HUTCHISONPORTS

Hutchison Port Holdings Trust
Annual Report 2017

ADVANCING IN A NEW ERA

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ADVANCING IN
A NEW ERA

Fresh challenges continue to beset the container shipping industry, which has long struggled with intense competition and overcapacity among shipping lines. The growing deployment of mega-vessels and the reformation of shipping alliances are pushing terminal operators to make increasingly substantial investments in infrastructure and cargo-handling capabilities.

In this new era, many terminal operators around the world will be hard-pressed to keep pace with the swiftly evolving landscape. At HPH Trust, we have the resources, the acumen and the tenacity to not only survive, but to continue progressing amid these challenges, transforming them into opportunities for growth and development.

Our modern facilities and natural deep-water berths, as well as our commitment to service excellence have bred a tangible advantage that enables us to continue boosting operational productivity from berth to gate. These strengths and our strategies for staying abreast of industry needs have already reinforced our position as the preferred port-of-call for key shipping lines, allowing us to press forward with long-term plans to further enhance our assets and secure future growth.

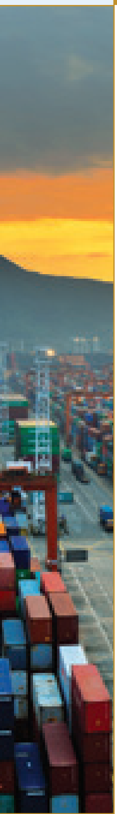
A MEMBER OF ONE OF THE WORLD'S LEADING PORT NETWORKS OF

CK HUTCHISON HOLDINGS LIMITED


Hongkong International Terminals

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 on SGX. 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 mainland China. Together, these market-leading, best-in-class deep-water container ports currently operate 38 berths across 647 hectares of land, following the two additional berths at West Port Phase II being put into operation in January 2018. In 2017, they delivered a combined throughput of approximately 24.3 million TEU.

The Trust's core port operations are complemented by 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 the People's Republic of China ("PRC") ("River Ports Economic Benefits[1]"): 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.

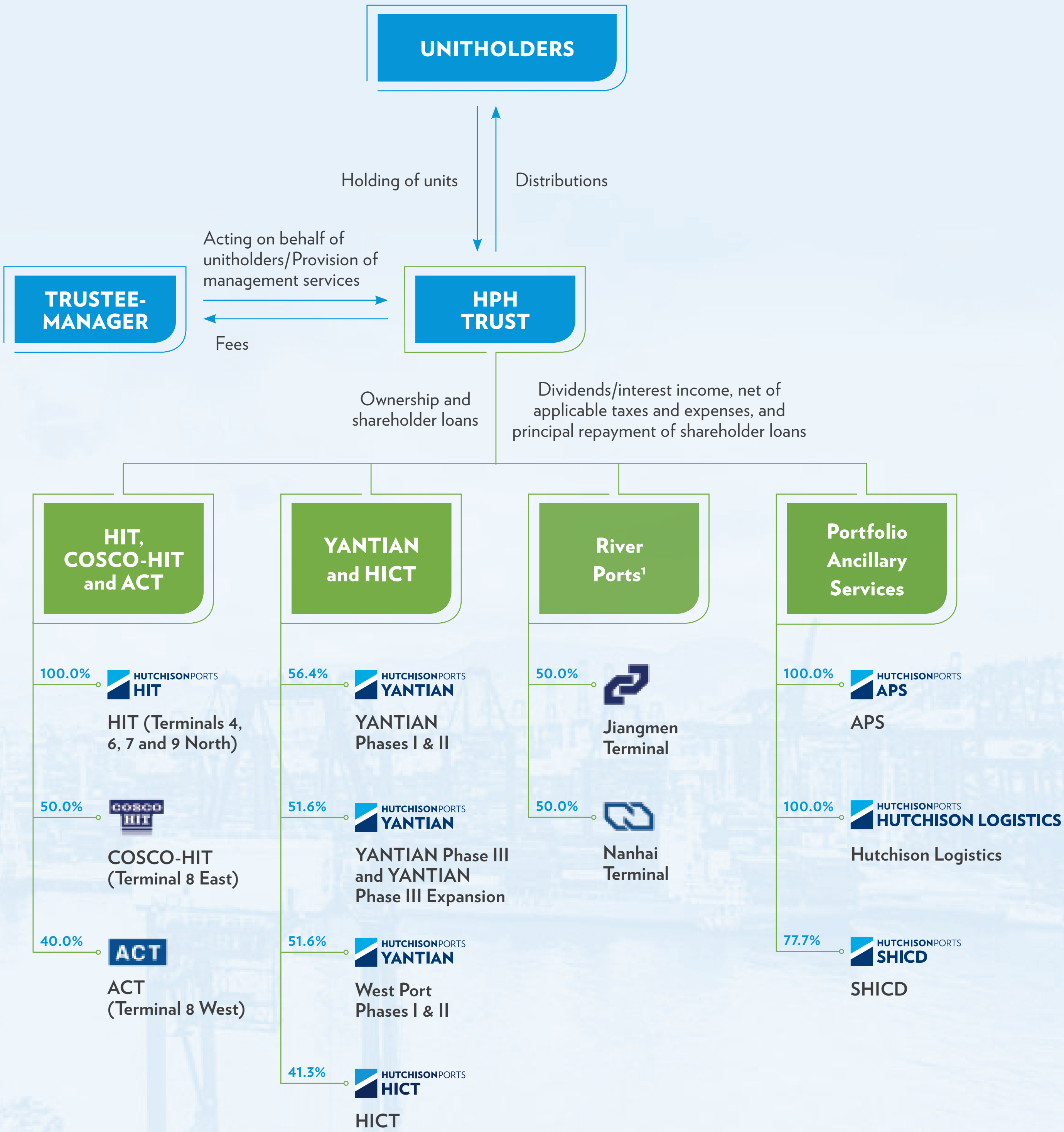
THE TRUSTEE-MANAGER

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 distribution 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 interest 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.

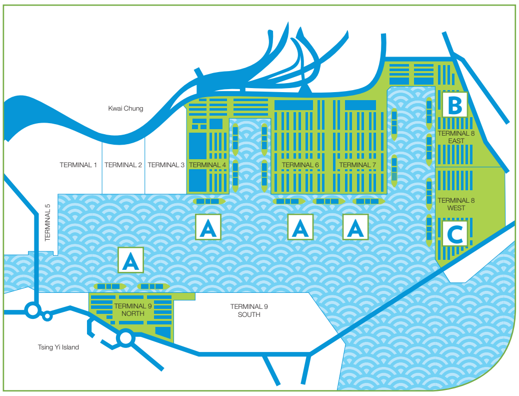
CORPORATE STRUCTURE



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

PORTFOLIO OVERVIEW

KWAI TSING, HONG KONG



A HIT

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

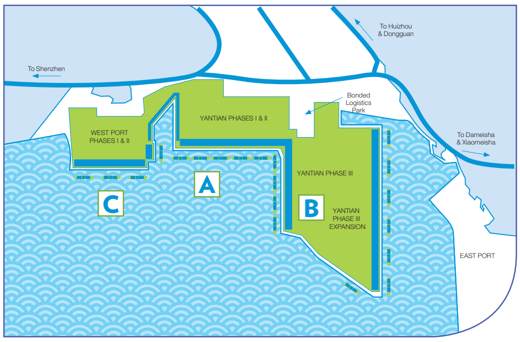
B COSCO-HIT

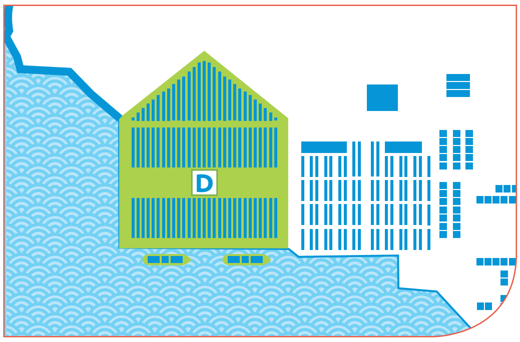
- 2 container berths at Terminal 8 East with a combined land area of 30 hectares
- 50/50 joint venture with COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports")

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

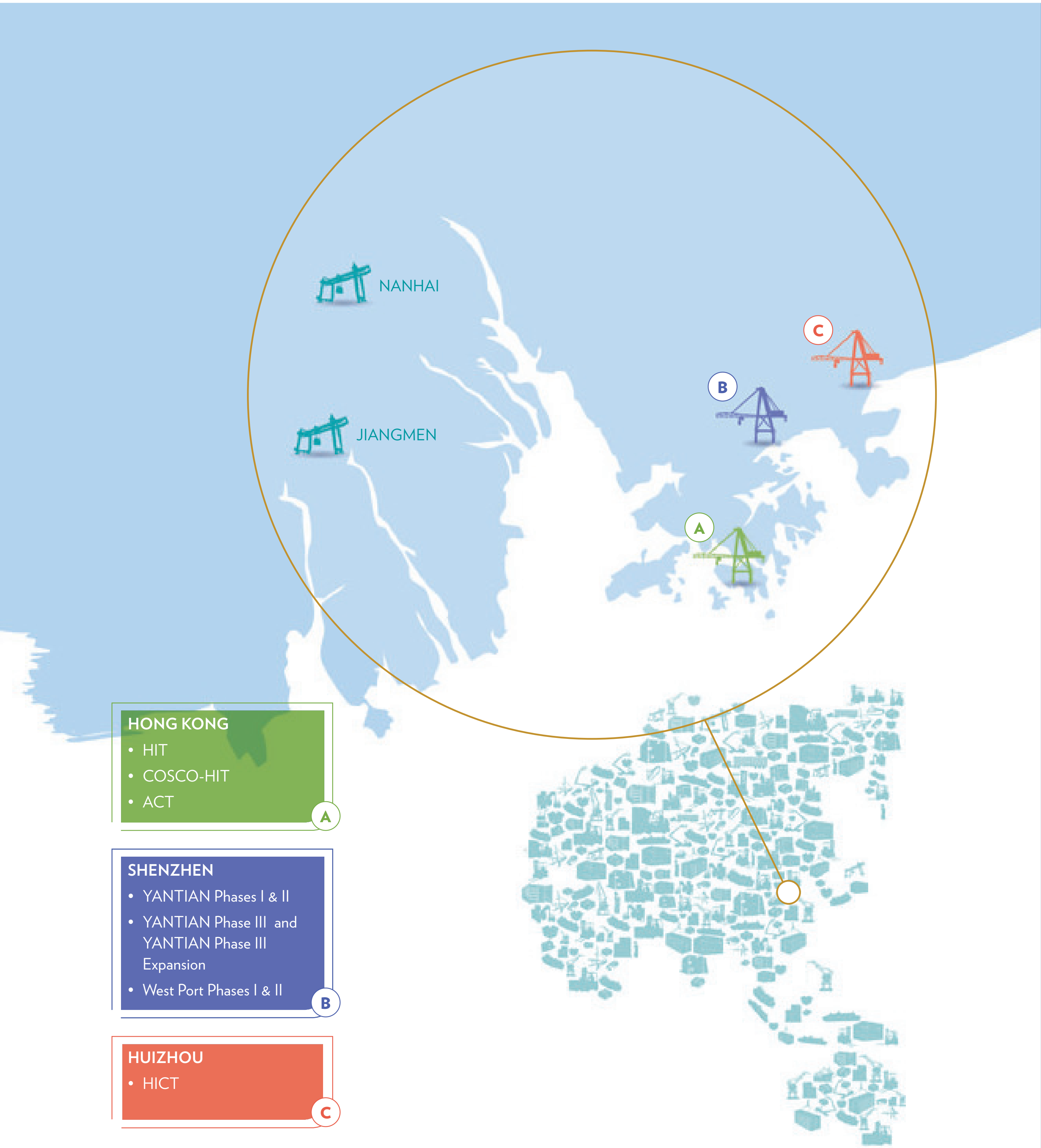
C West Port Phases I & II

- Effective interests: 51.6%
- 1 container berth at West Port Phase I with an area of 17 hectares
- 3 container berths at West Port Phase II in operation, 2 of which have only been put into operation in January 2018, with a combined land area of 44 hectares

D HICT

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

PORTFOLIO OVERVIEW



PORTFOLIO OVERVIEW

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 port, modern and well-equipped facilities, augmented by a free, open and multi-lateral trading system allow Hong Kong 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 ("Kwai Tsing Ports"). A co-management arrangement between HIT, COSCO-HIT and ACT further allows for optimal flexibility in berth and yard planning, and resource deployment across all terminals.

16 CONTAINER BERTHS

65 QUAY CRANES

170 HECTARES OF LAND

11.4 MILLION TEU HANDLED IN 2017

AROUND **2,000** EMPLOYEES AND **4,000** EXTERNAL CONTRACTOR WORKERS ON-SITE DAILY

Figures as at 31 December 2017

PORTFOLIO OVERVIEW

SHENZHEN AND HUIZHOU, CHINA

YANTIAN

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

YANTIAN, as the sole terminal operator in eastern Shenzhen, is the preferred port-of-call for mega-vessels in South China. Its natural deep-water berths and exemplary mega-vessel handling capabilities are key features contributing to its reputation as a world-class hub.

HICT

The Port of Huizhou is a natural coastal port located in Guangdong. A key 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

91 QUAY CRANES

477 HECTARES OF LAND

12.9 MILLION TEU HANDLED IN 2017

AROUND **2,420** EMPLOYEES AND **4,580** EXTERNAL CONTRACTOR WORKERS ON-SITE DAILY

** Total container berths increased from 20 to 22 following the two additional berths at West Port Phase II being put into operation in January 2018*

Figures as at 31 December 2017

OPERATIONAL EXCELLENCE

At HPH Trust, our diligence and cost-efficient front-line management are key to operational excellence.


COSCO
UASC
CMA CGM
msc
WAN HAI

LETTER TO UNITHOLDERS

"Consolidations in the shipping industry in the form of shipping alliances and mergers and acquisition posed both opportunities and challenges for the Trust. With our exemplary assets, commitment to operational excellence and forward-thinking strategy, the Trust is well-positioned to service the increased operational complexities demanded by larger alliances and mega-vessels."

Staying Steadfast Amidst a Changing Landscape

The global shipping industry has been facing strong headwinds over these past few years, triggering unprecedented volatilities and structural changes within the industry. Under these challenging conditions, shipping lines have increasingly strived to improve their competitive advantage by capacity optimisation, cost reduction and productivity enhancement through fleet rationalisation, deployment of mega-vessels, reformation of carrier alliances, and consolidation through mergers and acquisitions. The Trust's ability to react promptly and effectively demonstrated our resilience and minimised the adverse impacts.

The rising trend in the deployment of larger vessels commands more complex logistics arrangements, planning and operational precision. The Trust, with its exemplary mega-vessel handling capabilities and strategic locations of its ports, is well-equipped to handle this rising trend, as seen by the servicing of some of the world's largest vessels in 2017 such as the 20,170-TEU *MOL Triumph* on its maiden voyage in HIT and YANTIAN. Furthermore, the 20,568-TEU *Madrid Maersk* and the 21,413-TEU *OOCL Hong Kong* also made their inaugural calls at YANTIAN.

