STAYING FOCUSED

HUTCHISON PORTS

HUTCHISON PORT HOLDINGS TRUST
ANNUAL REPORT 2018

Contents

Trust Profile

HPH TRUST

Hutchison Port Holdings Trust ("HPH Trust" or "Trust") is the first publicly traded container port business trust in the world. 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 mandate of the Trust is principally to invest in, develop, operate and manage deep-water container ports in Guangdong Province, Hong Kong and Macau in China (collectively known as the "Pearl River Delta" ("PRD")).

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. HPH Trust operates 38 berths across 647 hectares of land. In 2018, the Trust delivered a combined throughput of approximately 24.0 million twenty-foot equivalent units ("TEU").

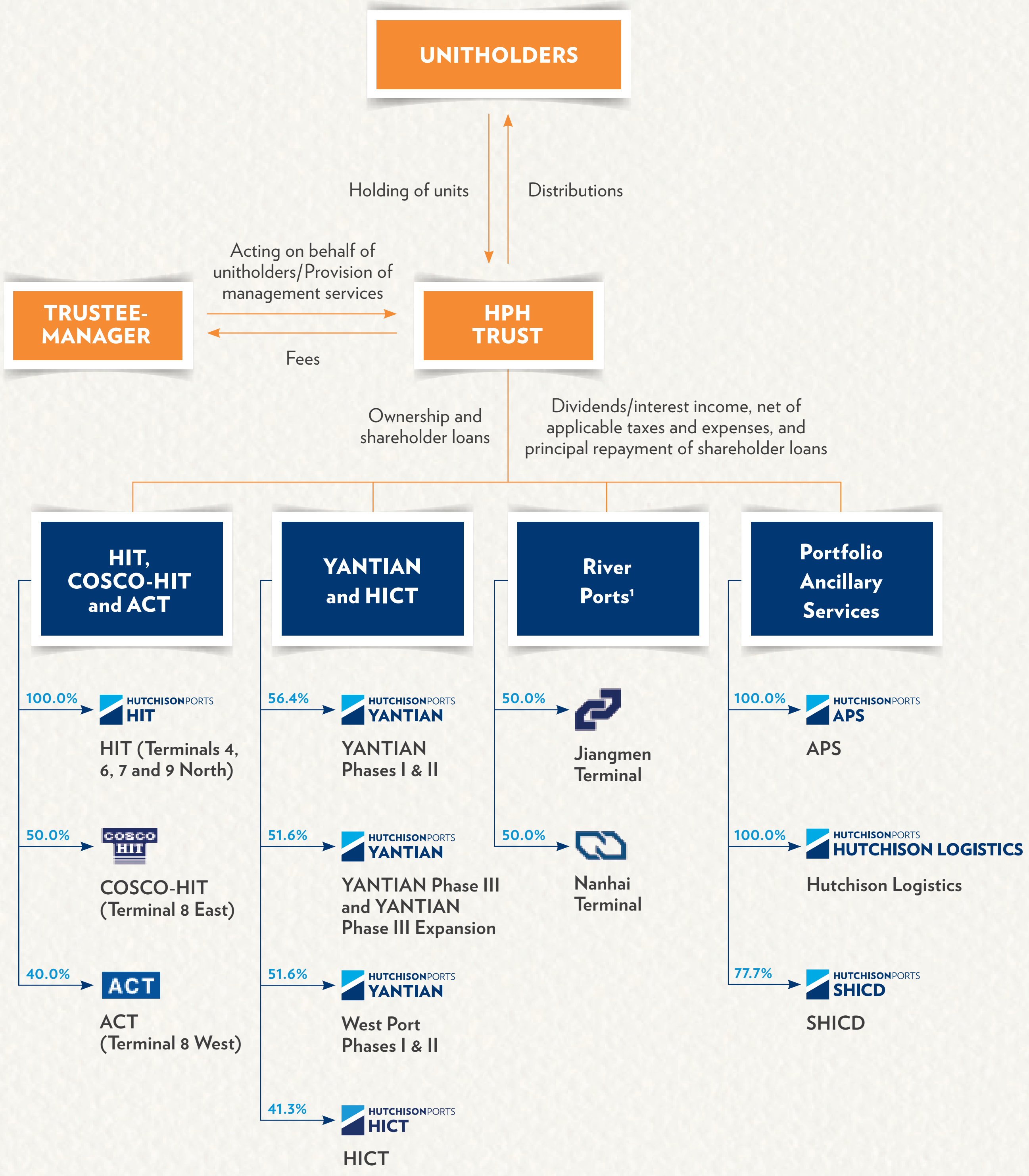
The core port operations of the Trust are complemented by river port facilities and ancillary services, which aim to provide customers with seamless logistics supply chain solutions for imports and exports. HPH Trust holds economic benefits ("River Ports Economic Benefits[1]") in two river ports in Mainland China: Jiangmen International Container Terminals ("Jiangmen Terminal") and Nanhai International Container Terminals ("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 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.

