islands	Investment holding	100,000 ordinary shares of US\$0.1 each	100%	100%
HIT Investments Limited ⁽²⁾	British Virgin Islands	Investment holding	200 ordinary "A" shares of US\$1 each 800 non-voting preferred "B" shares of US\$1 each	100%	100%
Pearl Spirit Limited ⁽²⁾	British Virgin Islands	Investment holding	1 ordinary share of US\$1	100%	100%
Hongkong International Terminals Limited ⁽¹⁾	Hong Kong	Development and operation of container terminals	HK\$20	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group (Continued)

(a) Details of principal subsidiary companies of the Group at 31 December 2016 and 2015 are as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/ registered capital	Effective interest held	
				2016	2015
Yantian International Container Terminals Limited ⁽¹⁾	PRC	Development and operation of container terminals	HK\$2,400,000,000	56.41%	56.41%
Yantian International Container Terminals (Phase III) Limited ⁽¹⁾	PRC	Development and operation of container terminals	HK\$6,056,960,000	51.64%	51.64%
Shenzhen Pingyan Multimodal Company Limited ⁽¹⁾	PRC	Provision of various transportation services	RMB150,000,000	51.64%	51.64%
Shenzhen Yantian West Port Terminals Limited ⁽¹⁾	PRC	Development and operation of container terminals	RMB2,343,300,000	51.64%	51.64%
Hutchison Ports Yantian Limited ⁽¹⁾	Hong Kong	Investment holding	HK\$10,000,000	79.45%	79.45%
Wattrus Limited ⁽¹⁾	British Virgin Islands	Investment holding	32 "A" shares of US\$1 each 593 "B" shares of US\$1 each	94.88%	94.88%
Sigma Enterprises Limited ⁽¹⁾	British Virgin Islands	Investment holding	2,005 "A" shares of US\$1 each 8,424 "B" shares of US\$1 each	79.45%	79.45%
Hutchison Ports Yantian Investments Limited ⁽²⁾	British Virgin Islands	Investment holding	200 ordinary shares of US\$1 each	100%	100%
Birrong Limited ⁽²⁾	British Virgin Islands	Investment holding	10,000 ordinary shares of US\$1 each	100%	100%
Hutchison Shenzhen East Investments Limited ⁽²⁾	British Virgin Islands	Investment holding	1 ordinary share of US\$1	100%	100%

(1) Audited by PricewaterhouseCoopers network firms

(2) Not required to be audited under the laws of the country of incorporation

Appointment of auditors

The Trust has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to its auditors.

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group (Continued)

(b) Material non-controlling interests

Yantian International Container Terminals Limited, Yantian International Container Terminals (Phase III) Limited, Shenzhen Yantian West Port Terminals Limited, Wattus Limited and Sigma Enterprises Limited are the subsidiary companies with non-controlling interests that are material to the Group.

Set out below are the summarised financial information for these subsidiary companies:

Summarised statement of financial position

	2016 HK\$'000	2015 HK\$'000
Non-current assets	72,238,702	72,293,227
Current assets	5,073,581	5,333,588
Total assets	77,312,283	77,626,815
Non-current liabilities	11,173,975	10,130,892
Current liabilities	4,539,975	5,574,694
Total liabilities	15,713,950	15,705,586

Summarised income statement

	2016 HK\$'000	2015 HK\$'000
Revenue and other income	6,943,866	7,348,339
Net profit for the year	2,683,677	2,818,515

Summarised statement of cash flows

	2016 HK\$'000	2015 HK\$'000
Net change in cash and cash equivalents	(66,323)	(702,464)

The information above is the amount before inter-company eliminations.

32 Subsequent event

On 19 December 2016, Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited and Asia Container Terminals Limited entered into a Co-Management Agreement for which they will collaborate for the efficient co-management and operation of the 16 berths across Terminals 4, 6, 7, 8 and 9 in Kwai Tsing, Hong Kong with effect from 1 January 2017.

33 Approval of the financial statements

The financial statements set out on pages 82 to 131 were approved by the Board of Directors of the Trustee-Manager for issue on 10 February 2017.

STATISTICS OF UNITHOLDINGS

as at 14 March 2017

There were 8,711,101,022 units (voting rights: 1 vote per unit) in issue as at 14 March 2017. There is only one class of units in HPH Trust.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	10	0.03	154	0.00
100 - 1,000	3,258	8.96	3,161,032	0.04
1,001 - 10,000	19,864	54.66	101,880,201	1.17
10,001 - 1,000,000	13,110	36.08	727,436,680	8.35
1,000,001 AND ABOVE	97	0.27	7,878,622,955	90.44
TOTAL	36,339	100.00	8,711,101,022	100.00