Throughput for the Trust's container terminal assets totaled 24.3 million TEU in 2017, an increase of 7.9% from the previous year. Overall outbound cargoes to the US and Europe continued to increase in 2017, with the US maintaining growth momentum in its economic activity. Coupled with the uncertainties and downside risks arising from geopolitical tensions, and the increasingly populist and nationalist tendencies in policy formulation and negotiation, the Trustee-Manager remains cautiously optimistic about the expected cargo volumes in 2018 and will continue to exercise prudence and discipline in our financial management.

Reformation of carrier alliances and consolidation amongst shipping lines in the form of mergers and acquisitions will invariably result in pricing pressures on our tariffs, due to their stronger negotiating positions from the enlarged volumes and services as well as greater regional competition. 2017 average revenue per TEU was lower, largely because of greater volume concessions to certain liners and certain tariff revisions following mergers and acquisitions among shipping lines.

The Trust reported a net profit after tax ("NPAT") of HK$2,217.5 million, 15% lower than in 2016, and a 30% decline in net profit attributable to unitholders to HK$944.2 million, excluding the one-off refund of HK$430 million in government rent and rates received by HIT in 2016. Including the refund in 2016, NPAT and profit attributable to unitholders were down 25% and 45% respectively. The Trust also started carrying out its debt repayment plan in 2017, paying down debt principal by HK$1 billion. After the repayment, distribution per unit ("DPU") to unitholders was 20.6 HK cents.

Reinforcing Our Position of Strength

To ensure that we stay ahead of the curve, the Trust has continued to push ahead with forward-thinking strategies that fortify our position as the preferred port-of-call in South China.

One major move forward was the roll-out of the co-management arrangement between HIT, COSCO-HIT and ACT signed in December 2016, which has progressed well in raising both productivity and cost-efficiency of our Hong Kong operations. The teams at these terminals shared best operational practices while standardising key performance and productivity targets. By centralising the management of both berth and yard resources, we were able to optimise vessel allocation, allowing us to further improve berthing flexibility, minimise inter-terminal transfers and optimise yard usage.

YANTIAN has also progressed well on the construction of the two remaining berths at West Port Phase II, which have been put into operation in January 2018. With these two new berths, West Port Phase II will bolster YANTIAN's overall capability to deliver the speedy turnarounds and seamless service demanded by mega-vessels.

Our operations in HICT also began to ramp up in 2017, following its acquisition by YANTIAN in late 2016 and with two berths having passed official inspection. With synergies derived from common practices and procedures, HICT began to develop its feeder service and Intra-Asia cargo network to complement YANTIAN's business in 2017.

LETTER TO UNITHOLDERS

The Trust will continue to invest strategically in key infrastructure and equipment. During the year, we have placed orders for a variety of advanced cranes that will enable us to support the changing requirements of our customers and the overall container shipping industry.

Building a Sustainable Future for the Trust

Technology and innovation continue to play pivotal roles in enhancing our operational efficiency. At HPH Trust, to remain competitive, we are constantly reviewing and exploring innovative ways to boost and improve our productivity and drive cost-efficiencies – from securing talent for our teams to rolling out advanced systems, equipment and infrastructure. This includes implementing new technologies that can be integrated into our existing operations to achieve optimal productivity, service levels and cost savings.

This commitment was highlighted during the year with the progressive upgrade of HIT's fleet of rubber-tyred gantry cranes ("RTGCs") at Terminal 9 North to a remote-controlled system, painstakingly implementing each phase whilst the terminal maintained full operation – the world's first container terminal to successfully complete such a transition. Furthermore, these remote-controlled RTGCs have enabled Terminal 9 North to fully automate its container stacking area – another first in Hong Kong – thereby increasing operational efficiency while improving the working environment and industrial safety.

Moreover, our vision is to build a sustainable future for our business while safeguarding the environment in which we operate. Therefore, HPH Trust will continue to strive to integrate internationally-accepted environmental standards into our operations on different fronts.

In line with our ongoing efforts to reduce carbon dioxide emissions and noise, YANTIAN took the lead in green shore power technology by installing mobile shore power systems encompassing 10 berths that allow docked vessels to connect to an on-shore electrical power source and completely turn off their engines. This project was regarded by the Ministry of Transport of the People's Republic of China ("PRC") as one of the country's leading pilot projects for shore power.

Similarly, in Hong Kong, as part of an ongoing crane conversion programme, HIT added six units of new RTGC with dual power systems (electric and hybrid modes) to the fleet, further reducing total carbon dioxide emissions there by 2% compared with the previous year.

During the year, the Trust has continued to garner several key certifications and industry awards in recognition of our commitment to service excellence and corporate social responsibility. Most notable of these were the recognition of YANTIAN for various operational performances by the Container Branch of the China Ports and Harbours Association, HIT's ISO 14001:2015 Environmental Management Systems certificate awarded by the Accredited Certification International Limited, and YANTIAN's Information Security Management System – ISO/IEC 27001:2013 certificate awarded by the British Standards Institution, the first container terminal in the PRC to receive such certification.

Advancing in the New Era

While the global shipping industry is on course for recovery under a more stabilised economic outlook, we expect market volatility, geopolitical tensions, regulatory uncertainties as well as the rapid technological evolution affecting the shipping industry and our operations to continue in the year ahead.

At HPH Trust, we believe that investing strategically in infrastructure and technology will continue to pave our way forward. Adhering to our fundamentals of service excellence, continuous improvement and prudent financial management will further strengthen the cornerstones of our operations. We are confident that our forward-thinking management policies and established frameworks will equip us to capture new opportunities and enable HPH Trust to advance in the new era in 2018.

FOK Kin Ning, Canning
Chairman

KEY EVENTS

MEGA-VESSEL HANDLING CAPABILITIES

HPH Trust continued to substantiate its mega-vessel handling capabilities with its berth expansion at YANTIAN and the maiden calls of several of the world's largest container vessels at both HIT and YANTIAN.

With facilities designed for mega-vessel berthing and handling, YANTIAN has the capabilities to simultaneously service multiple mega-vessels.

While the Hong Kong government dredged the public channel, HPH Trust also dredged the berth alongside our terminal area, augmenting our ability to better service mega-vessels.

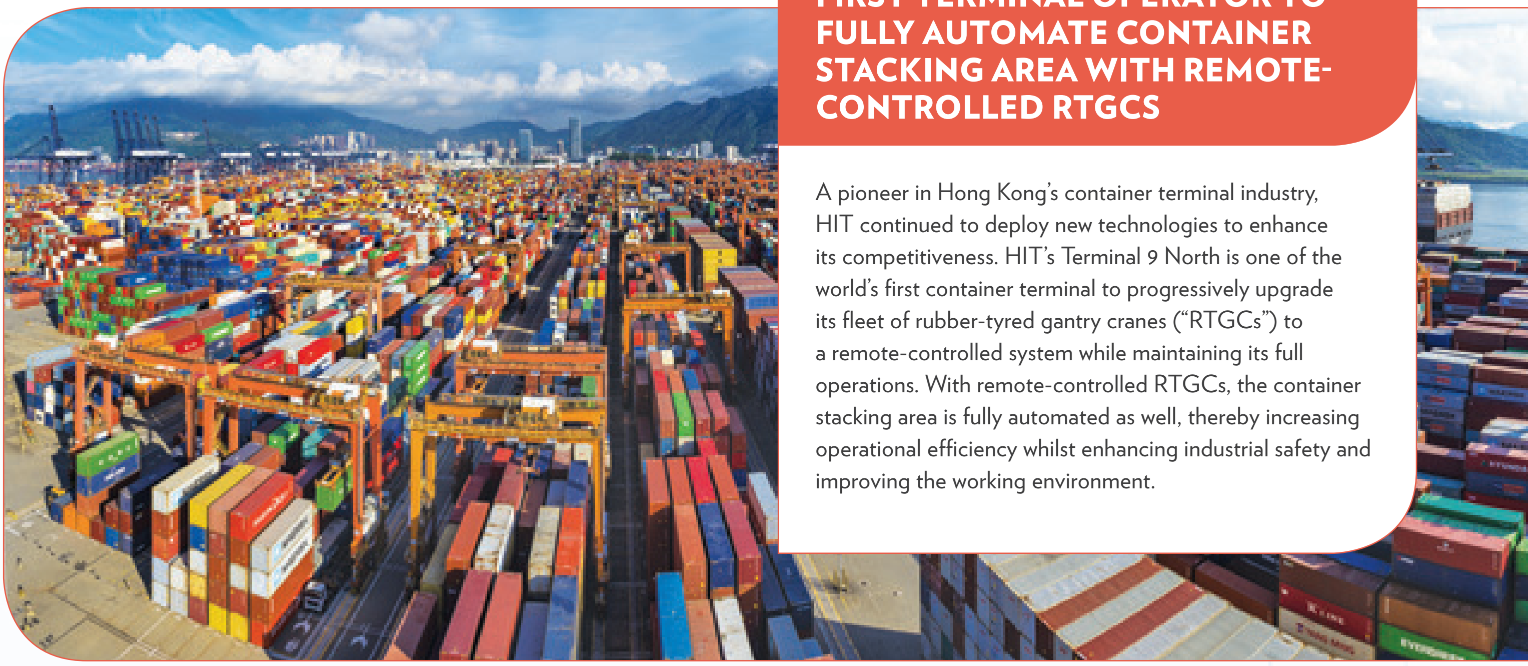
Further spotlighting their revered position as the preferred ports-of-call in the region, HIT and YANTIAN have handled some of the world's largest vessels. The two ports have serviced the 20,170-TEU *MOL Triumph* on its maiden voyage. Both the 20,568-TEU *Madrid Maersk* and the 21,413-TEU *OOCL Hong Kong* have made their inaugural calls at YANTIAN.

In collaboration with COSCO-HIT and ACT, HIT can handle five 18,000-TEU+ vessels simultaneously at the Kwai Tsing Ports while YANTIAN can handle four at the same time. Together, the Trust handled 3,600 vessels with capacities over 8,000-TEU in South China in 2017, making their terminals preferred choices for mega vessels in the region.

SYNERGY OF CO-MANAGEMENT AT HIT, COSCO-HIT AND ACT

Since the beginning of the co-management arrangement on 1 January, the Trust has achieved cost synergies at the Kwai Tsing Ports through centralised resources management, common goal setting and process standardisation, while leveraging each port's competitive strengths. Through centralising the berth and yard resources management, vessels are optimally allocated among HIT, COSCO-HIT and ACT berths to minimise berthing delays, reduce inter-terminal transfers, and achieve a better balance in yard density, all of which contribute to higher operational efficiency, as evidenced by a 40% reduction in cross-terminal marshalling for example.

KEY EVENTS



HIT BECOMES HONG KONG'S FIRST TERMINAL OPERATOR TO FULLY AUTOMATE CONTAINER STACKING AREA WITH REMOTE-CONTROLLED RTGCS

A pioneer in Hong Kong's container terminal industry, HIT continued to deploy new technologies to enhance its competitiveness. HIT's Terminal 9 North is one of the world's first container terminal to progressively upgrade its fleet of rubber-tyred gantry cranes ("RTGCs") to a remote-controlled system while maintaining its full operations. With remote-controlled RTGCs, the container stacking area is fully automated as well, thereby increasing operational efficiency whilst enhancing industrial safety and improving the working environment.

YANTIAN STRENGTHENS SHORE POWER CAPABILITIES

YANTIAN is one of the leaders in the industry in green shore power technology and has installed mobile shore power systems that convert the electricity supplied from the municipal power grid for vessels at berth. These systems are capable of providing shore power to 10 berths. When connected, vessel engines can be turned off completely while at berth, reducing carbon dioxide emissions and engine noise. With two phases of mobile shore power already operational and encompassing 10 shore power-ready berths, when in full capacity, the reduction in carbon dioxide emissions will reach 2,730 tonnes per year, equivalent to planting 136,500 trees.

CORPORATE MILESTONES

VESSEL CALL HIGHLIGHTS

MOL TRIUMPH CALLS AT HIT AND YANTIAN

On 15 April, *MOL Triumph,* one of the world's largest container vessels in service, called at both HIT and YANTIAN on its maiden voyage. With dimensions of 400 metres long and 58.8 metres wide, the 20,170-TEU vessel is deployed on an Asia-Europe route of THE Alliance. In Hong Kong, HIT Managing Director Gerry Yim celebrated the arrival of *MOL Triumph* with representatives from Mitsui O.S.K Lines and the Hong Kong Transport and Housing Bureau.

MADRID MAERSK CALLS AT YANTIAN

On 12 May, the 20,568-TEU container vessel *Madrid Maersk* called at YANTIAN on its maiden voyage. Measuring 399 metres long and 58.6 metres wide, *Madrid Maersk* is one of the world's largest container vessels in service. As the first vessel of Maersk's second generation Triple-E fleet, it is deployed on the liner's Asia-Europe service.

YANTIAN WELCOMES THE INAUGURAL CALL OF THE WORLD'S LARGEST CONTAINER VESSEL, *OOCL HONG KONG*

On 28 May, YANTIAN welcomed the inaugural call of the 21,413-TEU *OOCL Hong Kong*. Measuring close to 400 metres long and 59 metres wide, this is the largest container vessel in the world by carrying capacity. The vessel is deployed as part of the Asia-Europe service under the Ocean Alliance.

CORPORATE MILESTONES

COSCO-HIT AND ACT LAUNCH NEW COMMON BARGE PLATFORM

COSCO-HIT and ACT launched the new Common Barge Platform in August to handle the in/out booking of COSCO Shipping barges. Under the new platform, electronic data interchange declaration has replaced manual recording, which improves documentation accuracy and reduces handling time by 70%. The new platform has been implemented across 72% of the COSCO Shipping barges, and will be progressively implemented to cover its full fleet.

ACT SETS NEW BENCHMARK

On 7 September, ACT welcomed the 18,800-TEU *AL Nefud* and performed 6,988 moves during its stay, breaking a record established a week earlier on the 20,170-TEU *MOL Trust* with 6,068 moves. Both records, achieved within a span of two weeks, reflect ACT's capabilities in handling mega-vessels and the efficient utilisation of resources at HIT, COSCO-HIT and ACT under the co-management arrangement.

PEOPLE AND SOCIETY

YANTIAN STAFF NAMED NATIONAL EXCELLENT TECHNICIANS OF THE TRANSPORT SECTOR

On 5 January, five staff and two external contractor workers of YANTIAN were presented with the certificate of National Excellent Technicians of the Transport Sector in the award ceremony held in Shenzhen. These seven awardees were among a total of 10 candidates from Shenzhen who won the title. The award is in recognition of their operational expertise, exceptional productivity and safety records in terminal equipment operations.

CORPORATE MILESTONES

YANTIAN'S SHORE POWER PHASE II PROJECT RECEIVES THUMBS UP

On 22 March, YANTIAN's Shore Power Phase II Project passed government inspection. The project, including the installation of shore power systems which can support 10 berths, is recognised by the Ministry of Transport of the PRC as one of the country's leading pilot projects for shore power.

HIT'S CRAFT APPRENTICE RECEIVES THE 2016 OUTSTANDING APPRENTICES (MERIT) AWARD

On 22 March, Wong Ka Hing (left), HIT's craft apprentice in the Engineering Department, was named the 2016 Outstanding Apprentices (Merit). The award, presented by the Vocational Training Council, is to recognise the excellent performance of apprentices and encourage them to pursue excellence and contribute to the society.