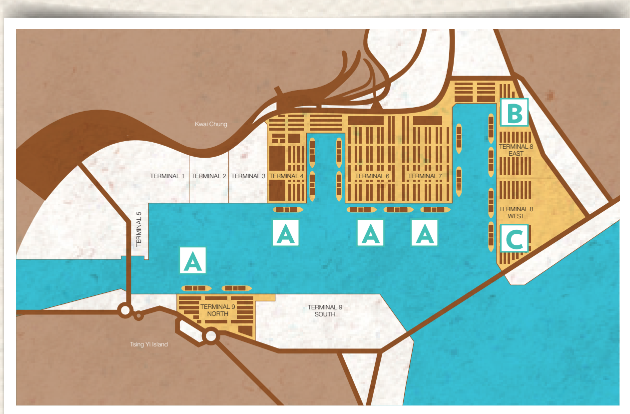
Corporate Structure



[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

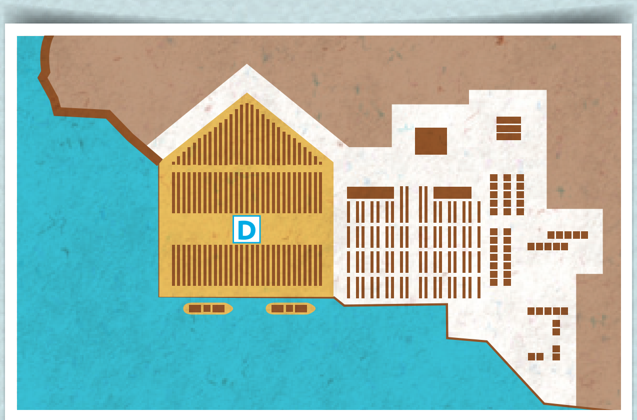
B COSCO-HIT

- 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

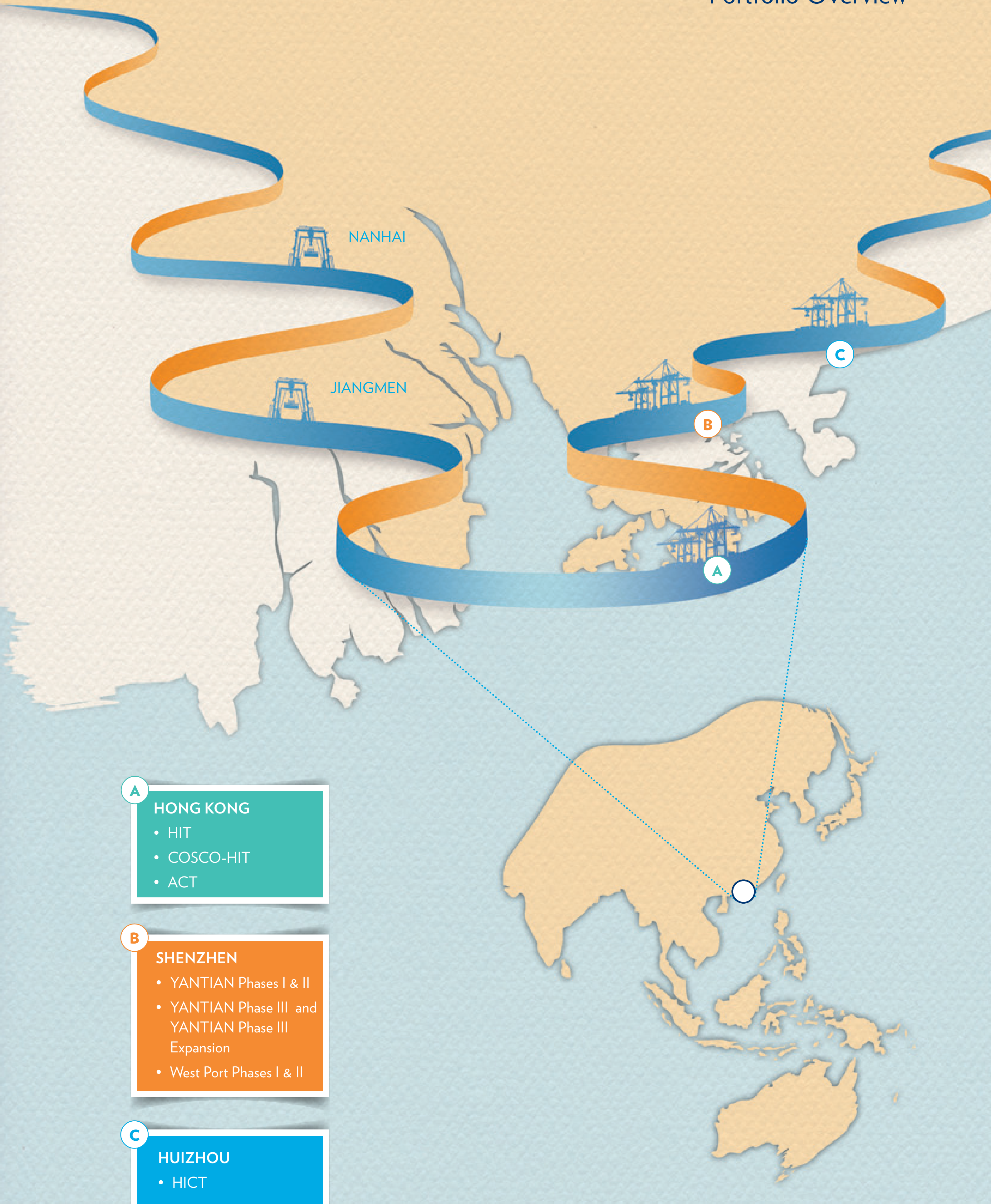
C West Port Phases I & II

- 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, 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



A

HONG KONG
- HIT
- COSCO-HIT
- ACT

B

SHENZHEN
- YANTIAN Phases I & II
- YANTIAN Phase III and YANTIAN Phase III Expansion
- West Port Phases I & II

C

HUIZHOU
- HICT

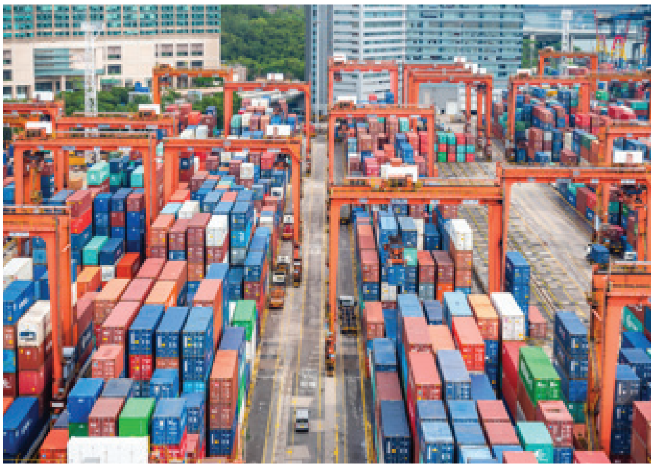
Portfolio Overview

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 and modern, well-equipped facilities — augmented by a free, open and multi-lateral trading system — allow Hong Kong to remain on the list of busiest container terminals in the world and a major transshipment hub in the region.

HPH Trust operates 16 of the 24 deep-water berths located in Kwai Tsing ("Kwai Tsing Terminals") under a co-management arrangement between HIT, COSCO-HIT and ACT. This further optimises resource and enhances flexibility in berth and yard planning, and resource deployment across all terminals.



16
CONTAINER BERTHS

64
QUAY CRANES

170
HECTARES OF LAND

10.6
MILLION TEU HANDLED IN 2018

AROUND
1,900
EMPLOYEES AND
3,600
EXTERNAL CONTRACTOR WORKERS ON-SITE DAILY

Figures as at 31 December 2018

SHENZHEN AND HUIZHOU, CHINA

YANTIAN

YANTIAN is one of the busiest container terminals in China. South China has developed into a prosperous and dynamic economy, which boosts the position of the port 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. The port is located near the manufacturing hinterland in eastern Guangdong, immediately east of Hong Kong and Shenzhen and aims to develop as a key player in the PRD shipping hub.