SUBSTANTIAL UNITHOLDERS

Based on Register of Substantial Unitholders as at 14 March 2017

UNITHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF UNITS	%	NO. OF UNITS	%
1. CK Hutchison Holdings Limited ⁽¹⁾	–	–	2,619,246,222	30.07
2. Hutchison Port Group Holdings Limited	2,406,227,022	27.62	–	–
3. CK Hutchison Global Investments Limited ⁽²⁾	–	–	2,406,227,022	27.62
4. PortCapital Limited	905,364,000	10.39	–	–
5. PSA International Pte Ltd ⁽³⁾	–	–	905,364,000	10.39
6. Temasek Holdings (Private) Limited ⁽⁴⁾	–	–	957,746,389	10.99

Notes:

- (1) CK Hutchison Holdings Limited ("CKHH"), through its wholly-owned subsidiary, CK Hutchison Global Investments Limited ("CKHGI"), is deemed to have the interest held by Hutchison Port Group Holdings Limited ("HPGH") in HPH Trust. CKHH, through its wholly-owned subsidiary, Cheung Kong (Holdings) Limited ("Cheung Kong"), has a deemed interest in 2.45% of the units in HPH Trust held by Cheung Kong's subsidiaries.
- (2) CKHGI, being the immediate holding company of HPGH, is deemed to have the same interest in HPH Trust as HPGH.
- (3) PortCapital Limited ("PortCapital") is a wholly-owned subsidiary of PSA International Pte Ltd ("PSA"). PSA is deemed interested in the HPH Trust units held by PortCapital.
- (4) PSA is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). Temasek is deemed interested in the HPH Trust units held by PortCapital and Temasek's various other subsidiaries and associated companies.

STATISTICS OF UNITHOLDINGS

as at 14 March 2017

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	HUTCHISON PORT GROUP HOLDINGS LIMITED	2,406,227,022	27.62
2	CITIBANK NOMINEES SINGAPORE PTE LTD	1,419,439,500	16.29
3	PORTCAPITAL LIMITED	905,364,000	10.39
4	DBS NOMINEES (PRIVATE) LIMITED	797,583,636	9.16
5	RAFFLES NOMINEES (PTE) LIMITED	383,865,763	4.41
6	DBSN SERVICES PTE. LTD.	351,802,850	4.04
7	HSBC (SINGAPORE) NOMINEES PTE LTD	296,266,288	3.40
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	271,958,289	3.12
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	220,285,170	2.53
10	DB NOMINEES (SINGAPORE) PTE LTD	168,104,611	1.93
11	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	145,485,972	1.67
12	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	55,388,807	0.64
13	UOB KAY HIAN PRIVATE LIMITED	47,824,989	0.55
14	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	46,912,354	0.54
15	GOH KIA SENG	37,000,000	0.42
16	OCBC SECURITIES PRIVATE LIMITED	28,551,459	0.33
17	PHILLIP SECURITIES PTE LTD	24,479,602	0.28
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	17,948,938	0.21
19	NOMURA SINGAPORE LIMITED	17,130,462	0.20
20	ABN AMRO NOMINEES SINGAPORE PTE LTD	16,867,455	0.19
TOTAL		7,658,487,167	87.92

FREE FLOAT

Based on the information made available to the Trustee-Manager, as at 14 March 2017, approximately 58.9% were held in the hands of the public. Accordingly, HPH Trust complied with Rule 723 of the Listing Manual of the SGX-ST.

ADDITIONAL INFORMATION

	Total Volume (‘000)	Highest Price (US\$) (S\$)		Lowest Price (US\$) (S\$)	
Unit performance in financial year 2016	3,880,194	0.540	0.765	0.400	0.565

NOTICE OF ANNUAL GENERAL MEETING

HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)

(Registration No.: 2011001)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the unitholders of Hutchison Port Holdings Trust ("**HPH Trust**" and unitholders of HPH Trust, "**Unitholders**") will be held at Suntec Singapore International Convention & Exhibition Centre, Summit 2 Meeting Room, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 24 April 2017 at 11:00 a.m. for the following purposes:

ORDINARY BUSINESS:

1. To receive and adopt the Report of the Trustee-Manager, Statement by the Trustee-Manager and the audited financial statements of HPH Trust for the year ended 31 December 2016 together with the Independent Auditor's Report thereon. **(Resolution 1)**
2. To re-appoint PricewaterhouseCoopers LLP as the Auditor of HPH Trust and to authorise the Directors of the Trustee-Manager to fix its remuneration. **(Resolution 2)**

SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

3. General mandate to issue units in HPH Trust ("**Units**")

That pursuant to Clause 6.1.1 of the deed of trust dated 25 February 2011 and the first supplemental deed dated 28 April 2014 (collectively, "**Trust Deed**"), Section 36 of the Business Trusts Act, Chapter 31A of Singapore ("**BTA**"), and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Trustee-Manager, on behalf of HPH Trust, be authorised and empowered to:

- (a) (i) issue Units, whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions whether for cash or otherwise and for such purposes and to such persons as the Trustee-Manager may in its absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Units pursuant to any Instrument made or granted by the Trustee-Manager while this Resolution was in force,