LABOUR DAY MEDALS OF MERIT

On 28 April, Wang Weizhong, Secretary of the Shenzhen Municipal Committee of the Communist Party of the PRC, and Qiu Hai, Director of the Standing Committee of the Shenzhen People's Congress, presented YANTIAN staff Huang Xing and nine other Shenzhen individuals with Guangdong Province Labour Day Medals of Merit. Huang was recognised for his outstanding quay crane operating performance and exceptional record in competitions.

HIT, COSCO-HIT AND ACT RAISE SAFETY AND HEALTH AWARENESS

HIT, COSCO-HIT and ACT published booklets to raise awareness on safety and health at workplaces for front-line workers. At the book launching ceremony on 1 September, Mr. Carlson Chan, Commissioner for Labour of Hong Kong, delivered a speech to promote workplace safety and health awareness.

CORPORATE MILESTONES

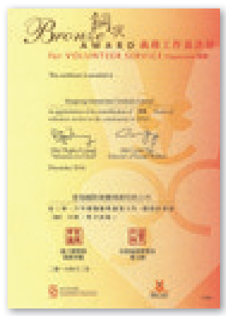
ORGANISATIONAL AWARDS

HIT, APS, ACT AND HUTCHISON LOGISTICS RECEIVE CARING COMPANY AWARD

On 10 March, HIT and APS were awarded the 10 Years Plus Caring Company Logo while ACT and Hutchison Logistics received the 5 Years Plus Caring Company Logo. The Caring Company Scheme is an annual award in Hong Kong that recognises companies and organisations demonstrating a caring spirit to the community, their employees and the environment.

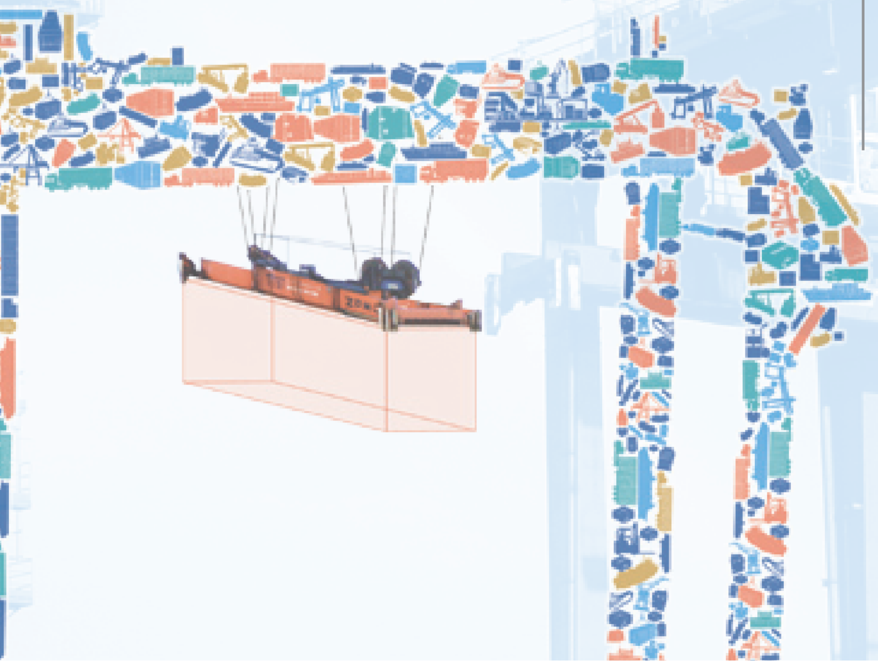
YANTIAN GAINS CHINA PORTS ASSOCIATION RECOGNITION FOR EXEMPLARY PERFORMANCE

On 29 March, the Container Branch of the China Ports and Harbours Association recognised YANTIAN's achievements in annual throughput in excess of 11 million TEU, intermodal volume in excess of 140,000 TEU, transshipment volume in excess of 1.5 million TEU, international transshipment volume in excess of 1.1 million TEU, and single-vessel productivity in excess of 100 containers per hour.



HIT'S COMMITMENT TO THE COMMUNITY

In May, HIT was awarded the Bronze Award for Volunteer Service by the Social Welfare Department of Hong Kong. The award recognised HIT's contribution and volunteer service to the community in 2016.



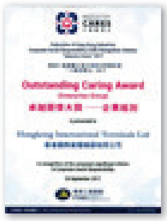
CORPORATE MILESTONES

HIT RECEIVES ISO 14001:2015 CERTIFICATION

On 17 June, HIT was awarded the ISO 14001:2015 Environmental Management Systems certificate by the Accredited Certification International Limited. All of HIT's container terminals comply with the requirements of the said ISO certification.

COSCO-HIT AND ACT RECEIVE BEST MANDATORY PROVIDENT FUND ("MPF") AWARDS

On 26 September, both COSCO-HIT and ACT received the 2016-2017 Good MPF Employer Award and Support for MPF Management Award from the Mandatory Provident Fund Schemes Authority, in recognition of their exemplary efforts to enhance the retirement benefits of their employees.



HIT RECEIVES CORPORATE SOCIAL RESPONSIBILITY ("CSR") AWARD

On 26 September, HIT received the Outstanding Caring Award under the Federation of Hong Kong Industries' Fifth Industry Cares Recognition Scheme, for its outstanding work in advancing CSR.

HIT RECEIVES PARTNER EMPLOYER AWARD

On 17 November, HIT received the Partner Employer Award presented by the Hong Kong General Chamber of Small and Medium Business, in recognition of its collaborative effort with local institutes and universities to offer internship opportunities that help their graduates gain working experience and foster a positive work attitude.

YANTIAN, THE FIRST CONTAINER TERMINAL TO RECEIVE THE ISO 27001 CERTIFICATE IN THE PRC

On 22 November, YANTIAN was awarded the Information Security Management System-ISO/IEC 27001:2013 certificate from the British Standards Institution. YANTIAN is the first container terminal in the PRC to receive the certification.

CORPORATE MILESTONES

FACILITIES UPGRADE

NEW RTGCS FOR HIT

In early 2017, HIT took delivery of six RTGCs that run either in pure electric power or hybrid mode which could potentially reduce energy costs by over 50%. The new RTGC design is ready for future in-stack shuffling enhancement, improving the productivity of in-yard shuffling and loading/unloading of containers. Equipped with container profile scanning and anti-collision functions, the new RTGCs can be operated more safely in busy and high-density container yard areas.

TWO NEW TRUSS BOOM QUAY CRANES FOR YANTIAN

On 20 February, YANTIAN took delivery of two new truss boom quay cranes ("QCs") with an outreach of 56 metres and a lifting height of 43 metres. The increase in the number of QC and the longer outreach enhance the port's quayside capacity and capability to handle larger vessels at YANTIAN Phase II terminal.

YANTIAN RECEIVES TWO NEW BARGE QUAY CRANES

On 14 June, YANTIAN took delivery of two new QCs tailor-made for barge operation. Each of the new cranes has a lifting height and an outreach of 28 metres and a lifting capacity of 40 tonnes, and is suitable for both single- and double-hoist operations. The cranes can improve the efficiency and energy savings of barge operation services at YANTIAN.

ESTABLISHED

REPUTATION

Backed by our established reputation for reliability and efficiency, our ports are popular gateways to the vast Pearl River hinterland.

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."

As one of the top terminal operators in the world, HPH Trust is known for its reliability, efficiency and service excellence – qualities which have continued to garner us industry awards year after year. This hard-earned reputation is the result of focused investments in our people and our infrastructure, as well as our ability to harness synergies in our port management. The year also saw our ports stepping up their operational efficiency through adopting new technology and continued process improvement.

Harnessing Synergies

HIT, COSCO-HIT and ACT Co-Management

One of the key highlights of the year was our progress in harnessing synergies from the co-management agreement among the Trust's ports at Kwai Tsing.

Since signing the agreement in December 2016, we successfully centralised the management of our front-line operations, including both berth and yard planning, across all 16 berths under five terminals at Kwai Tsing. Not only did this enable us to more seamlessly allocate vessels to minimise berthing delays and inter-terminal transfers, yard usage has also been optimised.

Working together, these teams shared best operational practices and agreed on key performance and productivity goals. These mutual objectives promoted greater partnership, allowing each one to tap on the other's competitive strengths to achieve greater cost-effectiveness and better resource utilisation. ACT, for instance, achieved a new milestone in the number of moves performed for mega-vessels – it performed 6,068 moves for *MOL Trust*, and then topped this to 6,988 moves for the 18,800-TEU *AL Nefud* within two weeks in September.

Stepping Up Our Operational Efficiency

Modernising Our Facilities

At HPH Trust, we strategically invest in state-of-the-art equipment and facilities for our ports, cementing our ability to provide our customers with quality and efficient service whilst creating a better working environment for our employees. These include adding various new generation cranes that complement our existing equipment fleet, namely two truss boom QCs and two barge QCs at YANTIAN. In addition, HIT is expecting deliveries of one Super Post-Panamax QC and three remote-controlled rail-mounted gantry cranes ("RMGCs") in 2018.

At HIT's Terminal 9 North, the progressive conversion of all the conventional manual RTGCs to remote control has increased crane productivity by 20%. This automation of gantry cranes has added to HIT's operational efficiency, simultaneously improving industrial safety and the working environment for crane operators. HIT also took delivery of six RTGCs that run either on pure electric power or hybrid mode, reducing HIT's total carbon dioxide emissions by 2%.

We also continued to invest in our barge operations, which is key to maintaining our competitive edge – Hong Kong as the leading transshipment hub for the Pearl River Delta while YANTIAN is enhancing its barge connectivity in South China. During the year, YANTIAN took delivery of two barge QCs to cope with the increase in barge traffic. Our total barge throughput has risen by 12% over the previous year.

Meanwhile, YANTIAN is progressing well with the development of West Port Phase II, consisting of the construction of three deep-water container berths of which the first berth was completed and put into operation in 2016, and the other two remaining berths have been put into operation in January 2018. In addition, HIT, having dredged the berth alongside its terminals in 2017, is now in a stronger position to service mega-vessels.

Upgrading Our Systems

At HPH Trust, we embrace the rising trend in digitalisation, carefully adopting and upgrading various systems that benefit our operations and enable us to provide value-added services to our customers.

Autogate Phase II

Launched in 2016, YANTIAN's autogate project entails the installation of drive-through optical character recognition ("OCR") portals at terminal gates. These OCR portals automatically capture a picture of a container when a truck passes through the portal, thereby eliminating manual inspection and easing the terminal's heavy traffic flow.

OPERATIONAL REVIEW

Phase II of YANTIAN's autogate project, which commenced in March and covered two additional drive-through OCR portals, has equipped 29 in-gate lanes and 23 out-gate lanes with autogate capabilities. We are also enhancing the autogate software which will reduce the processing time for each tractor as container damage inspection can then be performed remotely at the gate office.

As at 27 September 2017, the autogate project has set a record of 8,153 gate moves in a single day with a 99% accuracy rate.

Mobile Equipment & Vehicle Monitoring System

The Mobile Equipment & Vehicle Monitoring System ("MMS") tracks the real-time location of all mobile equipment (including tractors, frontloaders, traffic control cars and shuttle buses) in the yard and quay areas via Global Positioning System.

The ability to track all equipment movements in real-time allows us to address immediate operating issues such as speeding, idling and abnormal routing of trucks, which is especially crucial during peak hours.

Already fully operational at HIT, MMS has helped improve internal tractor productivity by 3.7% since May 2017.

FrontLine Mobile System

The FrontLine Mobile System ("FLMS") was developed to efficiently and accurately track container movements upon loading and unloading via digitalising quayside operations. Real-time container data in easy-to-read graphical format can be accessed through mobile tablets, replacing traditional hard copy reports. With these in place, quayside workers can better anticipate and plan for movements of subsequent containers.

At YANTIAN, FLMS contributed an estimated cost reduction of over RMB1 million in 2017, including the saving of 900,000 sheets of A4 paper. YANTIAN also recorded a higher loading stowage accuracy for the next port-of-call, thereby improving overall customer service level.

Expanding Our Services

In addition to these efforts to sharpen our competitive edge, we also kick-started various initiatives to expand our services.

At YANTIAN, we launched three new feeder services to Zhanjiang, Humen and Nanhai during the year, bringing the total number of feeder services between YANTIAN and the ports in the Pearl River Delta to 12. The port also launched intermodal railway services to Nanchang in Jiangxi and to Kashgar in the Xinjiang Uyghur Autonomous Region, as well as to three inland ports including Changping and Heyuan in Guangdong, and Ganzhou in Jiangxi. We achieved yet another milestone when YANTIAN became the starting point of the first-ever direct freight route form Shenzhen to Europe.

This growing multi-modal feeder network by sea, rail and land expedites cargo transportation to key hinterland areas in the Pearl River Delta, and helps to strengthen YANTIAN's capabilities and position as a premier hub.

Caring for Our Environment and Our People

The Trust made progress in certain key green efforts and continued to work towards improving business sustainability.

Raising Our Shore Power Capability

YANTIAN is leading the industry in green shore power technology and has completed Phase II of its Shore Power Project, which included the installation of mobile shore power systems that provide electricity to vessels at berth. When connected, the engine of the vessel can be turned off completely while at berth, reducing carbon dioxide emissions and engine noise. With two phases of mobile shore power in operation, a total of 10 berths are shore power ready and the reduction in carbon dioxide emissions will reach 2,730 tonnes per year, equivalent to planting 136,500 trees.

Safeguarding Our People's Welfare

Safety is one of our core values, not merely a practice to improve our operations. We are therefore committed to upholding the highest standards of safety across all aspects of our business. In 2017, the Trust's ports at Kwai Tsing passed the annual Occupational Safety & Health Audit where our terminals are assessed based on their current standards of safety and health management. At HIT, COSCO-HIT and ACT, booklets were published to raise awareness on safety and health for front-line workers. At YANTIAN, a series of safety activities arranged for the month of June, the 16th National Safe Production month, were attended by 5,500 staff members and external contractor workers.

OPERATIONAL REVIEW

Attaining Industry Recognition

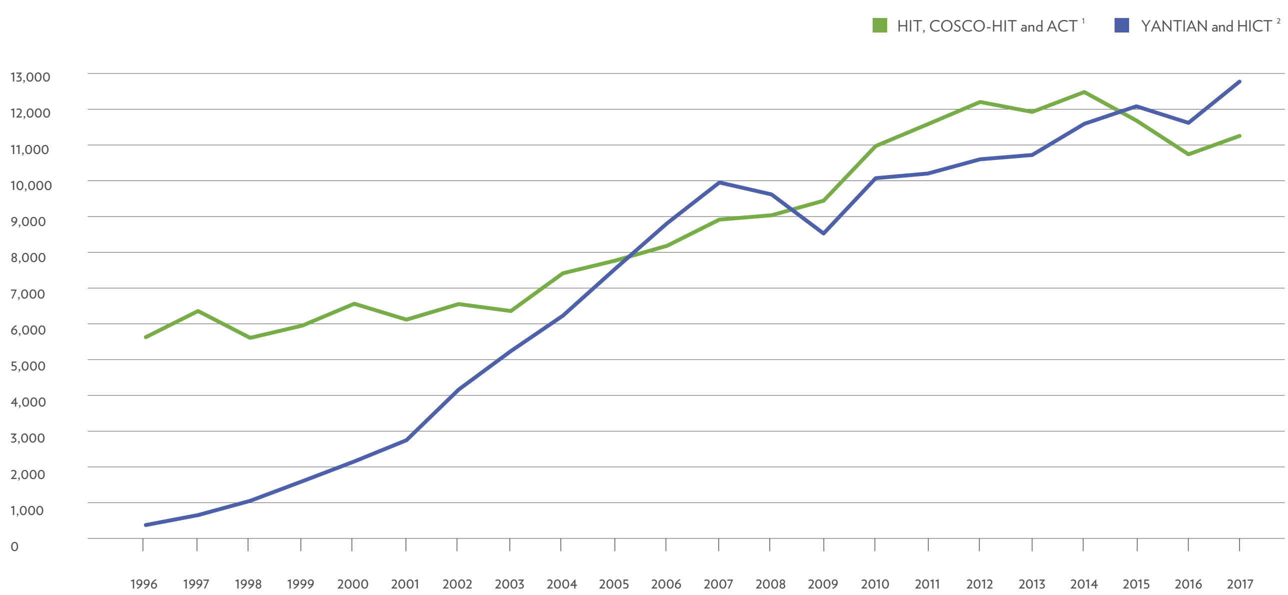
YANTIAN set a number of container handling records which were recognised by the Container Branch of the China Ports and Harbours Association, including handling productivity of more than 100 containers per hour for a single vessel, along with other operational benchmarks.