Situated in the Quanwan Port Zone of the Daya Bay Economic and Technological Development Zone, HICT is one of the dedicated container terminals 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.

Figures as at 31 December 2018

22
CONTAINER BERTHS

91
QUAY CRANES

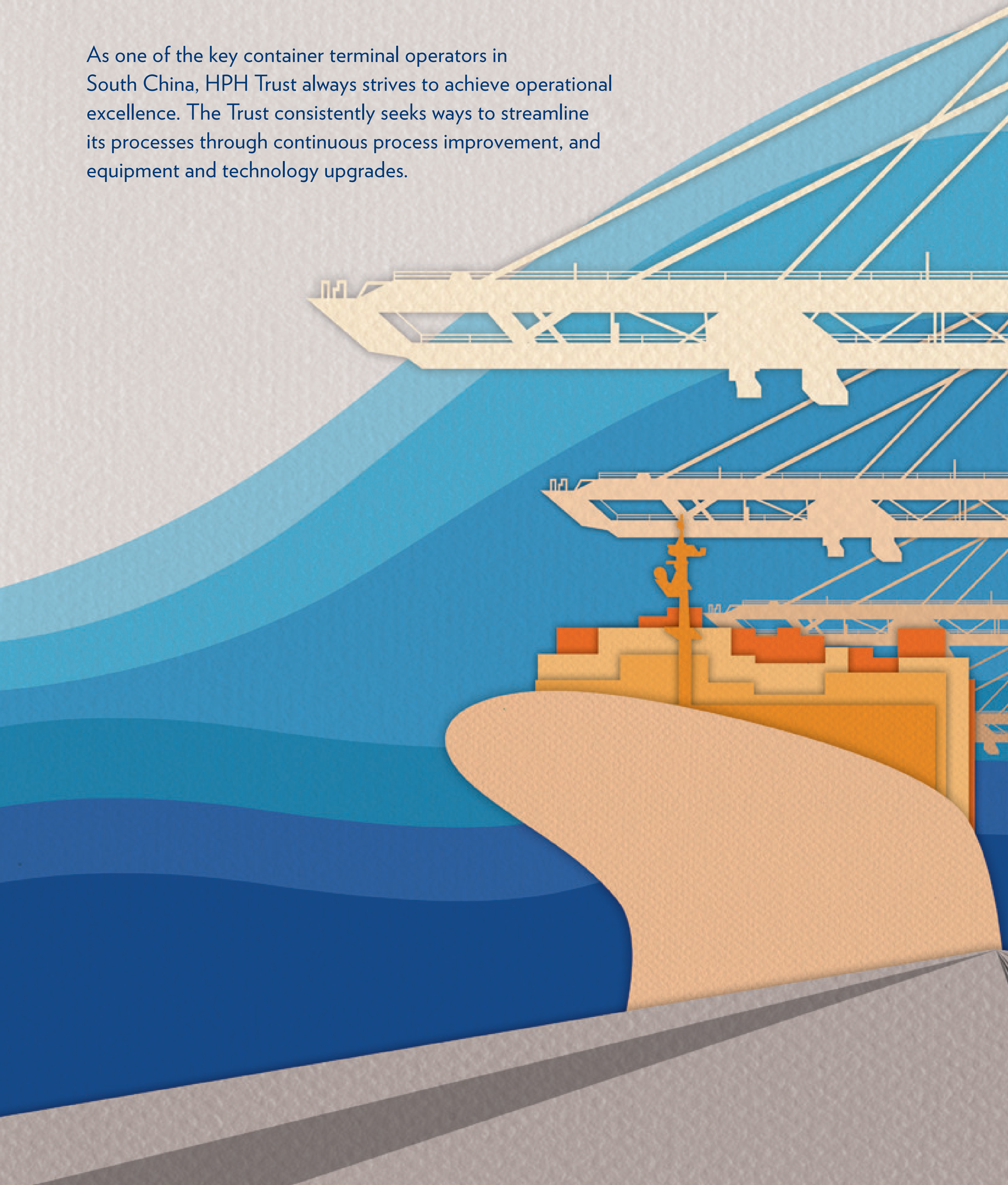
477
HECTARES OF LAND

13.4
MILLION TEU HANDLED IN 2018

AROUND
2,400
EMPLOYEES AND
4,800
EXTERNAL CONTRACTOR WORKERS ON-SITE DAILY

BUILDING RESILIENT BUSINESS OPERATIONS

As one of the key container terminal operators in South China, HPH Trust always strives to achieve operational excellence. The Trust consistently seeks ways to streamline its processes through continuous process improvement, and equipment and technology upgrades.



Letter to Unitholders

Consolidation in the shipping line industry remains unabated; the effects arising from consolidation through mergers and acquisitions and global alliance restructuring over the last few years have resulted in changes in shipping routes and call patterns which have particularly impacted transshipment traffic in Hong Kong.

MANAGING HEADWINDS AND NAVIGATING CHALLENGES

Geopolitical tensions and economic headwinds created additional challenges for the shipping and port industries. Increasing trade protectionism dampens global business sentiment, and impacted international trade and related businesses. As a container terminal operator focusing on international transshipment and US and Europe export trade in the PRD, the Trust remains vulnerable to potential disruptions in global trade resulting from ongoing US–China trade negotiations, uncertainty over Brexit plan, and overall sluggish Chinese and European economies.

Furthermore, consolidation in the shipping line industry remains unabated; the effects arising from consolidation through mergers and acquisitions and global alliance restructuring over the last few years have resulted in changes in shipping routes and call patterns which have particularly impacted transshipment traffic in Hong Kong.

The Trust recorded throughput totalling 24.0 million TEU in 2018, a decrease of 1.0% from the previous year. Trade volumes from US growth momentum in 2018 were counterbalanced by the softening of outbound cargoes to Europe and lower transshipment volume in Hong Kong.

In view of the mounting global trade uncertainties, the behavioural changes in multinational corporations caused by the current trade tensions, including accelerating the diversification of long established supply chains outside of Southern China in the medium to long term and the effects stemming from the structural changes within the shipping line industry, the Trust recognised one-off, non-cash impairment losses of HK$12,289.0 million in 2018. Given its non-cash nature, the impairment losses did not affect the cash flows of the Trust.