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (50.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro-rata basis to existing Unitholders shall not exceed twenty per centum (20.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by SGX-ST) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the percentage of issued Units shall be based on the number of issued Units (excluding treasury Units, if any) at the time of the passing of this Resolution, after adjusting for:
 - (a) new Units arising from the conversion or exercise of the Instruments; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Units;

NOTICE OF ANNUAL GENERAL MEETING

HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)

(Registration No.: 2011001)

- (3) in exercising the authority conferred by this Resolution, the Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Trust Deed and the BTA; and
- (4) unless revoked or varied by HPH Trust in a general meeting, such authority shall continue in force until (i) the conclusion of the next Annual General Meeting of the Unitholders or the date by which the next Annual General Meeting of the Unitholders is required by law to be held, whichever is the earlier; or (ii) in the case of Units to be issued pursuant to the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments. **(Resolution 3)**

By Order of the Board of Hutchison Port Holdings Management Pte. Limited
(as Trustee-Manager of Hutchison Port Holdings Trust)
(Company Registration No.: 201100749W)

LYNN WAN TIEW LENG

Company Secretary
Singapore, 6 April 2017

Explanatory Notes:

Resolution 3

The Ordinary Resolution 3 in item 3 above, if passed, will empower the Trustee-Manager from the date of this Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, or the date on which such authority is varied or revoked by HPH Trust in a general meeting of the Unitholders, whichever is the earliest, to issue Units, make or grant Instruments convertible into Units and to issue Units pursuant to such Instruments, up to a number not exceeding, in total, 50.0% of the issued Units, of which up to 20.0% may be issued other than on a pro-rata basis to existing Unitholders.

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the issued Units at the time the Ordinary Resolution 3 in item 3 above is passed, after adjusting for any new Units arising from the conversion or exercise of the Instruments, and any subsequent bonus issue, consolidation or subdivision of Units.

Notes:

1. A Unitholder entitled to attend and vote at the Annual General Meeting of Unitholders ("**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. The instrument appointing a proxy or proxies must be deposited at the registered office of Hutchison Port Holdings Management Pte. Limited, the Trustee-Manager of HPH Trust at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by HPH Trust (or its agents) for the purpose of the processing and administration by HPH Trust, the Trustee-Manager (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for HPH Trust (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to HPH Trust (or its agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by HPH Trust, the Trustee-Manager (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify HPH Trust in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

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HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)
(Registration No.: 2011001)

HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

(Incorporated in the Republic of Singapore with limited liability)
Co. Reg. No.: 201100749W
(as trustee-manager of Hutchison Port Holdings Trust)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

holder of NRIC / Passport Number or Company Registration Number or UEN Number _____

of _____

being a unitholder/unitholders of Hutchison Port Holdings Trust ("HPH Trust"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

or failing the person, or either or both of whom failing, referred to the above, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the unitholders of HPH Trust ("Meeting") to be held at Suntec Singapore International Convention & Exhibition Centre, Summit 2 Meeting Room, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 24 April 2017 at 11:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of Votes For**	No. of Votes Against**
1	Adoption of the Report of the Trustee-Manager, Statement by the Trustee-Manager and the audited financial statements of HPH Trust for the year ended 31 December 2016 together with the Auditor's Report thereon		
2	Re-appointment of PricewaterhouseCoopers LLP as the Auditor of HPH Trust		
3	Authority to issue new units in HPH Trust		

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total number of Units in:	No. of Units
(a) CDP Register	
(b) Register of Unitholders	

Signature of unitholder(s)/Common Seal of
corporate unitholder



IMPORTANT: PLEASE READ THE NOTES TO THE PROXY FORM BELOW**Notes to Proxy Form:**

1. Please insert the total number of units in Hutchison Port Holdings Trust ("**HPH Trust**", and units in HPH Trust, "**Units**") held by you. If you have Units entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Unitholders of HPH Trust, you should insert that number of Units. If you have Units entered against your name in the said Depository Register and Units registered in your name in the Register of Unitholders, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Unitholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Units held by you.
2. A unitholder of HPH Trust entitled to attend and vote at a meeting of HPH Trust is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a unitholder of HPH Trust.
3. Where a unitholder appoints two proxies, he/she must specify the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy. Where a unitholder appoints two proxies and does not specify the proportion of his/her unitholding to be represented by each proxy, then the Units held by the unitholder are deemed to be equally divided between the proxies.
4. Completion and return of this instrument appointing a proxy shall not preclude a unitholder from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a unitholder attends the meeting in person, and in such event, Hutchison Port Holdings Management Pte. Limited, the trustee-manager of HPH Trust ("**Trustee-Manager**"), reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of Trustee-Manager at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
7. A corporation which is a unitholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2017.

General:

The Trustee-Manager shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject any instrument appointing a proxy or proxies lodged if the unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Trustee-Manager.



HUTCHISON PORT HOLDINGS TRUST

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