In compliance with requirements of the ISO certification, HIT was awarded the ISO 14001:2015 Environmental Management Systems certificate by the Accredited Certification International Limited and YANTIAN was awarded the Information Security Management System - ISO/IEC 27001:2013 certificate from the British Standards Institution.

Summary

We are confident that our operational excellence, as well as our continued investments in people, infrastructure, technology and equipment, will continue to strengthen our fundamentals as a premier port operator. These qualities will continue to arm us with the flexibility and ability to better navigate the ever-changing dynamics of the global shipping industry and enable us to respond swiftly to new opportunities and challenges.

Throughput of HPH Trust's assets (1996–2017)
(thousand TEU)



Notes:

The published statistics from the Hong Kong Marine Department ("HKMD") for the total of local and transshipment throughput incorporate liftings to or from oceangoing 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 ACT[1] shown in the above chart. From 2009 onwards, the HIT, COSCO-HIT and ACT[1] 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 after the acquisition in March 2013*

[2] *Included throughput volume of HICT after the acquisition in December 2016*

FINANCIAL REVIEW

In 2017, improving global economic conditions, especially in the US and Europe, supported growth in throughput volumes around the world. However, excess capacity in the container shipping industry continued to keep freight rates under pressure, necessitating cost cutting measures and restructuring amongst shipping lines, mainly in the reformation of alliances and mergers and acquisitions.

Co-management in Hong Kong enhances operational efficiency

Starting 1 January 2017, HPH Trust's Hong Kong ports rolled out the co-management arrangement of the five container terminals in Kwai Tsing, streamlining operations and delivering additional operational efficiency. Pursuant to the arrangement, one management team will be responsible for managing and operating the terminals at HIT, COSCO-HIT and ACT. Revenue and expenses from these terminals will be allocated among the parties according to the respective designed capacity of the facilities.

In order to facilitate a more meaningful comparison of the percentage variances on certain key operating results post co-management in 2017 against the pre co-management results of 2016, certain 2016 key operating profit and loss lines have been internally re-stated to include 100% of the these terminals to derive a restated percentage variance. For the purposes of the Financial Review, all key operating results percentage variances mentioned will be in reference to the restated percentage variances as shown in the table below:

(HK$'Million)	2017 Actual	2016 Actual	% variance Fav/ (Unfav)	Restated % variance Fav/(Unfav)
Revenue and other income	11,551.0	11,912.3	(3%)	1%
Cost of services rendered	(4,131.6)	(4,251.1)	3%	(4%)
Net other operating expenses[1]	(3,817.9)	(3,867.1)	1%	(1%)
Total operating profit[2]	3,601.5	3,794.1	(5%)	(4%)

Strong throughput and improving operating efficiency soften impact of lower tariffs

While HPH Trust's ports benefitted from the pickup in global economic activity, average revenue per TEU was below that of 2016 mainly due to the greater volume of concessions offered to certain shipping lines and revisions on tariffs following the mergers and acquisitions amongst existing customers.

In 2017, HPH Trust recorded a 7.9% growth in throughput to 24.3 million TEU. Supported by the growth of outbound cargoes to the US and Europe, as well as empty and transshipment cargoes, YANTIAN's throughput rose 8.6% to 12.7 million TEU. At the same time, our terminals at Kwai Tsing in Hong Kong handled a combined container throughput of 11.4 million TEU, an increase of 5.1% due largely to higher transshipment cargoes and additional throughput from a new customer.

HPH Trust's revenue and other income came in at HK$11,551.0 million in 2017, 1% higher than last year. However, cost of services rendered was HK$4,131.6 million, 4% higher than last year mainly attributed to higher throughput handled and general cost inflations, including rises in external contractors' costs. This increase, however, was partially offset by the cost-synergies arising from the improved efficiency in resource allocation from the co-management arrangement. As a result, operating profit was down by 4%.

NPAT in 2017 was HK$2,217.5 million, a 15%[2] drop from 2016. NPAT attributable to unitholders was HK$944.2 million, down 30%[2] from 2016 reflecting both lower operating profit, the higher general interest rates and the effective share of HICT losses while it ramped up its operations following its acquisition by YANTIAN at the end of 2016.

Proactive capital management and sound balance sheet support sustainable growth

It is HPH Trust's ongoing strategy to optimise its financing and capital structure. At the end of December 2017, total borrowings declined to HK$32,699.5 million, down from HK$33,641.6 million a year ago, in line with our strategy to reduce overall indebtedness.

The balance sheet of HPH Trust remained sound with a cash balance of HK$6,768.1 million and net debt of HK$25,931.4 million at the end of December 2017. The decline in 2017 cash balance is largely attributed to the cash consideration of HK$672.8 million paid in 2017 for the acquisition of 41.3% effective interest in HICT in December 2016 which were partially offset by the reduction in capital expenditure mainly resulting from the near completion of the West Port Phase II project in YANTIAN at the end of 2017.

HPH Trust has recommended a total payout of HK$1,794.5 million for 2017, which translates to a DPU of 20.6 HK cents. Based on the US$0.415 market price as at 29 December 2017, the distribution yield approximates 6.4%.

Supported by our proactive capital management efforts and sound balance sheet, the Trust is in a good position to continue building a long term sustainable business.

Outlook for 2018

Although the momentum over the improvement in world economic activity as seen last year is expected to continue into 2018 but this, by and large, is still susceptible to the uncertainties and downside risks arising from geopolitical tensions and regulatory reforms which may impact on the overall rate of growth. Furthermore, major liners have announced plans to continue to invest and build more mega-vessels of up to 22,000 TEU and 2018 is set to see some of these new mega-vessels being put into operations. This potential excess capacity will likely put pressure on freight rates, and as a result, keep port tariffs in check.

Against this backdrop, the Trust remains vigilant but confident that our pro-active efforts to make the most of our modern facilities and equipment, skilled manpower resources, strategic locations and efficient mega-vessel handling capabilities can enable us to advance in this new era for the liner shipping industry.

[1] *Net other operating expenses are defined, for the purposes of this table, as staff costs, depreciation and amortisation, other operating income and other operating expenses, excluding the one-off government rent and rates refund of HK$430 million received in 2016.*

[2] *In the first quarter of 2016, HPH Trust received government rent and rates refund of HK$430 million. This one-off refund has been excluded from the operating profit and NPAT calculations for comparative purposes.*

SUSTAINABLE FUTURE

By investing in our facilities, our people and our technology, HPH Trust adopts a comprehensive approach in building a long term business. HPH Trust believes in giving back to the local community in which we operate through community service and green initiatives.

BOARD OF DIRECTORS

MR. FOK KIN NING, CANNING, aged 66

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 2017):	6 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)
- CK Infrastructure Holdings Limited (formerly known as 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 2015 to 31 December 2017)
- HTHKH (alternate director to a director)

MR. IP SING CHI, aged 64

Executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2017):	6 years 10 months

Board committee served on:
- Nil

Academic & Professional Qualifications
- Bachelor of Arts degree

Present Directorships or Chairmanships

Listed companies
- Westports Holdings Berhad (non-independent non-executive director)
- COSCO SHIPPING Energy Transportation Co., Ltd. (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 2015 to 31 December 2017)
- COSCO SHIPPING Ports Limited (independent non-executive director)
- Hyundai Merchant Marine Co., Ltd. (outside director)

BOARD OF DIRECTORS

MS. EDITH SHIH, aged 66

Non-executive Director

Trustee-Manager

Date of appointment as Director:	1 January 2017
Length of service as Director (as at 31 December 2017):	1 year

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
- Solicitor qualified 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
- Company Secretary of CKHH

Other Information
- Senior Vice President and Executive Committee member of The Institute of Chartered Secretaries and Administrators in the United Kingdom
- Past President and past council member and current chairperson of various committees and panels of The Hong Kong Institute of Chartered Secretaries
- Chairman of the Governance Committee and the Remuneration Committee of the Hong Kong Institute of Certified Public Accountants
- Panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel for the Financial Reporting Council
- 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 the Hong Kong Institute of Certified Public Accountants Council

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2015 to 31 December 2017)
- Nil

BOARD OF DIRECTORS

MS. TSIM SIN LING, RUTH, aged 61

Non-executive Director

Trustee-Manager

Date of appointment as Director:	1 January 2017
Length of service as Director (as at 31 December 2017):	1 year

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 (non-independent non-executive director)

Other Principal Commitments
- Group chief financial officer of Hutchison Port Holdings Limited

Other Information
- Experience in 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 2015 to 31 December 2017)
- Nil

MR. CHAN TZE LEUNG, ROBERT, aged 71

Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2017):	6 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
- Nil

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 2015 to 31 December 2017)
- Noble Group Lmited (independent non-executive director)
- Quam Limited (independent non-executive director)
- Sibanye Gold Limited (non-executive director)

BOARD OF DIRECTORS

MR. GRAEME ALLAN JACK, aged 67

Independent
Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2017):	6 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. (independent non-executive director)
- Hutchison China MediTech Limited (independent non-executive director)

Other Principal Commitments
- Nil

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 2015 to 31 December 2017)
- Nil

MRS. SNG SOW-MEI (ALIAS POON SOW MEI), aged 76

Independent
Non-executive Director &
Lead Independent Director

Trustee-Manager

Date of appointment as Director:	14 January 2011
Length of service as Director (as at 31 December 2017):	6 years 11 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
- CK Infrastructure Holdings Limited (formerly known as 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 2015 to 31 December 2017)
- 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 69

Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2017):	6 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

- 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
- Subsequently served as an adviser or non-executive director of various HSBC Group entities in Hong Kong until April 2016
- Retired as non-executive director of The Zuellig Group Incorporated Limited in October 2017

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2015 to 31 December 2017)

- Nil

MR. WONG KWAI LAM, aged 68

Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	2 December 2015
Length of service as Director (as at 31 December 2017):	2 years

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)

BOARD OF DIRECTORS

Other Principal Commitments

- Chairman of IncitAdv Consultants Ltd.
- Chairman 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 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 2015 to 31 December 2017)

- 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 Trustee-Manager since February 2011. She is also the Finance and Legal Director, Company Secretary of YANTIAN and a member of the HPH Trust Exco. She 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 three 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.

SENIOR MANAGEMENT

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 joining in 1996. Before his appointment in May 2016, Mr. Shum spent over 15 years at HPH in China. He played the role of CFO at YANTIAN and then took up 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 38 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 held various executive positions at HPH. He had successively been the General Manager of three HPH ports in China. He is a member of MILT - 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY AT HPH TRUST

As a long-term player in the industry, it is important that we conduct our business in an environmentally and socially responsible manner. We are proud of our achievements and will continue to uphold best practices and drive innovation to ensure our sustainable long-term growth.

ESG Management

Driving Environmental, Social and Governance ("ESG") performance is the responsibility of HPH Trust's Exco, led by our CEO and overseen by the Board of Directors. At an operational level, our operations, engineering, commercial and human resources functions manage and monitor the effectiveness of our approach.

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.

In order to ensure HPH Trust focuses on the most important issues as part of its strategic approach to sustainability, this year we actively engaged with our employees and management team to understand their perception and expectations on a series of important environmental and social topics. This employee engagement was the opportunity for HPH Trust to gather valuable feedback on our ESG management.

Over 140 employees participated along with representatives from the senior management and the Exco. Findings from this engagement fed into our first sustainability materiality assessment.

Employee Engagement Outreach

- Review sustainability practices for container port industry and global peers
- Engage with internal stakeholders on sustainability topics to establish the importance of topics to stakeholders
- Discussions with the senior management and the Exco

Findings

- Review key findings of the stakeholder engagement
- Map the most important topics for stakeholders and the business
- Develop a matrix and confirm the material sustainability topics

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality

Our first sustainability materiality assessment was performed in December 2017 to determine the most relevant and important sustainability topics for HPH Trust across both our Hong Kong and mainland China operations. Topics of importance to our stakeholders were determined through our outreach and engagement with our employees, while topics of significance to our business were determined through discussion with our sustainability team and review with the Exco. Topics of both high importance to our stakeholders and high significance to our business are considered material.

HPH Trust's material topics

Responsible Business
- Anti-corruption and anti-bribery
- Respecting our people
- Operational excellence and innovation
- Customer service

Responsible Employer
- Employee well-being
- Recruitment and retention

Environment
- Energy conservation
- Clean air
- Clean engines and fuels

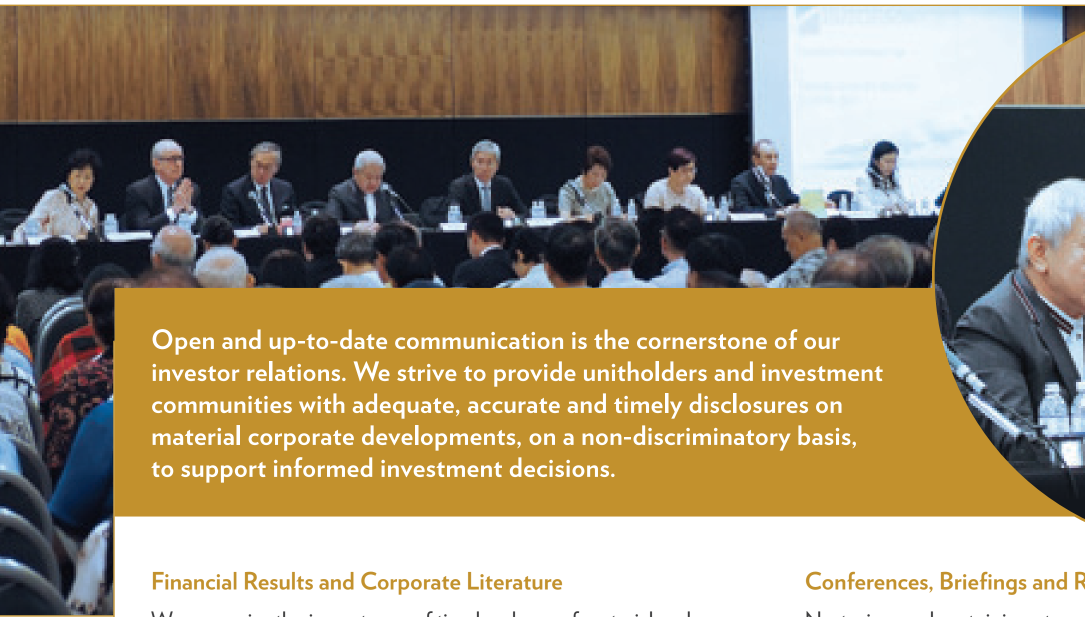
Safety and Security
- Safety risk management
- Safety policies and practices
- Safety equipment

Our material topics have been considered and signed off by the Board. Based on these material topics, we are collecting relevant qualitative and quantitative data and information. The material gathered will undergo detailed analysis, the findings of which will be used to review policies and management approaches and detail future plans and performance for inclusion in our sustainability report.