Due to the aforementioned impairment losses, the Trust reported a net loss after tax ("NLAT") of HK$10,246.0 million and a NLAT attributable to unitholders of HK$11,551.3 million. Excluding the impairment impact, net profit after tax ("NPAT") in 2018 was HK$2,043.0 million, 8% lower than in 2017, and a 22% decline in NPAT attributable to unitholders, down to HK$737.7 million. In 2018, the Trust continued with the five-year debt repayment plan that commenced in 2017, paying down debt principal by a further HK$1.0 billion. After the repayment, distribution per unit ("DPU") to unitholders for 2018 was 17.0 HK cents.

RATIONALISING OUR OPERATIONS FOR BETTER PERFORMANCE

Increased deployment of mega-vessels has heightened the demands for operational efficiency and service quality from terminal operators. Within the shipping industry, the Trust expects that the effects from consolidation of ownership will start to stabilise. However, carriers will continue deploying mega-vessels to promote their fleets, and continue optimising capacity to secure cost efficiencies. In response, the Trust will stay focused on enhancing operational efficiency and streamlining costs.

On 8 January 2019, Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited entered into a Hong Kong Seaport Joint Operating Alliance Agreement regarding the terms on which they will collaborate with each other for the efficient management and operation of the 23 berths across Terminals 1, 2, 4, 5, 6, 7, 8 and 9 (together the "Combined Terminal Facilities") at Kwai Tsing, in the New Territories in Hong Kong (the "Hong Kong Seaport Alliance").

The Hong Kong Seaport Alliance, through centralised operations planning for 23 berths, aims to enable more efficient deployment of facilities and resources, achieve additional cost efficiency and enhance customer service, ultimately increasing the overall competitiveness of the Combined Terminal Facilities.

In addition, to enhance our overall service delivery, we continuously review and improve our systems and processes. Notably, the new Gatehouse A at YANTIAN provides more comprehensive entry gatehouse facilities for tractors, successfully easing traffic congestion around the terminal area in Shenzhen.

Letter to Unitholders

Technical capability is another essential factor in strengthening our service delivery and business performance. We are consistently taking steps to upgrade our equipment and technology, and to strengthen our container-handling capabilities. In 2018, the Trust took delivery of a number of cranes, including six electric or hybrid-power rubber-tyred gantry cranes ("RTGCs") and a Super Post Panamax ("SPP") quay crane ("QC"), to more efficiently service new-generation mega-vessels.

Equipped with the experience from the upgrades of the remote-control RTGCs at Container Terminal 9 North in Hong Kong, HIT also converted its entire rail-mounted gantry crane ("RMGC") fleet to remote-controlled operations in 2018, allowing the Trust to deliver services more efficiently in 2019.

UNLOCKING NEW AVENUES OF GROWTH

To enhance our cargo canvassing capability, the Trust has been on the lookout for opportunities that could develop new markets and expand its cargo network. We will continue to explore ways to expand our cargo catchment area to include south-western China, through our extensive network of feeder and ocean-going services, and efficient connections to worldwide destinations.

A HOLISTIC APPROACH TO SUSTAINABILITY

As one of the key terminal operators in South China, we are closely connected with a large and diverse group of stakeholders including customers, suppliers, business partners, employees, local governments and members of the community. We strive to be one of the world's leading container terminal operators through our excellence in customer service, teamwork and innovation.

In our drive to improve overall efficiency as a terminal operator, we take a multipronged, holistic approach, adopting new technologies as well as hiring and nurturing talent. Our stakeholders are integral to our success as a business, and the Trust continues to explore different opportunities to collaborate with various institutions from the government, corporate, educational and social sectors.

Operational workplace security has always been a top priority at HPH Trust. Aside from safety equipment, training on safety procedures and internal audits, safety drills also form part of our routine. In this technological era, cybersecurity has become a key concern for the global business community, especially after recently reported high-profile incidents at other companies. On this front, HPH Trust continues to be vigilant in maintaining a record of zero incidents. It deploys dedicated resources to ensure system and data integrity, and to develop resilience and immunity.

As a responsible corporate citizen, we are always mindful of our responsibility to give back to the community and the environment through various initiatives. One area where we made significant progress was in continuing to provide more environmentally friendly shore power at YANTIAN, which is currently in Phase IV of its development. To support the local community, HIT continued its programme for elderly citizens, with its Community Caring Group hosting a series of activities, including home visits, group outings and celebrations of major festivals. Meanwhile, YANTIAN released 4 million fingerlings into the waters surrounding its operations, to support the regeneration of fish species and the aquatic environment.

AWARDS AND ANNIVERSARIES

Our efforts in efficient and sustainable operations earned us several awards and accolades in 2018. YANTIAN was named Best Container Terminal Asia (over 4 million TEU) at the 2018 Asian Freight, Logistics and Supply Chain ("AFLAS") Awards. It also secured a Top 10 placing for Best Container Terminal and Best Operation Efficiency Container Terminal at the 15th Jinlun Awards hosted by China Shipping Gazette. HIT received the Bronze Award in the 2017 Hong Kong Awards for Environmental Excellence, in the Transport and Logistics category.

YANTIAN celebrated its 25th anniversary in November 2018, marking its evolution from a greenfield terminal to a well-known, world-class terminal in southern China. In 2019, HIT will be celebrating 50 years of operation in Hong Kong.

LOOKING FORWARD

The path ahead calls for continued maintenance of vigilance as the Trust faces existing and new challenges, while exploring new development opportunities. In light of current geopolitical uncertainties and the related impact on international trades, the Trust remains cautious about future cargo trends. With this in mind, the Trust will monitor its capacity expansion diligently, focusing on maintaining quality service delivery, strengthening its relationships with shipping lines, and most importantly, exercising considerable prudence in operational and financial management. We are confident that by strategically investing in infrastructure and technology to complement existing established frameworks, we will equip HPH Trust to capture new opportunities in 2019.

FOK Kin Ning, Canning
Chairman

Key Events

YANTIAN CROWNED BEST CONTAINER TERMINAL ASIA AT AFLAS AWARDS 2018

YANTIAN was named the Best Container Terminal Asia (over four million TEU) at the 2018 AFLAS Awards presented on 15 May. The AFLAS awards recognise leading service providers including air and shipping lines, airports and seaports, logistics and other associated industry professionals. Patrick Lam, Managing Director of YANTIAN, received the award in Shanghai.

NEW GATEHOUSE A OPENS TO TRAFFIC IN YANTIAN

On 17 August, YANTIAN officiated the opening of a new gatehouse to ease traffic congestion in the terminal area. The new gatehouse ("Gatehouse A") consists of a large parking lot for 90 tractors and 14 in-gate lanes, including a dedicated lane for oversized containers. Connecting to the Yanpai Expressway, it allows additional tractor traffic and has improved YANTIAN's gatehouse operational efficiency.