Sustainability Report

HPH Trust is in the process of developing its first standalone sustainability report in adherence to the SGX Listing Rule 711A, and with reference to the primary components set out in Listing Rule 711B. The report highlights the economic, environmental and social aspects of our port operations focusing on our material topics, and is being prepared in reference to the Global Reporting Initiative (GRI) Standards: core option. The standalone sustainability report is expected to be released and published in the second half of 2018 and can be accessed from our corporate website.

INVESTOR RELATIONS



Open and up-to-date 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 release 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 can be accessed electronically through SGXNET and our corporate website. The annual report in CD-ROM format is distributed to all stakeholders 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 includes an online repository of 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 corporate website. Through this website, interested parties can register for email alerts, so they can be notified of newly posted information.

The Trustee-Manager periodically organises physical briefings for analysts, fund managers, equity stakeholder representatives 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 get updates first hand from the Board and the management team, and 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. Members of the management team regularly participates in investor conferences, small group and one-on-one meetings, conference calls and non-deal roadshows, to cultivate and maintain open dialogue with our global investor and financial analyst communities.

In 2017, the management team met with around 300 analysts and investors from around the world, in both individual discussions and larger group events such as investor conferences. The management team participated in roadshows and key investor conferences, including Deutsche Bank's dbAccess China Conference 2017, HSBC's Asia Credit Conference, Citi Research's 14th Annual Asia Pacific Investor Conference 2017, DBS Vickers' Pulse of Asia Conference, SGX - CS Corporate Day, and Asia Pacific CEO-CFO Conference.

Research Coverage

As part of its ongoing efforts to maintain a high level 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 CLSA, 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, FHKIOD
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

Mr. LEE Tiong Hock

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
7 Straits View
Level 12, Marina One, East Tower
Singapore 018936
Telephone: (65) 6236 3388
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 2017 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 2017 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 risk management and internal control systems review assessment and reporting 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 ("AC") to assist it in discharging its responsibilities. Details and the terms of reference for the AC are described later in this report. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

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 and note perceptions of the key stakeholder groups on HPH Trust. 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.

The Board held four Board meetings in 2017 with 100% Director attendance. The Company Secretary and the Deputy Company Secretary attended all board meetings held in 2017.

NAME OF DIRECTOR	ATTENDED / ELIGIBLE TO ATTEND
Chairman and Non-executive Director	
Mr. Fok Kin Ning, Canning	4/4
Executive Director	
Mr. Ip Sing Chi	4/4
Non-executive Directors	
Ms. Edith Shih	4/4
Ms. Tsim Sin Ling, Ruth	4/4
Independent Non-executive Directors	
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

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 and a comprehensive and tailored induction to the Group's businesses, strategic direction and governance practice by senior executives. A pack of orientation materials which include detailed information of the Trustee-Manager and the Group; duties as a director or AC member (as the case may be) and how to discharge those duties; and the internal governance policy of the Group is also provided to the Directors.

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. In addition, HPH Trust has adopted, among others, the Internal Control Manual and Finance Manual setting forth comprehensive internal guidelines on matters relating to internal control and finance.

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 2017

At every AC meeting, the Chief Financial Officer ("CFO"), Ms. LEE Tung Wan, Diana briefed the AC members on developments in accounting and governance standards.

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.

CORPORATE GOVERNANCE REPORT

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 2017 is summarised as follows:

	AREAS	
NAME OF DIRECTOR	LEGAL AND REGULATORY	DIRECTORS' ROLES, FUNCTIONS AND DUTIES
Chairman and Non-executive Director		
Mr. Fok Kin Ning, Canning	✓	✓
Executive Director		
Mr. Ip Sing Chi	✓	✓
Non-executive Directors		
Ms. Edith Shih	✓	✓
Ms. Tsim Sin Ling, Ruth	✓	✓
Independent Non-executive Directors		
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	✓	✓

Board Composition and Guidance

Principle 2

As at 31 December 2017, the Board comprised nine Directors, of whom five were independent and non-executive.

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 and composition as appropriate for the current scope and nature of the Group's operations, requirement of the business 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. The Board also takes into account gender diversity in relation to the composition of the Board. Out of the nine Directors, three are female. Nine out of nine directors served under nine years.

The Non-executive Directors have unrestricted access to Management. They also receive periodic information and briefings on the industry development trend and prospective transactions and business initiatives of the Group. They are invited and actively participated in the board meetings to challenge and help develop proposal on strategy. AC members have private sessions regularly scheduled without the presence of Management or Executive Director.

Chairman and CEO

Principle 3

The role of the Chairman is separate from that of the CEO and they are not immediate family members. The Chairman is a non-executive director and is not part of the management team. Such division of responsibilities reinforces the independence and increases accountability of the Board.

The Chairman, Mr. Fok Kin Ning, Canning 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. He is also responsible for setting 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, the Deputy Company Secretary and Management, 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.

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 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.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4

As at 31 December 2017, the Board comprised 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 30 to 35 of the Annual Report and on HPH Trust's corporate website.

No Nominating Committee has been established as the Trustee-Manager and not HPH Trust appoints all the Directors. The Trustee-Manager has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Trustee-Manager that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the CEO.

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 in a timely manner their interests as director in other public listed companies and major appointments as well as 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.

No alternate director is appointed to the Board.

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 CK Infrastructure Holdings Limited (formerly known as 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 that he is currently an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Hutchison China MediTech Limited ("China Med"), 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; and

(v) China Med is in different businesses from HPH Trust.

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

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. As 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 AC together with the Directors was conducted by questionnaires. The objective of such evaluation is to ensure that the Board, the AC and the Directors continued to act effectively in fulfilling the duties and responsibilities expected of them. The performance of individual directors is taken into account in their re-appointment. The Directors' attendance, participation in and outside meetings, his or her special skills and contributions are taken into consideration. The Trustee-Manager believes that the effectiveness of the Directors' individual performance is best assessed by a qualitative assessment of a Director's contribution instead of focusing on the time committed to the Group. The Trustee-Manager considers that the existing practice are effective.

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

CORPORATE GOVERNANCE REPORT

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, financial performance reports of key operating entities of the Group and other relevant information with respect to the performance, 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 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 or any of his or her close associates is materially interested in and such Director is not counted for quorum determination purposes.

The appointment and removal of the Company Secretary required the approval of the Board. During the year, Ms. Lynn Wan Tiew Leng resigned as Company Secretary of the Trustee-Manager and the Board has collectively decided on the appointment of Mr. Lee Tiong Hock as the new Company Secretary.

The Company Secretary, Mr. Lee Tiong Hock, 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 AC 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 AC, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of the Board and the AC meetings are sent to Directors and AC 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.

CORPORATE GOVERNANCE REPORT

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.

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 2017:

Key management personnel	Salary (%)	Variable (%)	Benefits (%)	Total (%)
S$1,750,001 TO S$2,000,000				
Mr. Yim Lui Fai, Gerry CEO Managing Director, HIT	30%	67%	3%	100%[1]
S$1,500,001 TO S$1,750,000				
NIL				
S$1,250,001 TO S$1,500,000				
NIL				
S$1,000,001 to S$1,250,000				
Mr. Lam Hing Man, Patrick Managing Director, YANTIAN	43%	53%	4%	100%[2]
S$750,001 TO S$1,000,000				
NIL				
S$500,001 to S$750,000				
Ms. Lee Tung Wan, Diana CFO and Investor Relations Officer Finance and Legal Director and Company Secretary, YANTIAN	56%	39%	5%	100%[2]
Mr. Shum Kai Shing, Lawrence Managing Director, COSCO-HIT	61%	33%	6%	100%[2]
Mr. Tang Hin Kee, Edward Operations Director General Manager - Operations, YANTIAN	52%	46%	2%	100%[2]
Mr. Wong Lek Heng, Simon Engineering Director General Manager - Engineering, HIT	63%	34%	3%	100%[2]

CORPORATE GOVERNANCE REPORT

Notes:

1 The total remuneration paid to the CEO was S$1,914,000, 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. Wong Lek Heng, Simon in relation to his role as General Manager – Engineering of HIT; 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; and COSCO-HIT to Mr. Shum Kai Shing, Lawrence in relation to his 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 2017, the total remuneration paid to the above key executives (excluding the CEO) was S$3,720,000

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 2017 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, variable bonus, long-term incentive award and benefits. 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. Benefits mainly refer to the provisions of retirement and medical benefits which are in line with general market practice.

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 2017.

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 2017 are set out on page 114 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 (through the AC) 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.

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 responsibilities, the Board seeks to inculcate 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. The Board evaluates and determines the nature and extent of the risks that the Trustee-Manager is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. Reporting and review activities include review by the Board and approval of detailed operational and financial reports, budgets and plans provided by management of the business operations, review by the Board of actual results against budget, review by the AC of the ongoing work of the Group's internal audit and risk management functions, as well as regular business reviews by the Executive Director, CEO, CFO and the executive management team of each core business division.

On behalf of the Board, the AC 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 team 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 specifically, material expenditures within the approved budget as well as unbudgeted expenditures are subject to approval by the Executive Director, the CEO or the CFO prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place, requiring the executive management team and senior management of each core business unit to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the Risk Management Report described later in this report and the independent assessments by the auditors, form part of the bases on which the AC formulates its opinion on the Group's risk management and internal control systems.

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 framework facilitates a systematic approach to the management of risks within the Group, coupled with a strong internal control environment, enabling the Group to effectively manage the risks it faces, be they strategic, financial, operational or compliance.

Risk management of the Group is integrated into the day-to-day operation of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the CEO, CFO and the Management about current and emerging risks, their possible impact and mitigation measures. These measures include instituting additional controls and safeguards and deploying appropriate insurance instruments to eliminate or minimise any potential financial, compliance or other risks to the Group's businesses. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business unit as well as discussions and reviews by the CEO and CFO and the Management. On a half-yearly basis, each core business unit is required to identify and assess the risks their business faces, and record them in the relevant risk register. Mitigation measures and plans are also registered to facilitate review and tracking of progress. These risk registers are considered by the CEO and CFO who takes a holistic assessment of all the significant risks that the Group faces.

The composite risk register, of which the content is confirmed by the CEO and CFO, forms part of the Risk Management Report for review and approval by the AC on a half-yearly basis. The AC, on behalf of the Board, reviews the report to ensure that all significant risks are identified and appropriately managed.

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 2017.

CORPORATE GOVERNANCE REPORT

The Board, through the AC, 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 2017 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 AC, 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 2017. 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 57 and 58 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.

Audit Committee

Principle 12

As at 31 December 2017, the AC comprised three Independent Non-executive Directors 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. Chan Tze Leung, Robert as members.

The AC held four meetings in 2017 with 100% attendance.

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

In 2017, the AC performed the duties and responsibilities under its terms of reference and other duties of the Code.

Acting in accordance with its terms of reference, throughout the year the AC oversees the relationship between the Trustee-Manager and its external auditor and external audit process, reviews the Group's quarterly and full-year results and financial statements, and formal announcements relating to the Group's financial performance, oversees the Group's internal control and risk management function, monitors compliance with statutory and the SGX-ST Listing Manual requirements, reviews the scope, extent and effectiveness of the activities of the Group's internal audit function, oversees interested person transactions of the Group. Under its terms of reference, the AC is also required to 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 AC 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 AC holds regular private meetings with the external auditor, the CFO and the internal auditor separately without the presence of Management. During these meetings, the following key audit matters as reported by the external auditor for the year ended 31 December 2017 were addressed as follows:

CORPORATE GOVERNANCE REPORT

Significant Matters	How the AC reviewed these matters
Goodwill	The AC discussed with the management on the approach, valuation methodology and key assumptions applied to the goodwill impairment assessment. The AC also discussed with the external auditor and took into consideration the audit procedures undertaken to address such matter.
Revenue recognition	The AC had discussions with the management on tariffs applied and the adequacy and appropriateness of the revenue provision. They also discussed with the external auditor on their work performed, including their assessment of the key controls over revenue recognition.

The AC 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 AC on the effectiveness of internal controls in the Group's business operations. Further, it also receives quarterly reports on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports are taken into consideration by the AC when it makes its recommendation to the Board for approval of the consolidated financial statements for the year. The AC has adequate resources, including access to external consultants and auditor, to enable it to discharge its responsibilities properly.

The AC 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 AC 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 FY2017	HK$'000	% of total fees
Total Audit Fees	15,009	92%
Total Non-Audit Fees	1,392	8%
Total Fees Paid	16,401	100%

Based on the Interested Person Transactions Policy, the AC monitored the procedures established by the Trustee-Manager to regulate interested person transactions to ensure timely, complete and accurate reporting of these transactions. The AC 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 AC to raise concerns about possible improprieties in matters of financial reporting or other matters. The Whistle-blowing Policy is available on our corporate website (hphtrust.com/misc/Whistle_Blowing_Policy.pdf).

No AC member is a former partner or director of HPH Trust's existing auditing firm or auditing corporation (a) within a period of 12 months commencing on the date of his/her ceasing to be a partner or director and in any case (b) for as long as he/she has any financial interest in auditing firm.

Internal Audit

Principle 13

The Group's internal audit function is performed by the internal audit staff of the controlling unitholder and does not administratively report to the CEO.

The General Manager of the Group's internal audit function, reporting directly to the chairman of AC, 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 AC, 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 AC, 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.

The internal auditor carried out their audit work based on the Code of Ethics and International Standards for the Professional Practices for Internal Auditing issued by The Institute of Internal Auditors, which provide guidance for the professional conduct of internal auditing. 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. During the course of their work, the internal audit function is given full access to any documents, records or personnel including access to the AC.

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 AC 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.

Legal and Regulatory

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. 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 on regulatory issues and consultations. 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 general meeting(s) of unitholders and are given the opportunity to participate effectively in the meeting(s). In accordance with the Trust Deed, individual or corporate unitholder is allowed to appoint up to two proxies to attend and vote at the general meeting(s) 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 general meeting(s) as observers, subject to availability of seats.

CORPORATE GOVERNANCE REPORT

Communication with Unitholders

Principle 15

The Group actively promotes investor relations and communication with the investment community throughout 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 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 practice 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.

HPH Trust's distribution policy is to distribute 100% of its Distributable Income. HPH Trust will make distributions on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

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 AC, 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 and not bundled together, unless the resolutions are interdependent and form one significant proposal.

All Directors attended the Annual General Meeting of the unitholders held on 24 April 2017 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 24 April 2017. Unitholders are informed of the rules of the Annual General Meeting and voting procedures by the electronic polling vendor. 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 2017. 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.

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 39 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 the 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 AC about potential projects that it is looking into on behalf of HPH Trust and the Board and the AC 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 AC and/or the Management will have careful regard to the provisions of the Trust Deed and when in doubt seek advice from professional advisers.

CORPORATE GOVERNANCE REPORT

(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 AC 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.