Key Events

HIT SHOWCASES ITS SERVICES IN COLD CHAIN LOGISTICS

As one of the global fresh fruit gateways to China, HIT reached out to more than 13,000 fruit traders and logistics experts worldwide by showcasing its services at Asia Fruit Logistica, held from 5 to 7 September. HIT enjoyed another successful year at the conference, engaging key stakeholders in meaningful discussions over the latest developments in the cold chain logistics industry.

On 6 September at the 4th Cool Logistics Asia conference, Gerry Yim, Managing Director of HIT, addressed attendees with an overview of how the company aims to provide innovative value-added services to facilitate the future development of cold chain logistics.

CONTAINER TERMINAL OPERATORS TO FORM THE "HONG KONG SEAPORT ALLIANCE"

On 8 January 2019, Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited entered into a Hong Kong Seaport Joint Operating Alliance Agreement to collaborate with each other for the efficient management and operation of the 23 berths across Terminals 1, 2, 4, 5, 6, 7, 8, 9 (together the "Combined Terminal Facilities") at Kwai Tsing, in the New Territories in Hong Kong (the "Hong Kong Seaport Alliance"). This collaboration enables the parties to deploy their facilities and resources in a more cost effective and efficient manner and enables better utilisation of the existing capacity by increasing the flexibility in the overall berth and yard planning among the 23 berths, enhancing customer service and thereby increasing the overall competitiveness of the Combined Terminal Facilities.

Corporate Milestones

ANNIVERSARY

YANTIAN 25TH ANNIVERSARY

On 16 November, YANTIAN celebrated its 25th anniversary with an outdoor carnival and a visitor centre open day for employees. YANTIAN also expressed its gratitude to customers for their support with an appreciation dinner. About 350 guests representing shipping lines, cargo owners and shareholders joined the celebration.

MEGA-VESSEL CALL

YANTIAN WELCOMES THE INAUGURAL CALL OF *CMA CGM ANTOINE DE SAINT EXUPERY*

On 14 February, the 20,954-TEU, *CMA CGM Antoine de Saint Exupery*, made its inaugural call at YANTIAN. The vessel measures 400 metres long and 59 metres wide. In 2018, 27 mega-vessels with carrying capacities of over 20,000 TEU called at YANTIAN.

KWAI TSING TERMINALS WELCOME THE MAIDEN CALLS OF *EVER GOLDEN, EVER GENIUS, EVER GOODS* AND *EVER GIVEN*

During the year, four mega-vessels with carrying capacities of 20,388 TEU — the *Ever Golden, Ever Genius, Ever Goods* and *Ever Given* — made their maiden calls at the Kwai Tsing Terminals.

AWARDS

YANTIAN RECEIVES 2017 SCIENCE AND TECHNOLOGY AWARD

In January, YANTIAN received the 2017 Science and Technology Award (First Prize) from the China Water Transportation Construction Association, for its research into and application of shore power technology.

The annual award honours organisations that make significant contributions to scientific and technological progress in the water transportation construction industry in China. YANTIAN is the only terminal operator in China to have won the award.

YANTIAN RECEIVES LOGISTICS DISTINCTION

On 1 February, YANTIAN was recognised as a National AAAAA Logistics Enterprise by the China Federation of Logistics and Purchasing. AAAAA is the highest level of certification for A-Level logistics enterprises under the national standards in China. YANTIAN is the only company in Guangdong to have been certified.

HPH TRUST TERMINALS AWARDED CARING COMPANY LOGO

On 16 March, various HPH Trust terminals received the Caring Company Logo in recognition of their commitment to caring for the community, employees and the environment over the past year. HIT won the 15 Years Plus Logo; APS won the 10 Years Plus Logo; Hutchison Logistics and ACT won the 5 Years Plus Logo; and COSCO-HIT won its first Caring Company Logo.

Corporate Milestones

YANTIAN RECEIVES AWARDS FROM CHINA PORTS AND HARBOURS ASSOCIATION

On 30 March, YANTIAN received five awards from the Container Branch of the China Ports and Harbours Association, including:

- Container Terminal with Annual Throughput Exceeding 12 Million TEU in China
- Container Terminal with Intermodal Volume Exceeding 160,000 TEU in China
- Container Terminal with Transshipment Throughput Exceeding 1.7 Million TEU in China
- Container Terminal with International Transshipment Throughput Exceeding 1.3 Million TEU in China
- Container Terminal with Single Vessel Productivity Exceeding 100 Containers per Hour in China

HIT WINS HONG KONG AWARDS FOR ENVIRONMENTAL EXCELLENCE

On 4 May, HIT won the Bronze award at the 2017 Hong Kong Awards for Environmental Excellence Ceremony, in the Transport and Logistics category. This award recognises the all-round outstanding environmental performance at HIT.

Corporate Milestones

HIT RECEIVES A CERTIFICATE OF APPRECIATION FROM THE CITY OF LOS ANGELES

On 31 July, HIT received a Certificate of Appreciation from Hon. Eric Garcetti, the Mayor of Los Angeles, in recognition of its support for the Port of Los Angeles in providing block stowage for vessels calling at the San Pedro Bay ports. Gerry Yim, Managing Director of HIT, received the certificate.

YANTIAN NAMED TOP CONTAINER TERMINAL AT 2018 JINLUN AWARDS CEREMONY IN SHANGHAI

On 20 September at the 15th Jinlun Awards, hosted by China Shipping Gazette, YANTIAN was honoured as the Top 10 Container Terminal and Best Operation Efficiency Container Terminal. Patrick Lam, Managing Director of YANTIAN, received the awards in Shanghai.

COSCO-HIT AND ACT NAMED GOOD MPF EMPLOYERS

On 9 October, COSCO-HIT and ACT received the 2017–2018 Good MPF Employers Award and Support MPF Management Award presented by the Mandatory Provident Fund Schemes Authority of Hong Kong.

Corporate Milestones

FACILITIES UPGRADE

HIT TAKES DELIVERY OF RTGCS

In March, HIT welcomed the arrival of six electric hybrid RTGCs. These one-over-six RTGCs can run on pure electric power or engine with hybrid mode.

HIT CONTINUES TO INVEST IN REMOTE OPERATIONS TECHNOLOGY

On 30 April, HIT took delivery of three new RMGCs which are equipped with remote-controlled operation system and other new features. These include safety protection and operations enhancement functions such as container twistlock detection, anti-truck lifting and truck positioning systems.