(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 AC 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 2017 are disclosed in note 29(i)(e) to the financial statements, on pages 114 to 115 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 2017 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$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) 2017 HK$'000	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2017 HK$'000
CK Hutchison Holdings Limited and its subsidiaries and its associates	359,866	NIL

MATERIAL CONTRACTS

There are no material contracts between HPH Trust and its subsidiaries involving the interests of the CEO, each Director or controlling unitholder[2] of HPH Trust, either still subsisting at the end of the financial year ended 31 December 2017, 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 Prospectus[1];

(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 2017.

Directors

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

Mr. Fok Kin Ning, Canning (Chairman)
Ms. Edith Shih
Mr. Ip Sing Chi
Ms. Tsim Sin Ling, Ruth
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

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 31.12.2017	At 1.1.2017	At 31.12.2017	At 1.1.2017
Number of units held by:				
Mr. Fok Kin Ning, Canning	–	–	676,000	601,000
Ms. Edith Shih	525,700	525,700	100,740	100,740
Mr. Ip Sing Chi	–	–	–	–
Ms. Tsim Sin Ling, Ruth	–	–	–	–
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	–	–	–	–

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2018.

REPORT OF THE TRUSTEE-MANAGER

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. Chan Tze Leung, Robert

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 2017 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 2017, 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 2017. 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

5 February 2018

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 2017

(b) the consolidated income statement and consolidated statement of comprehensive income set out in the financial statements on pages 71 and 72 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 2017;

(c) the statements of financial position set out on pages 73 and 74 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 2017;

(d) the statements of changes in equity set out on pages 76 and 77 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 2017;

(e) the consolidated statement of cash flows set out on page 75 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 2017; 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 2017 for issue.

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

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

5 February 2018

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

5 February 2018

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 2017 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 income statement of the Group for the year ended 31 December 2017;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of financial position of the Group as at 31 December 2017;
- the statement of financial position of the Trust as at 31 December 2017;
- the consolidated statement of cash flows 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; 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 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 judgements; 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 2017. 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
Goodwill *Refer to notes 3(b) and 14(b) to the financial statements.* 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 2017, the carrying value of goodwill amounted to HK$22,629 million. Goodwill is subject to impairment tests annually and when there is an indication of impairment. 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. 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. 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 2017. The significant assumptions are disclosed in note 14(b) to the financial statements.	We have performed the following procedures to evaluate the Group's impairment assessments: ● 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. We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to notes 3(e) and 4 to the financial statements.* 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. For the year ended 31 December 2017, revenue from container handling services amounting to HK$11,224 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. 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.	We have performed the following procedures in relation to the accuracy of revenue recognised and accrued: ● Understood, evaluated and tested the key controls over the tariff applied in container handling services. ● We selected a sample of transactions and: ○ 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. 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.

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.

- 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.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST

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, 5 February 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue and other income	4	11,550,957	11,912,290
Cost of services rendered		(4,131,564)	(4,251,049)
Staff costs		(288,020)	(297,428)
Depreciation and amortisation		(3,003,337)	(2,916,490)
Other operating income		25,400	88,780
Other operating expenses*		(551,983)	(312,051)
Total operating expenses		(7,949,504)	(7,688,238)
Operating profit	5	3,601,453	4,224,052
Interest and other finance costs	6	(856,887)	(701,150)
Share of profits less losses after tax of associated companies		(116,405)	17,748
Share of profits less losses after tax of joint ventures		76,375	59,157
Profit before tax		2,704,536	3,599,807
Tax	7	(487,063)	(645,850)
Profit for the year		2,217,473	2,953,957
Allocated as: Profit attributable to non-controlling interests		(1,273,292)	(1,240,370)
Profit attributable to unitholders of HPH Trust	9	944,181	1,713,587
		HK cents	HK cents
Earnings per unit attributable to unitholders of HPH Trust	9	10.84	19.67

* 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 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	2,217,473	2,953,957
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	220,539	(60,328)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges arising from cross currency interest rate swap contracts		
Losses recognised directly in reserves	(1,214)	–
Share of other comprehensive income of associated companies	31,913	–
Investments		
Valuation losses taken to reserves	(8,458)	(6,346)
Currency translation differences	268,441	(275,162)
Total other comprehensive income/(loss)	511,221	(341,836)
Total comprehensive income for the year	2,728,694	2,612,121
Allocated as: Attributable to non-controlling interests	(1,410,492)	(1,115,007)
Attributable to unitholders of HPH Trust	1,318,202	1,497,114

Note:

Items shown within other comprehensive income/(loss) have no tax effect.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Fixed assets	10	24,626,394	25,026,458
Projects under development	11	1,970,166	1,846,912
Leasehold land and land use rights	12	39,724,150	40,925,107
Railway usage rights	13	12,667	12,428
Customer relationships	14(a)	6,170,184	6,504,390
Goodwill	14(b)	22,629,044	22,629,044
Associated companies	15	754,247	842,464
Joint ventures	16	3,835,883	3,869,947
Other non-current assets	17	739,326	773,500
Deferred tax assets	18	22,712	12,512
		100,484,773	102,442,762
Current assets			
Cash and bank balances	19	6,768,082	6,999,879
Trade and other receivables	20	3,446,205	3,818,176
Inventories		109,655	112,277
		10,323,942	10,930,332
Current liabilities			
Trade and other payables	21	6,741,629	7,648,259
Bank and other debts	22	4,241,186	4,242,156
Current tax liabilities		409,568	259,146
		11,392,383	12,149,561
Net current liabilities		(1,068,441)	(1,219,229)
Total assets less current liabilities		99,416,332	101,223,533
Non-current liabilities			
Bank and other debts	22	28,248,895	29,240,615
Pension obligations	23	80,552	279,072
Deferred tax liabilities	18	10,635,108	10,932,749
Other non-current liabilities	24	129,871	89,226
		39,094,426	40,541,662
Net assets		60,321,906	60,681,871
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(28,260,285)	(27,305,140)
Net assets attributable to unitholders of HPH Trust		40,293,554	41,248,699
Non-controlling interests		20,028,352	19,433,172
Total equity		60,321,906	60,681,871

STATEMENT OF FINANCIAL POSITION OF HUTCHISON PORT HOLDINGS TRUST

at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary company	26	52,351,427	54,675,024
Current assets			
Cash and bank balances	19	2,954	3,206
Trade and other receivables	20	1,439	1,070
		4,393	4,276
Current liability			
Trade and other payables	21	30,312	50,287
Net current liabilities		(25,919)	(46,011)
Total assets less current liabilities		52,325,508	54,629,013
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(16,228,331)	(13,924,826)
Total equity		52,325,508	54,629,013

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Cash generated from operations	27	7,143,141	6,769,763
Interest and other finance costs paid		(757,873)	(637,953)
Tax paid		(645,482)	(967,815)
Net cash from operating activities		5,739,786	5,163,995
Investing activities			
Purchase of an associated company		(672,789)	–
Loan to an associated company		(315,350)	–
Purchase of fixed assets, projects under development, leasehold land and land use rights		(841,350)	(1,765,113)
Proceeds on disposal of fixed assets		2,194	31,838
Dividends received from investments		21,645	22,602
Dividends received from associated companies and joint ventures		130,766	82,959
Interest received		64,457	42,220
Repayment of loans by joint ventures		1,600	1,600
Restricted deposit	19	–	(42,000)
Net cash used in investing activities		(1,608,827)	(1,625,894)
Financing activities			
New borrowings		11,736,814	9,426,550
Repayment of borrowings		(12,746,650)	(8,926,480)
Upfront debt transaction costs and facilities fees of borrowings		(29,250)	(59,495)
Distributions to unitholders of HPH Trust		(2,273,597)	(2,848,530)
Dividends to non-controlling interests		(1,050,073)	(1,013,077)
Net cash used in financing activities		(4,362,756)	(3,421,032)
Net changes in cash and cash equivalents		(231,797)	117,069
Cash and cash equivalents at beginning of the year		6,957,879	6,840,810
Cash and cash equivalents at end of the year	19	6,726,082	6,957,879

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Units in issue HK$'000	Exchange and other reserves HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'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 2017	68,553,839	(182,919)	(47,013)	–	(79,365)	(26,995,843)	41,248,699	19,433,172	60,681,871
Profit for the year	–	–	–	–	–	944,181	944,181	1,273,292	2,217,473
Other comprehensive income/(loss):									
Remeasurement of defined benefit plans	–	–	–	–	220,539	–	220,539	–	220,539
Cash flow hedges arising from cross currency interest rate swap contracts									
Losses recognised directly in reserves	–	–	–	(1,214)	–	–	(1,214)	–	(1,214)
Share of other comprehensive income of associated companies	–	16,479	–	–	–	–	16,479	15,434	31,913
Investments:									
Valuation losses taken to reserves	–	–	(8,458)	–	–	–	(8,458)	–	(8,458)
Currency translation differences	–	146,675	–	–	–	–	146,675	121,766	268,441
Total other comprehensive income/(loss)	–	163,154	(8,458)	(1,214)	220,539	–	374,021	137,200	511,221
Total comprehensive income/(loss)	–	163,154	(8,458)	(1,214)	220,539	944,181	1,318,202	1,410,492	2,728,694
Transferred to/(from) reserve	–	291	–	–	–	(41)	250	(250)	–
Transactions with owners:									
Distributions	–	–	–	–	–	(2,273,597)	(2,273,597)	–	(2,273,597)
Dividends	–	–	–	–	–	–	–	(815,062)	(815,062)
At 31 December 2017	68,553,839	(19,474)	(55,471)	(1,214)	141,174	(28,325,300)	40,293,554	20,028,352	60,321,906
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)
Total other comprehensive loss	–	(149,799)	(6,346)	–	(60,328)	–	(216,473)	(125,363)	(341,836)
Total comprehensive (loss)/income	–	(149,799)	(6,346)	–	(60,328)	1,713,587	1,497,114	1,115,007	2,612,121
Transferred to/(from) reserve	–	44	–	–	–	(44)	–	–	–
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

STATEMENT OF CHANGES IN EQUITY OF HUTCHISON PORT HOLDINGS TRUST

for the year ended 31 December 2017

	Units in issue HK$'000	Accumulated losses HK$'000	Attributable to unitholders HK$'000
Trust			
At 1 January 2017	68,553,839	(13,924,826)	54,629,013
Loss and total comprehensive loss for the year	–	(29,908)	(29,908)
Transaction with owners:			
Distributions	–	(2,273,597)	(2,273,597)
At 31 December 2017	68,553,839	(16,228,331)	52,325,508
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

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, feedering, 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 in note 2.

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 2017, HPH Trust and its subsidiary companies (the "Group") recorded net current liabilities of HK$1.1 billion, mainly resulting from guaranteed notes of US$0.5 billion (approximately HK$3.9 billion), which will mature in March 2018. Management is confident to complete the refinancing arrangement before the expiry of this note. 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.

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 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

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:

HKFRS 9[(1)]	Financial Instruments
Amendments to HKFRS 9[(2)]	Prepayment Features with Negative Compensation
HKFRS 15 and Amendments to HKFRS 15[(1)]	Revenue from Contracts with Customers
Amendments to HKFRS 2[(1)]	Classification and Measurement of Share-based Payment Transactions
HKFRS 16[(2)]	Leases
HK(IFRIC) Interpretation 22[(1)]	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) Interpretation 23[(2)]	Uncertainty over Income Tax Treatments
Amendments to HKFRS 10 and HKAS 28[(3)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2018

(2) Effective for annual periods beginning 1 January 2019

(3) New effective date to be determined

(a) HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018.

HKFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The standard eliminates the existing HKAS 39 Financial Instruments: Recognition and Measurement categories of held to maturity, loans and receivables and available-for-sale.

All existing financial investments within "Investment" are equity investments that are currently measured at fair value and its changes in fair value are recognised in other comprehensive income (note 2(l)) would be elected as FVOCI. Accordingly, there are no change to the measurement of these investments except that any fair value gains or losses accumulated in the revaluation reserve account will no longer be reclassified to profit or loss following the derecognition of such investment under the new guidance. Other than this change, the Group does not expect the new guidance to result in any significant change on the classification and measurement of its financial assets because other loans and receivables financial assets currently measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

The Group does not expect that there will be any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Standards and amendments which are not yet effective (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

HKFRS 9 replaces the 'incurred loss' impairment model in HKAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model will apply to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

Generally, more hedge relationships might be eligible for hedge accounting under HKFRS 9, as the standard introduces a more principles-based approach. However, the Group does not expect to identify any new hedge relationships. The Group's existing hedge relationships are qualified as continuing hedges upon the adoption of HKFRS 9. As a consequence, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new financial instruments standard.

Changes in accounting policies resulting from the adoption of HKFRS 9 will generally be applied retrospectively, except for hedge accounting and where the standard provides transition exemptions. The Group is considering to apply the transition exemptions. If the Group elects to apply the transition exemptions, comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will generally be recognised as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018.

(b) HKFRS 15 Revenue from contracts with customers

HKFRS 15 Revenue from Contracts with Customers establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 Revenue, HKAS 11 Construction Contracts, and the related Interpretations when it becomes effective. HKFRS 15 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018.

The new revenue standard requires the transaction price of a contract to be allocated to individual performance obligation (or distinct good or service). Under HKFRS 15, the objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

The Group does not expect the new guidance to have a significant impact on the Group's accounting with respect to the allocation of the transaction price to performance obligations identified. Currently, the Group allocates and recognises revenue among the different distinct elements of a contract separately. The Group apportions revenue earned from a contract, based on and in proportion to the respective amount of consideration that the Group expects to be entitled in exchanging for transferring the distinct promised goods or services.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Standards and amendments which are not yet effective (Continued)

(b) HKFRS 15 Revenue from contracts with customers (Continued)

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group is considering to use the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group may elect to apply the new standard only to contracts that are not completed contracts at 1 January 2018. If the Group adopts the full retrospective approach, the Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as those that are completed contracts at the beginning of the earliest period presented, will not be restated.

(c) HKFRS 16 Leases

HKFRS 16 specifies how an entity will recognise, measure, present and disclose leases. HKFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard from 1 January 2019.

The new standard provides a single, on balance sheet lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the balance sheet, as the distinction between operating and finance leases is removed. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17. The Group is assessing the impact of HKFRS 16. It is currently anticipated that the application of HKFRS 16 in the future may impact the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the impact of HKFRS 16 as at the date of publication of these financial statements.

Other than the new standards explained above, there are no other standards or interpretations that are not yet effective and that would be expected to have a material impact to the Group.

(a) Basis of consolidation

The consolidated financial statements of the Group for the year ended 31 December 2017 include all its direct and indirect subsidiary companies and also incorporate the interest in associated companies, joint operations 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 2017 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 over 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 arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement.

The results and net assets 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(u) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and 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 designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities may qualify as cash flow hedges. The Group mainly enters into cross currency interest rate swap contracts to swap certain fixed interest rate United States dollar debts to fixed interest rate Hong Kong dollar debts to hedge against the foreign currency risk. Changes in the fair value relating to the effective portion of these derivative contracts are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated are removed from hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures.

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 pension reserve. 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).