ACT HEIGHTENS CRANES TO ENHANCE MEGA-VESSEL HANDLING CAPABILITY

In April and May, ACT completed its upgrade of two QCs, heightening them to 47.5 metres above rail – making them the highest within the HPH Trust portfolio in Hong Kong. This has significantly improved the capability of the terminal to service mega-vessels. Currently Terminal 8 is capable of serving two 20,000-TEU vessels simultaneously.

Corporate Milestones

SPP QUAY CRANE FOR HIT

In May, HIT received one unit of SPP QC with an outreach of 65 metres and a lifting height of 46 metres, enabling the terminal to handle 10th-tier containers above deck. The new twin-lift QC is equipped with semi-automation features including spreader anti-sway, spreader anti-skew, trolley auto truck lane position and tractor alignment functions.

FIXED GANTRY CRANE ARRIVAL AT YANTIAN

YANTIAN took delivery of one fixed gantry crane in December. It is equipped with remote-control functions and can rotate a container 180 degrees to allow for easy access to the container door, making it easier to stack multiple containers.

Operational Review

The Trust is constantly working to achieve operational excellence, by upgrading its container handling facilities; proactively reviewing its operations to identify opportunities for improved efficiency; adopting new technology; and implementing new systems and system upgrades.

The Trust continues to fine-tune strategies to maintain its position as one of the key hubs for major shipping lines in South China. This includes catering to the changing demands of mega-vessels and the operational complexities of shifting shipping alliances.

The Trust is constantly working to achieve operational excellence, by upgrading its container handling facilities; proactively reviewing its operations to identify opportunities for improved efficiency; adopting new technology; and implementing new systems and system upgrades.

SETTING NEW STANDARDS IN OPERATIONAL EFFICIENCY

One of the key operational highlights in 2018 was the opening of Gatehouse A at YANTIAN, which improved traffic flow around the terminal by alleviating bottlenecks at the existing gatehouse on peak days. After working closely with the district government to identify traffic flow issues and potential improvements, YANTIAN commenced construction of Gatehouse A in March and completed it within five months. The new gatehouse consists of a large parking lot for 90 tractors, and 14 in-gate lanes, including a dedicated lane for oversized containers. Container trucks can now enter YANTIAN through the new gatehouse, without going through the Yantian district, effectively alleviating the burden of the existing gatehouse and reduce traffic on public roads.

HIT similarly enhanced operational efficiency at its gate operations by introducing Remote Container Inspection ("RCI") capabilities at its terminals. By capturing container images using optical character recognition and image processing technologies, the RCI system reduces the time required to inspect external tractors and has shortened gate-out processing time by more than 50%. The new technology has also improved the working environment for container inspectors, and will serve as a prototype for future gatehouse upgrades.

Armed with the knowledge and experience gained from its recent pilot for remote RTGC upgrades at Container Terminal 9 North in Hong Kong, the Trust will continue to explore opportunities for deploying remote operations technology at its terminals. In 2018, HIT finished converting its entire fleet of RMGCs to remote-controlled operations, making service delivery more efficient. The three new RMGCs that HIT received in 2018 are equipped with remote-controlled operation systems and other new features. These include safety protection and operations enhancement functions such as container twistlock detection, anti-truck lifting measures and truck positioning systems.

YANTIAN installed a fixed gantry crane in its Phase II terminal yard during 2018. This crane can rotate a container 180 degrees to allow for easy access to the container door, making it easier to stack multiple containers.

KEEPING PACE WITH CHANGE THROUGH FACILITY UPGRADES AND PARTNERSHIPS

The increased deployment of mega-vessels and more complex alliances create greater demand for enhanced handling capacity and capabilities, increasing pressure on the Trust to futureproof its assets. In addition to the aforementioned operational efficiency improvements, the Trust continued to invest in new equipment and facility upgrades, integrating new technologies and industry practices into its terminal operations.

In the first half of the year, HIT took delivery of six RTGCs that operate on either electric power or a hybrid of electricity and diesel. Together with an additional SPP QC, this equipment upgrade has enhanced the mega-vessel servicing capabilities of the Kwai Tsing Terminals.

ACT raised the height of two of its QCs to 47.5 metres above the rail during 2018, augmenting the capability of Terminal 8 to better service mega-vessels.

Effectively handling the increase in daily barge-vessel transshipment volume requires up-to-date information exchanges among barge companies, shipping lines and terminals. To address this need, the Trust is planning a phased launch of its Barge Platform System, which will operate 24 hours a day to streamline communications among all involved parties. The first phase of development, which aims to streamline the data entry process at the Barge Operations Centre, is currently in progress.

HIT participated in the 4th Cool Logistics conference in 2018, promoting its services as a global gateway for fresh fruit entering China and a key player in the cold chain logistics market.

During the year, YANTIAN launched its inland container depot at Liling in Hunan, providing inland customers with intermodal services to the terminal. It also signed an agreement with Ganzhou Port Rail Yard in Jiangxi, which enables the terminal to manage and run rail services in Ganzhou.

INCREASING MEGA-VESSEL HANDLING CAPABILITIES

With its natural deep-water advantage and advanced equipment and systems, the Trust continued to attract mega-vessels and set new benchmarks in its handling capacity. During the year, a number of mega-vessels have called at the terminals of the Trust, including *Ever Goods, Ever Given, Ever Gold* and *Ever Genius* at the Kwai Tsing Terminals, and *CMA CGM Antoine de Saint Exupery* at YANTIAN.

REDUCING THE CARBON FOOTPRINT OF THE TRUST

HPH Trust values the importance of integrating strong corporate governance and sustainable practices into its operations. As part of its commitment to the environment, YANTIAN has embarked on Phase III of its Shore Power Project to reduce carbon dioxide emissions and engine noise pollution from vessels at berth. This involves converting three berths to shore power. The use of shore power allows vessel engines to be turned off completely while at berth. Phase IV – which will involve converting three additional berths – is due to be completed in the first quarter of 2019, when a total of 16 berths at YANTIAN will be ready to operate on shore power.

The Trust regards safety as one of the core elements in its operations, and one of the key pillars of its sustainability goals. It strives to ensure compliance with local regulations, and constantly provides related training and refresher courses to staff members and external contractors to ensure workplace safety.

RECEIVING RECOGNITION FROM THE INDUSTRY

HPH Trust continued to garner accolades for its efforts and achievements in maintaining the highest standards in container terminals operations and management.