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting estimates and judgements (Continued)

(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.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in pension reserve. 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

	2017 HK$'000	2016 HK$'000
Revenue		
Rendering of port and related services	11,224,487	11,587,944
Rendering of transportation and logistics solutions	203,705	199,070
Management and service fee income	36,876	60,546
System development and support fees	14,513	20,162
Others	1,209	1,356
	11,480,790	11,869,078
Other income		
Interest income	70,167	43,212
	11,550,957	11,912,290

(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	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Hong Kong	4,138,146	4,820,432	27,823,603	28,655,048
Mainland China	7,412,811	7,091,858	72,661,170	73,787,714
	11,550,957	11,912,290	100,484,773	102,442,762

NOTES TO THE FINANCIAL STATEMENTS

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2017 HK$'000	2016 HK$'000
Crediting		
Dividend income from River Ports Economic Benefits (Note 17)	–	17,767
Net exchange gain	6,828	–
Charging		
Auditor's remuneration		
- audit services	15,009	15,120
- non-audit services	1,392	344
Amortisation		
- leasehold land and land use rights	1,285,796	1,284,395
- railway usage rights	523	528
- customer relationships	334,206	334,206
Depreciation of fixed assets	1,382,812	1,297,357
Net loss on disposal of fixed assets	5,591	4,316
Operating lease rentals		
- office premises and port facilities	41,998	63,040
Staff costs (included amount charged within cost of services rendered)		
- Wages, salaries and other benefits	1,369,538	1,464,549
- Pension costs	128,349	126,690
Net exchange loss	–	29,295

6 Interest and other finance costs

	2017 HK$'000	2016 HK$'000
Bank loans and overdrafts	568,578	485,587
Guaranteed notes	227,492	154,395
Loans from non-controlling interests	3,061	1,523
Other finance costs	57,756	59,645
Fair value loss on interest rate swaps	15,656	4,973
Less: fair value adjustment to bank and other debts under fair value hedge	(15,656)	(4,973)
	856,887	701,150

NOTES TO THE FINANCIAL STATEMENTS

7 Tax

	2017 HK$'000	2016 HK$'000
Current tax	794,593	917,517
Deferred tax (Note 18)	(307,530)	(271,667)
	487,063	645,850

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:

	2017 HK$'000	2016 HK$'000
Profit before tax excluding share of profits less losses after tax of joint ventures and associated companies	2,744,566	3,522,902
Tax calculated at weighted average tax rate of 26.7% (2016: 23.9%)	732,804	841,658
Tax exemption in the PRC	(429,104)	(373,818)
Income not subject to tax	(3,920)	(3,972)
Expenses not deductible for tax purposes	82,428	76,819
Withholding tax on unremitted earnings	115,617	116,951
Recognition of previously unrecognised tax losses	(10,162)	–
Utilisation of previously unrecognised tax losses	(2,661)	(9,712)
Under/(over) provision in prior year	860	(4,271)
Tax losses not recognised	1,261	2,127
Others	(60)	68
Total tax	487,063	645,850

8 Distributions

	2017 HK$'000	2016 HK$'000
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
For the period from 1 July 2016 to 31 December 2016		
Distribution of 16.60 HK cents per unit	1,446,043	–
For the period from 1 January 2017 to 30 June 2017		
Distribution of 9.50 HK cents per unit	827,554	–
	2,273,597	2,848,530

On 5 February 2018, the Board of Directors of the Trustee-Manager recommended the distribution of 11.10 HK cents per unit for the financial result from 1 July 2017 to 31 December 2017 (2016: 16.60 HK cents per unit) amounting to HK$966.9 million (2016: HK$1,446.0 million) and payable on 29 March 2018. This distribution is not reflected in these financial statements and will be recognised in equity in the financial year ending 31 December 2018.

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$944,181,000 for the year ended 31 December 2017 (2016: HK$1,713,587,000) and on 8,711,101,022 units in issue (2016: 8,711,101,022 units in issue), which is the weighted average number of units for the year ended 31 December 2017.

Diluted earnings per unit is the same as the basic earnings per unit for the years ended 31 December 2017 and 2016.

10 Fixed assets

Group	Properties HK$'000	Container handling equipment HK$'000	Barges HK$'000	Other assets HK$'000	Total HK$'000
2017					
Opening net book amount	16,805,078	7,680,947	35,195	505,238	25,026,458
Additions	19,140	115,042	18,139	1,833	154,154
Transfer from projects under development (Note 11)	46,899	571,633	–	96,543	715,075
Depreciation	(578,408)	(710,537)	(8,091)	(85,776)	(1,382,812)
Disposals	(4,696)	(3,021)	–	(68)	(7,785)
Currency translation differences	94,744	20,743	–	5,817	121,304
Closing net book amount	16,382,757	7,674,807	45,243	523,587	24,626,394
At 31 December 2017					
Cost	20,182,423	12,067,400	78,104	897,327	33,225,254
Accumulated depreciation	(3,799,666)	(4,392,593)	(32,861)	(373,740)	(8,598,860)
Net book amount	16,382,757	7,674,807	45,243	523,587	24,626,394
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
At 1 January 2016					
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

NOTES TO THE FINANCIAL STATEMENTS

11 Projects under development

Group	2017 HK$'000	2016 HK$'000
At beginning of the year	1,846,912	2,966,246
Additions	776,734	838,325
Transfer to fixed assets (Note 10)	(715,075)	(1,893,382)
Currency translation differences	61,595	(64,277)
At end of the year	1,970,166	1,846,912

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	2017 HK$'000	2016 HK$'000
Net book value		
At beginning of the year	40,925,107	41,269,830
Additions	–	1,029,886
Amortisation	(1,285,796)	(1,284,395)
Currency translation differences	84,839	(90,214)
At end of the year	39,724,150	40,925,107
Cost	48,319,008	48,223,507
Accumulated amortisation	(8,594,858)	(7,298,400)
	39,724,150	40,925,107

13 Railway usage rights

Group	2017 HK$'000	2016 HK$'000
Net book value		
At beginning of the year	12,428	13,859
Amortisation	(523)	(528)
Currency translation differences	762	(903)
At end of the year	12,667	12,428
Cost	16,357	14,938
Accumulated amortisation	(3,690)	(2,510)
	12,667	12,428

NOTES TO THE FINANCIAL STATEMENTS

14 Intangible assets

(a) Customer relationships

Group	2017 HK$'000	2016 HK$'000
Net book value		
At beginning of the year	6,504,390	6,838,596
Amortisation	(334,206)	(334,206)
At end of the year	6,170,184	6,504,390
Cost	8,440,000	8,440,000
Accumulated amortisation	(2,269,816)	(1,935,610)
At end of the year	6,170,184	6,504,390

(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	2017 HK$'000	2016 HK$'000
Hong Kong	1,666,002	1,666,002
Mainland China	20,963,042	20,963,042
	22,629,044	22,629,044

Group	2017 HK$'000	2016 HK$'000
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 2017 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$2.5 billion, HK$1.3 billion and HK$1.8 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	2017 HK$'000	2016 HK$'000
Share of net assets	754,247	842,464

Details of the principal associated companies at 31 December 2017 and 2016 are as follows:

Name	Place of establishment	Principal activities	Effective interest held
Shenzhen Yantian Tugboat Company Ltd.	PRC	Provision of tugboat services in the PRC	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 2017, 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 HK$672.8 million).

Set out below are the aggregate amount of the Group's share of the following items of associated companies:

	2017 HK$'000	2016 HK$'000
Profits less losses after tax	(116,405)	17,748
Other comprehensive income	31,913	–
Total comprehensive (loss)/income	(84,492)	17,748

16 Joint ventures

Group	2017 HK$'000	2016 HK$'000
Share of net assets	3,526,633	3,559,097
Loans to joint ventures	309,250	310,850
	3,835,883	3,869,947

A loan of HK$300,000,000 (2016: HK$300,000,000) provided to a joint venture is interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 5.0% per annum (2016: HIBOR plus 5.0% per annum). Another loan provided to a joint venture of HK$9,250,000 (2016: HK$10,850,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

16 Joint ventures (Continued)

Details of principal joint ventures at 31 December 2017 and 2016 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 2017, 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.

Set out below are the aggregate amount of the Group’s share of the following items of joint ventures:

	2017 HK$’000	2016 HK$’000
Profits less losses after tax	76,375	59,157
Other comprehensive income	–	–
Total comprehensive income	76,375	59,157

NOTES TO THE FINANCIAL STATEMENTS

17 Other non-current assets

Group	2017 HK$'000	2016 HK$'000
Investments		
Listed equity security	45,225	54,000
River Ports Economic Benefits (Note)	518,600	518,600
Prepayment for fixed assets, leasehold land and land use rights	71,719	83,032
Other receivables and prepayments	103,782	117,868
	739,326	773,500

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.

18 Deferred tax

Group	2017 HK$'000	2016 HK$'000
Deferred tax assets	(22,712)	(12,512)
Deferred tax liabilities	10,635,108	10,932,749
Net deferred tax liabilities	10,612,396	10,920,237

The movements in deferred 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
2017						
At 1 January 2017	(17,592)	612,230	10,094,965	237,116	(6,482)	10,920,237
Tax (credited)/charged to income statement	(11,473)	3,363	(360,710)	61,086	204	(307,530)
Other temporary differences	–	–	(67)	–	(244)	(311)
At 31 December 2017	(29,065)	615,593	9,734,188	298,202	(6,522)	10,612,396
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

Notes:

(a) The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred taxes relate to the same fiscal authority.

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax (Continued)

Notes: (Continued)

(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$79,835,000 at 31 December 2017 to carry forward against future taxable income. Of these, HK$63,115,000 can be carried forward indefinitely. The remaining HK$16,720,000 expires in the following years:

	2017 HK$'000	2016 HK$'000
In the first year	–	–
In the second year	–	–
In the third year	1,513	2,467
In the fourth year	15,207	6,884
In the fifth year	–	4,082
	16,720	13,433

(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	2017 HK$'000	2016 HK$'000
Cash and cash equivalents		
Cash at bank and on hand	541,272	573,487
Short-term bank deposits	6,184,810	6,384,392
	6,726,082	6,957,879
Restricted deposit (Note)	42,000	42,000
Cash and bank balances	6,768,082	6,999,879

Trust	2017 HK$'000	2016 HK$'000
Cash and cash equivalents		
Cash at bank and on hand	2,954	3,206

Note:

At 31 December 2017, a deposit of HK$42,000,000 (31 December 2016: 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.

NOTES TO THE FINANCIAL STATEMENTS

19 Cash and bank balances (Continued)

Cash and bank balances are denominated in the following currencies:

Group	2017 Percentage	2016 Percentage
Hong Kong dollar	53%	57%
Renminbi	16%	8%
United States dollar	31%	35%
	100%	100%

Trust	2017 Percentage	2016 Percentage
Hong Kong dollar	19%	32%
United States dollar	24%	25%
Singapore dollar	57%	43%
	100%	100%

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	2017 HK$'000	2016 HK$'000
Trade receivables	2,617,272	3,320,919
Less : provision for impairment of receivables	(56,838)	(60,850)
	2,560,434	3,260,069
Other receivables and prepayments	374,022	350,384
Amounts due from related companies (Note a)	9,260	17,767
Amounts due from joint ventures (Note a)	185,438	185,585
Amounts due from associated companies (Note a)	1,701	4,371
Loan to an associated company (Note b)	315,350	–
	3,446,205	3,818,176

Trust	2017 HK$'000	2016 HK$'000
Other receivables and prepayments	1,439	1,070

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

Group	2017 Percentage	2016 Percentage
Hong Kong dollar	50%	55%
Renminbi	36%	18%
United States dollar	14%	27%
	100%	100%

Trust	2017 Percentage	2016 Percentage
Singapore dollar	100%	85%
United States dollar	–	15%
	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.

(b) The loan to an associated company is unsecured, interest bearing at a fixed rate of 2.30% per annum.

(c) At 31 December 2017, trade receivables of the Group amounting to HK$1,135,446,000 (2016: HK$1,484,145,000) 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:

	2017 HK$'000	2016 HK$'000
Up to 2 months	708,775	678,984
2 to 3 months	137,070	199,322
Over 3 months	289,601	605,839
	1,135,446	1,484,145

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables (Continued)

Notes (Continued):

(c) At 31 December 2017, trade receivables of the Group amounting to HK$56,838,000 (2016: HK$60,850,000) 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:

	2017 HK$'000	2016 HK$'000
At beginning of the year	60,850	14,961
Provision for impairment	–	50,015
Write back of provision for impairment	(3,807)	(16)
Receivables written off as uncollectible	(205)	(4,110)
At end of the year	56,838	60,850

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.

21 Trade and other payables

Group	2017 HK$'000	2016 HK$'000
Trade payables, other payables and accruals	6,366,404	7,148,930
Interest rate swap under fair value hedge (Note 24)	4,084	–
Loans from non-controlling interests (Note a)	161,242	156,342
Amounts due to related companies (Note b)	99,226	106,737
Amounts due to associated companies (Note b)	3,716	–
Amounts due to joint ventures (Note b)	106,957	–
Dividend payable to non-controlling interests	–	236,250
	6,741,629	7,648,259

NOTES TO THE FINANCIAL STATEMENTS

21 Trade and other payables (Continued)

Trust	2017 HK$'000	2016 HK$'000
Trade payables, other payables and accruals	11,378	16,347
Amounts due to:		
- a related company (Note b)	12,165	17,809
- a subsidiary company (Note b)	6,769	16,131
	30,312	50,287

Trade and other payables are denominated in the following currencies:

Group	2017 Percentage	2016 Percentage
Hong Kong dollar	78%	75%
Renminbi	22%	14%
United States dollar	–	11%
	100%	100%

Trust	2017 Percentage	2016 Percentage
Hong Kong dollar	22%	32%
United States dollar	39%	36%
Singapore dollar	39%	32%
	100%	100%

At 31 December 2017, 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 (2016: HK$30,380,000) which bears interest at Hong Kong Dollar Prime Rate (2016: Hong Kong Dollar Prime Rate) and has no fixed terms of repayment.

(b) Amounts due to related companies, associated companies and joint ventures 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	340,000	20,583,350	20,923,350
Secured bank loan	7,140	69,020	76,160
Guaranteed notes	3,900,000	7,800,000	11,700,000
Total principal amount of bank and other debts	4,247,140	28,452,370	32,699,510
Unamortised loan facilities fees and discounts related to debts	(1,870)	(148,146)	(150,016)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	(4,084)	(55,329)	(59,413)
At 31 December 2017	4,241,186	28,248,895	32,490,081
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

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 March 2019 to June 2024 (2016: repayable from May 2017 to November 2021).

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. Interests 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.

In September 2017, the Group issued a 5-year US$500 million 2.75% guaranteed note due 2022. Cross currency interest rate swaps are utilised by the Group in the management of its foreign currency exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into cross currency interest rate swap agreements with banks to swap the fixed interest rate United States dollar guaranteed notes to fixed interest rate Hong Kong dollar debts.

NOTES TO THE FINANCIAL STATEMENTS

22 Bank and other debts (Continued)

The effective interest rate of the Group's bank and other debts at 31 December 2017 is 2.2% per annum (2016: 1.8% per annum).

Bank and other debts are denominated in the following currencies:

Group	2017 Percentage	2016 Percentage
Hong Kong dollar	23%	12%
United States dollar	77%	88%
	100%	100%

At 31 December 2017, leasehold land and land use rights of the Group totaling HK$207,645,000 (2016: HK$232,332,000) were pledged as security for a bank loan.