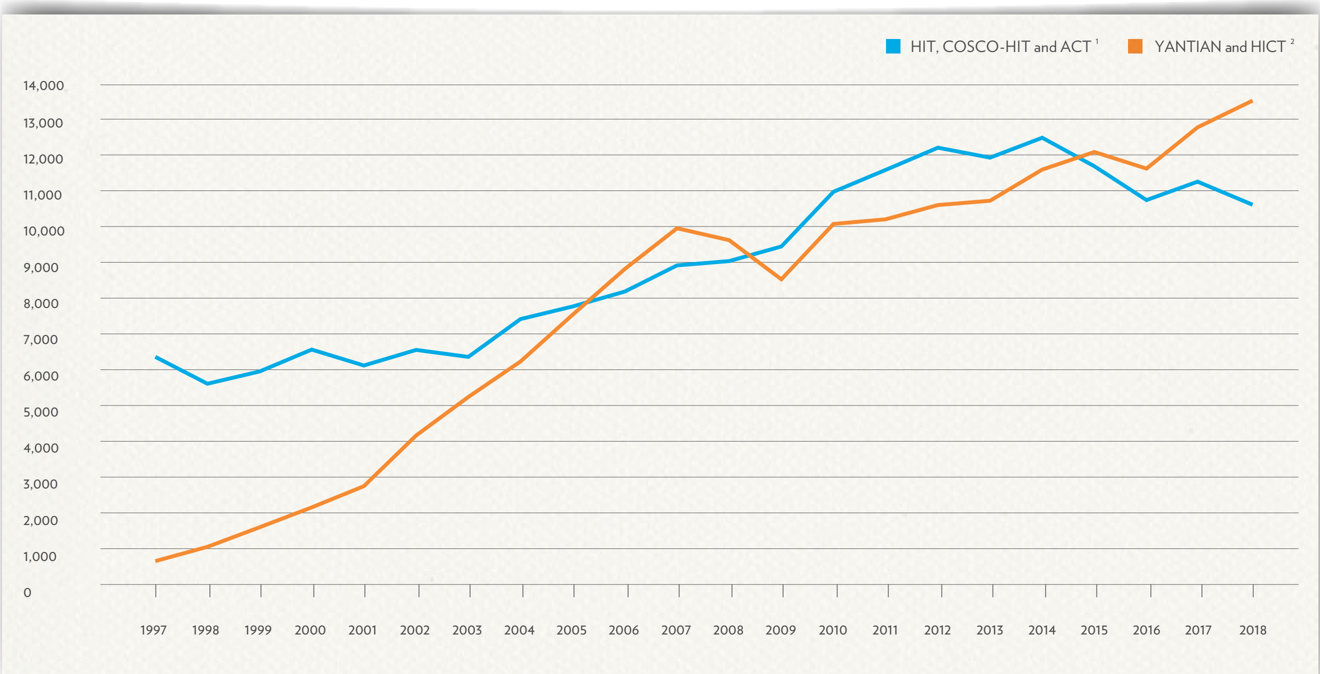
YANTIAN clinched five awards for excellence in container throughput and productivity, including the "Container Terminal with Annual Throughput Exceeding 12 million TEU in China" award from the China Ports and Harbours Association. YANTIAN was also the only terminal operator in China to be awarded first prize at the 2017 China Water Transportation Construction Association Science and Technology Awards. It also earned the highest level of certification for A-Level logistics enterprises – a National AAAAA Logistics Enterprise certification – from the China Federation of Logistics and Purchasing. In Hong Kong, HIT won the bronze award at the 2017 Hong Kong Awards for Environmental Excellence, in the Transport and Logistics category.

SUMMARY

While there are challenges in the business landscape, there are also new technologies, initiatives and opportunities. Only by continuing to invest in its people and infrastructure – and by consistently and strategically adopting new technology to its systems and equipment – will the Trust continue to deliver service excellence in the ever-changing global container terminal industry.

Operational Review

Throughput of HPH Trust's assets (1997–2018)
(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

The tide of mergers and acquisitions and the restructuring of global alliances within the shipping industry over these past few years have resulted in adjustments to shipping routes and call patterns. Transshipment traffic and volume, particularly in Hong Kong, have been impacted as a result, calling for more extensive measures to restructure the business operations and adapt to the changing landscape. Against this development, HPH Trust remains focused on its efforts to explore new strategies to bolster its revenue streams, while implementing new systems and adopting new technologies to achieve greater operational efficiency and cost savings.

MIXED THROUGHPUT PERFORMANCE AMIDST SHIPPING INDUSTRY CONSOLIDATION

The consolidation of the shipping industry and related changes in call patterns resulted in lower transshipment volume in Kwai Tsing Terminals. On the other hand, YANTIAN experienced an increase in US and transshipment cargoes, particularly in the fourth quarter of 2018, driven by the frontloading of cargoes in anticipation of the 25% tariff implementation originally scheduled in January 2019 by the US to Chinese exports. These measures adopted by shippers, combined with the overall US economic growth momentum in 2018, resulted in an increase in the outbound cargoes to US, though this was counterbalanced by the softening of outbound cargoes to Europe.

Consequently, the Trust recorded a 1% decrease in revenue and other income in 2018 to HK$11,482.6 million, from HK$11,551.0 million in 2017, due to a 1.0% reduction in total throughput to 24.0 million TEU in 2018. Combined container throughput at its Kwai Tsing Terminals experienced a 6.6% reduction to 10.6 million TEU, offset by a 3.6% increase in container throughput to 13.2 million TEU at YANTIAN. Despite the throughput reduction, average revenue per TEU at its Kwai Tsing Terminals was higher than last year mainly due to the write-back of agency fee provision following the finalisation of tariff negotiation. At YANTIAN, average revenue per TEU was below that of 2017 largely attributed to the increased transshipment mix.

OPERATIONAL RATIONALISATION BRINGING EFFICIENCY GAINS AND COST BENEFITS

Cost of services increased marginally to HK$4,143.5 million in 2018, compared to HK$4,131.6 million in 2017, due to general cost inflations, including the increase in external contractors' costs, higher fuel prices and Renminbi appreciation, but were largely offset by savings arising from cost control initiatives and lower throughput. Furthermore, the implementation of remote-controlled RTGC operations at HIT Terminal 9 North also drove some efficiency gains and cost savings in 2018.

Total operating profit decreased mildly by 1% in 2018 to HK$3,551.8 million, compared to HK$3,601.5 million in 2017.