23 Pension obligations

Group	2017 HK$'000	2016 HK$'000
Defined benefit plans		
Pension obligations	80,552	279,072

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 2017 and 31 December 2016 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:

	2017 Percentage	2016 Percentage
Discount rate	1.60-1.80	0.90 – 1.00
Future salary increases	4.0	4.00
Interest credited on plan accounts	5.00-6.00	5.00 – 6.00

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

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

	2017 HK$'000	2016 HK$'000
Present value of defined benefit obligations	1,413,479	1,464,270
Fair value of plan assets	(1,332,927)	(1,185,198)
Net defined benefit liabilities	80,552	279,072

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
2017			
At 1 January	1,464,270	(1,185,198)	279,072
Net charge/(credit) to the income statement			
Current service cost	55,586	736	56,322
Interest cost/(income)	13,085	(10,703)	2,382
	68,671	(9,967)	58,704
Net charge/(credit) to other comprehensive income			
Remeasurements loss/(gain):			
Actuarial loss/(gain) arising from:			
Experience adjustment	7,856	–	7,856
Financial assumptions	(81,295)	–	(81,295)
Demographic assumption	27,310	–	27,310
Return on plan assets excluding interest income	–	(174,410)	(174,410)
	(46,129)	(174,410)	(220,539)
Other			
Contributions paid by the employer	–	(36,685)	(36,685)
Contributions paid by the employee	8,630	(8,630)	–
Benefits paid	(81,580)	81,580	–
Net transfer	(383)	383	–
At 31 December	1,413,479	(1,332,927)	80,552

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
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/(credit) to other comprehensive income			
Remeasurements loss/(gain):			
Actuarial loss/(gain) 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

Fair value of the plan assets is analysed as follows:

	2017 HK$'000	2016 HK$'000
Equity instruments	873,725	729,108
Debt instruments	408,974	383,981
Cash and others	50,228	72,109
At 31 December	1,332,927	1,185,198

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

	2017 Percentage	2016 Percentage
Equity Instruments		
Conglomerates and manufacturing	6%	5%
Construction and materials	2%	2%
Consumer markets	5%	5%
Energy and utilities	4%	4%
Financial institutions and units trust	19%	15%
Health and care	5%	7%
Insurance	3%	4%
Real estate	3%	3%
Information technology	14%	12%
Others	4%	5%
	65%	62%
Debt instruments		
Government (other than US)	12%	14%
Financial institutions	3%	4%
US Treasury	6%	8%
Others	10%	6%
	31%	32%
Cash and others	4%	6%
	100%	100%

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

	2017 Percentage	2016 Percentage
Aaa/AAA	23%	35%
Aa1/AA+	19%	18%
Aa2/AA	15%	10%
Aa3/AA-	3%	4%
A1/A+	5%	6%
A2/A	8%	8%
A3/A-	7%	4%
Baa1/BBB+	5%	5%
Baa2/BBB	5%	3%
Other lower grade	6%	4%
No investment grade	4%	3%
	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 2016 and 2017. 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 pension 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 pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% 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 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared 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. As at 31 December 2017, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year ended 31 December 2017, forfeited contributions totalling HK$1,596,000 (2016: HK$978,000) were used to reduce the level of contributions of the year ended 31 December 2017 and no forfeited contribution was available at 31 December 2017 (2016: Nil) to reduce future year's contributions.

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

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	Decrease by 1.8%	Increase by 1.9%
Salary increase	0.25%	Increase by 0.5%	Decrease by 0.4%

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$39,036,000 (2016: HK$39,896,000) to the defined benefit plans during the next year.

The weighted average duration of the defined benefit obligation is 7.5 years as at 31 December 2017 (2016: 7.6 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$69,645,000 (2016: HK$70,296,000).

24 Other non-current liabilities

Group	2017 HK$'000	2016 HK$'000
Fair value hedges		
Interest rate swaps	59,413	43,757
Cash flow hedges		
Cross currency interest rate swaps	1,214	–
Less: current portion of interest rate swaps under fair value hedges	(4,084)	–
Non-current portion	56,543	43,757
Others	73,328	45,469
	129,871	89,226

25 Units in issue

Group and Trust	Number of units	HK$'000
At 1 January 2016, 31 December 2016 and 31 December 2017	8,711,101,022	68,553,839

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

26 Investment in a subsidiary

Trust	2017 HK$'000	2016 HK$'000
Investment cost	10,000	10,000
Capital contribution	52,341,427	54,665,024
	52,351,427	54,675,024

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

	2017 HK$'000	2016 HK$'000
Operating profit	3,601,453	4,224,052
Depreciation and amortisation	3,003,337	2,916,490
Net loss on disposal of fixed assets	5,591	4,316
Dividend income	(3,206)	(21,277)
Interest income	(70,167)	(43,212)
Operating profit before working capital changes	6,537,008	7,080,369
Decrease in inventories	2,694	11,192
Decrease/(increase) in trade and other receivables	683,064	(179,663)
Movement in balances with associated companies and joint ventures	41,571	9,576
Decrease in trade and other payables	(143,215)	(170,186)
Increase in pension obligations	22,019	18,475
Cash generated from operations	7,143,141	6,769,763

Reconciliation of liabilities arising from financing activities are as follows:

	Dividend payable to non-controlling interests HK$'000	Bank loans repayable not exceeding 1 year HK$'000	Bank loans repayable more than 1 year HK$'000	Guaranteed notes HK$'000	Cross currency interest rate swaps contract and interest rate swap contracts held to hedge against foreign currency risks and fair value risks of Guaranteed notes HK$'000	Total HK$'000
As at 1 January 2017	236,250	4,244,480	21,516,679	7,721,612	43,757	33,762,778
Cash flows	(1,050,073)	(4,244,650)	(661,250)	3,866,814	–	(2,089,159)
Foreign exchange adjustments	(1,239)	170	4,480	–	–	3,411
Fair value adjustments	–	–	–	(15,656)	–	(15,656)
Transfer between categories	–	347,140	(347,140)	–	–	–
Dividends to non-controlling interests	815,062	–	–	–	–	815,062
Other non-cash movements	–	–	39,400	18,002	16,870	74,272
At 31 December 2017	–	347,140	20,552,169	11,590,772	60,627	32,550,708

NOTES TO THE FINANCIAL STATEMENTS

28 Commitments

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

	2017 HK$'000	2016 HK$'000
Contracted but not provided for	28,525	186,684
Authorised but not contracted for (Note)	938,363	1,073,846
	966,888	1,260,530

The Group's share of capital commitments of the associated companies and joint ventures are as follows:

	2017 HK$'000	2016 HK$'000
Contracted but not provided for	16,506	–
Authorised but not contracted for	83,215	74,147
	99,721	74,147

Note:

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.

(b) At 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises and port facilities as follows:

	2017 HK$'000	2016 HK$'000
Within one year	12,169	23,218
Between two to five years	1,043	3,825
More than five years	–	40
	13,212	27,083

(c) At 31 December 2017, the Group had future aggregate minimum lease receivable under non-cancellable operating leases for office premises and port facilities as follows:

	2017 HK$'000	2016 HK$'000
Within one year	25,345	18,952
Between two to five years	83,215	50,281
	99,721	69,233

NOTES TO THE FINANCIAL STATEMENTS

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. 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

	2017 HK$'000	2016 HK$'000
Income:		
Container handling fees received from joint ventures and related companies (Note a)	40,340	35,308
Management, service and support fee received from joint ventures and related companies (Note b)	52,071	80,144
Transportation management services fee income from a joint venture and related companies (Note c)	39,246	32,271

	2017 HK$'000	2016 HK$'000
Expenses:		
Container handling charges paid to joint ventures, associated companies and a related company (Note d)	39,431	847,156
Operating lease rentals on premises paid to joint ventures and related companies (Note d)	6,128	8,833
Trustee-Manager management fees (Note e)		
- Base fee	23,317	22,954
- Acquisition fee	–	5,335
Global support services fees to a related company (Note f)	141,416	137,698
Information technology ("IT") support and maintenance service fees paid to an associated company and related companies (Note g)	45,568	46,816
Telecommunication charges paid to related companies (Note h)	6,188	6,452
Security guards service fees paid to a related company (Note i)	10,149	13,628

Notes:

(a) Container handling fees received from joint ventures and related companies were charged at terms pursuant to the relevant agreements.

(b) Management, service and support 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.

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties transactions (Continued)

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

Notes: (Continued)

(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 2017 is payable in cash. As the December 2017 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 year.

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.

(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.

(ii) Other transactions with related parties

During the year ended 31 December 2017, the Group acquired fixed assets of HK$21,583,000 (2016: HK$14,893,000) from related companies which were charged at prices and terms mutually agreed.

(iii) Co-Management with joint ventures

Pursuant to a Co-Management Agreement entered into by Hongkong International Terminals Limited ("HIT"), COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") and Asia Container Terminals Limited ("ACT"), with effect from 1 January 2017, they collaborate for the efficient co-management and operation of the 16 berths across Terminals 4, 6, 7, 8 and 9 in Kwai Tsing. The revenue and expenses from the management and operation of the facilities of the combined terminal are allocated among HIT, COSCO-HIT and ACT by reference to the respective designed capacity of the facilities owned by each party.

(iv) 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:

	2017 **HK$'000**	**2016** **HK$'000**
Salaries and employee benefits	30,379	31,262

NOTES TO THE FINANCIAL STATEMENTS

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.

(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 2017, total equity amounted to HK$60,321,906,000 (2016: HK$60,681,871,000), and consolidated net debt of the Group was HK$25,931,428,000 (2016: HK$26,641,631,000).

(c) Credit exposure

The Group's holdings of cash and cash equivalents, cross currency interest rate swaps contract and interest rate swaps contract with financial institutions 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$12,405,000 (2016: HK$13,439,000).

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(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.

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	
	2017	2016
	HK$'000	HK$'000
Renminbi	23,638	3,419
United States dollar	(1,126,215)	(1,351,100)
Singapore dollar	(426)	114
Others	10	–
	(1,102,993)	(1,347,567)

(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	Total undiscounted cash flows	Within 1 year	Within 2 to 5 years	After 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017					
Trade and other payables	6,741,629	6,747,164	6,747,164	–	–
Bank and other debts, and other non-current liabilities	32,619,952	32,708,069	4,261,298	28,425,351	21,420
	39,361,581	39,455,233	11,008,462	28,425,351	21,420

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(f) Liquidity exposure (Continued)

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
	41,220,256	41,248,105	11,904,065	29,311,000	33,040

The table for the Group above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$714,793,000 (2016: HK$650,130,000) in "within 1 year" maturity band, HK$1,549,349,000 (2016: HK$1,251,139,000) in "within 2 to 5 years" maturity band, HK$1,111,000 (2016: HK$2,727,000) 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
2017				
Trade and other payables	30,312	30,312	30,312	–
2016				
Trade and other payables	50,287	50,287	50,287	–

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(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 2017					
Listed equity security	17	45,225	–	–	45,225
River Ports Economic Benefits	17	–	–	518,600	518,600
Fair value hedges					
Interest rate swaps	24	–	(59,413)	–	(59,413)
Cash flow hedges					
Cross currency interest rate swaps	24	–	(1,214)	–	(1,214)
		45,225	(60,627)	518,600	503,198

	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					
Interest rate swaps	24	–	(43,757)	–	(43,757)
		54,000	(43,757)	518,600	528,843

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.

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

During the years ended 31 December 2017 and 2016, there were no transfers between the Level 1, Level 2 and Level 3 fair value measurements.

At 31 December 2017, the fair value of bank and other debts (note 22) was HK$32,514.3 million (31 December 2016: HK$33,535.2 million). The carrying amounts of the remaining financial assets and financial liabilities approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group

(a) Details of principal subsidiary companies of the Group at 31 December 2017 and 2016 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held 2017	Effective interest held 2016
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%
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%
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%

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 2017 and 2016 are as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held 2017	Effective interest held 2016
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

<u>Appointment of auditors</u>

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, Wattrus 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

	2017 HK$'000	2016 HK$'000
Non-current assets	67,179,233	72,238,702
Current assets	6,680,448	5,073,581
Total assets	73,859,681	77,312,283
Non-current liabilities	10,618,872	11,173,975
Current liabilities	4,097,165	4,539,975
Total liabilities	14,716,037	15,713,950

Summarised income statement

	2017 HK$'000	2016 HK$'000
Revenue and other income	7,249,875	6,943,866
Net profit for the year	2,854,074	2,683,677

Summarised statement of cash flows

	2017 HK$'000	2016 HK$'000
Net change in cash and cash equivalents	2,096,077	(66,323)
Dividends paid to non-controlling interests	1,050,073	1,013,077

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

32 Approval of the financial statements

The financial statements set out on pages 71 to 122 were approved by the Board of Directors of the Trustee-Manager for issue on 5 February 2018.

STATISTICS OF UNITHOLDINGS

as at 26 February 2018

There were 8,711,101,022 units (voting rights: 1 vote per unit) in issue as at 26 February 2018. There is only one class of units in HPH Trust.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	11	0.03	164	0.00
100 - 1,000	3,225	8.99	3,108,383	0.04
1,001 - 10,000	19,279	53.77	98,528,009	1.13
10,001 - 1,000,000	13,244	36.94	754,182,657	8.66
1,000,001 AND ABOVE	97	0.27	7,855,281,809	90.17
TOTAL	**35,856**	**100.00**	**8,711,101,022**	**100.00**

SUBSTANTIAL UNITHOLDERS

Based on Register of Substantial Unitholders as at 26 February 2018

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)]	–	–	958,450,911	11.00

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 26 February 2018

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	1,568,429,012	18.00
3	PORTCAPITAL LIMITED	905,364,000	10.39
4	DBS NOMINEES (PRIVATE) LIMITED	794,994,597	9.13
5	RAFFLES NOMINEES (PTE) LIMITED	356,479,351	4.09
6	DBSN SERVICES PTE. LTD.	324,351,041	3.72
7	HSBC (SINGAPORE) NOMINEES PTE LTD	306,041,895	3.51
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	252,440,599	2.90
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	201,856,780	2.32
10	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	164,546,515	1.89
11	DB NOMINEES (SINGAPORE) PTE LTD	121,046,320	1.39
12	BPSS NOMINEES SINGAPORE (PTE.) LTD.	44,633,459	0.51
13	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	44,464,483	0.51
14	UOB KAY HIAN PRIVATE LIMITED	38,363,439	0.44
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	23,914,687	0.27
16	PHILLIP SECURITIES PTE LTD	22,899,909	0.26
17	OCBC SECURITIES PRIVATE LIMITED	21,468,772	0.25
18	SOCIETE GENERALE, SINGAPORE BRANCH	15,247,073	0.18
19	KGI SECURITIES (SINGAPORE) PTE. LTD.	14,815,400	0.17
20	NOMURA SINGAPORE LIMITED	13,968,962	0.16
	TOTAL	**7,641,553,316**	**87.71**

FREE FLOAT

Based on the information made available to the Trustee-Manager, as at 26 February 2018, approximately 58.90% 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	Highest Price		Lowest Price	
	('000)	(US$)	(S$)	(US$)	(S$)
Unit performance in financial year 2017	4,223,616	0.485	0.660	0.380	0.540

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 Friday, 13 April 2018 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 2017 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)

LEE TIONG HOCK
Company Secretary
Singapore, 23 March 2018

Explanatory Note:

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.

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 Friday, 13 April 2018 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 2017 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 ________________ 2018

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

____
Signature(s) 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 23 March 2018.

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.

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