As a result of the volatilities and uncertainties in the global economic climate coupled with structural changes in the shipping line industry and the inevitable challenging trading environment sparked by the continuing trade tensions in China, the Trust recognised one-off non-cash impairment losses of HK$12,289.0 million in 2018. Given its non-cash nature, the write-down did not affect the cash flows and hence the distributions of the Trust. Nonetheless, this impacted the accounting results recognised by the Trust resulting in a NLAT of HK$10,246.0 million and a NLAT attributable to unitholders of HK$11,551.3 million.

Excluding the impairment impact, NPAT in 2018 was HK$2,043.0 million, a decrease of 8% from the previous year, while NPAT attributable to unitholders was HK$737.7 million, a 22% decline from the previous year, largely reflecting the increase in interest and other finance costs resulting from the higher HIBOR/LIBOR rates.

MANAGING HEADWINDS AND NAVIGATING CHALLENGES WITH PRUDENT CAPITAL MANAGEMENT

During 2018, HPH Trust continued to implement its strategy of reducing its finance costs through its five-year debt repayment plan that commenced in 2017. Total borrowings have decreased from HK$32,699.5 million as at 31 December 2017 to HK$31,689.5 million as at 31 December 2018. During the year, the Trust has drawn down new bank loans totalling US$650 million to redeem US$500 million guaranteed notes due in 2018 and refinanced bank borrowings of US$150 million.

At the end of 2018, the Trust had a total cash balance of HK$6,566.4 million, HK$201.7 million lower than the previous year. Net debt closed at HK$25,123.1 million at the end of 2018, a 3% decrease from the previous year.

With the recommended distributable payout of HK$1,480.9 million for 2018, unitholders will be entitled to a DPU of 17.0 HK cents, which translates to a distribution yield of approximately 8.9%, based on the unit's closing market price of US$0.245 as at 31 December 2018.

SUMMARY

While the container terminal business continues to face the challenges arising from shipping industry consolidation, competitive pressures and geopolitical headwinds, the Trust will ride through these impending risks and volatilities by focusing on operational cost control. Through re-engineering its business structure, implementing new systems for efficiency gains, streamlining work flows for cost savings as well as exercising prudent capital management to strengthen its balance sheet, it is confident of leading its business forward.

Furthermore, with the formation of Hong Kong Seaport Alliance between its Kwai Tsing Terminals and that of Modern Terminals Limited announced in January 2019, the Trust will continue to drive further cost-synergies and efficiencies in its operations.

FORTIFYING OUR FOUNDATIONS

The resilience of HPH Trust stems from its deep-water terminals, strong client relationships and operations experience. The Trust remains committed to enhancing port management, bolstering its capabilities and delivering results to reinforce its position as one of the key hubs for shipping lines.

Board of Directors

MR. FOK KIN NING, CANNING, aged 67
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 2018):	7 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 (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 2016 to 31 December 2018)
- HTHKH (alternate director to a director)

MR. IP SING CHI, aged 65
Executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2018):	7 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)
- Orient Overseas (International) Limited (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 2016 to 31 December 2018)
- COSCO SHIPPING Ports Limited (independent non-executive director)
- Hyundai Merchant Marine Co., Ltd. (outside director)

Board of Directors

MS. EDITH SHIH, aged 67
Non-executive Director

Trustee-Manager

Date of appointment as Director:	1 January 2017
Length of service as Director (as at 31 December 2018):	2 years

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, holding Chartered Secretary and Chartered Governance Professional dual designations

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)
- PT Duta Intidaya Tbk (member of Board of Commissioners)

Other Principal Commitments

- Company Secretary of CKHH

Other Information

- International President and Executive Committee Chairman of The Institute of Chartered Secretaries and Administrators in the United Kingdom
- Past President and current chairperson of certain committees and panels of The Hong Kong Institute of Chartered Secretaries
- Chairman of the Governance 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

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2016 to 31 December 2018)

- Nil

Board of Directors

MS. TSIM SIN LING, RUTH, aged 62
Non-executive Director

Trustee-Manager

Date of appointment as Director:	1 January 2017
Length of service as Director (as at 31 December 2018):	2 years

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 2016 to 31 December 2018)
- Nil

MR. CHAN TZE LEUNG, ROBERT, aged 72
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2018):	7 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
- Non-executive director of Dalton Foundation Limited

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 2016 to 31 December 2018)
- Noble Group Limited (independent non-executive director)
- Quam Limited (independent non-executive director)
- Sibanye Gold Limited (non-executive director)

Board of Directors

MR. GRAEME ALLAN JACK, aged 68
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2018):	7 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 2016 to 31 December 2018)
- Nil

MRS. SNG SOW-MEI (ALIAS POON SOW MEI), aged 77
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 2018):	7 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 (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 2016 to 31 December 2018)
- 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 70
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2018):	7 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 2016 to 31 December 2018)
- Nil

MR. WONG KWAI LAM, aged 69
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	2 December 2015
Length of service as Director (as at 31 December 2018):	3 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)
- K. Wah International Holdings Limited (independent non-executive director, member of the remuneration committee and the nomination committee)
- Langham Hospitality Investments Limited (independent non-executive director, member of the remuneration committee and the nomination committee and chairman of audit committee)
- LHIL Manager Limited (as trustee and manager of Langham Hospitality Investments) (independent non-executive director and chairman of audit committee)

Other Principal Commitments

- Chairman of IncitAdv Consultants Ltd.
- 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 2016 to 31 December 2018)

- China Merchants Bank Co., Ltd. (independent non-executive director, chairman of remuneration and appraisal committee and member of audit committee)

Senior Management

MR. YIM LUI FAI, GERRY
Chief Executive Officer

Mr. Yim has been the 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 was appointed Chief Financial Officer ("CFO") and Investor Relations Officer 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 a number of HPH Trust business portfolio asset boards of directors, since 2006. She holds a Bachelor's degree in Commerce and is an Associate of Chartered Accountants Australia and New Zealand.

MR. LAM HING MAN, PATRICK
Managing Director of YANTIAN

Mr. Lam 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 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 more than 15 years at HPH in China. He assumed the role of CFO at YANTIAN and then took up a number of executive positions in Shanghai, most recently as HPH Regional Director — North & East China. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants, and an Associate of The Hong Kong Institute of Certified Public Accountants.

MR. TANG HIN KEE, EDWARD
Operations Director

Mr. Tang has more than 39 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 has successively been the General Manager of three HPH ports in China, and is a member of the Chartered Institute of Logistics and Transport in the UK.

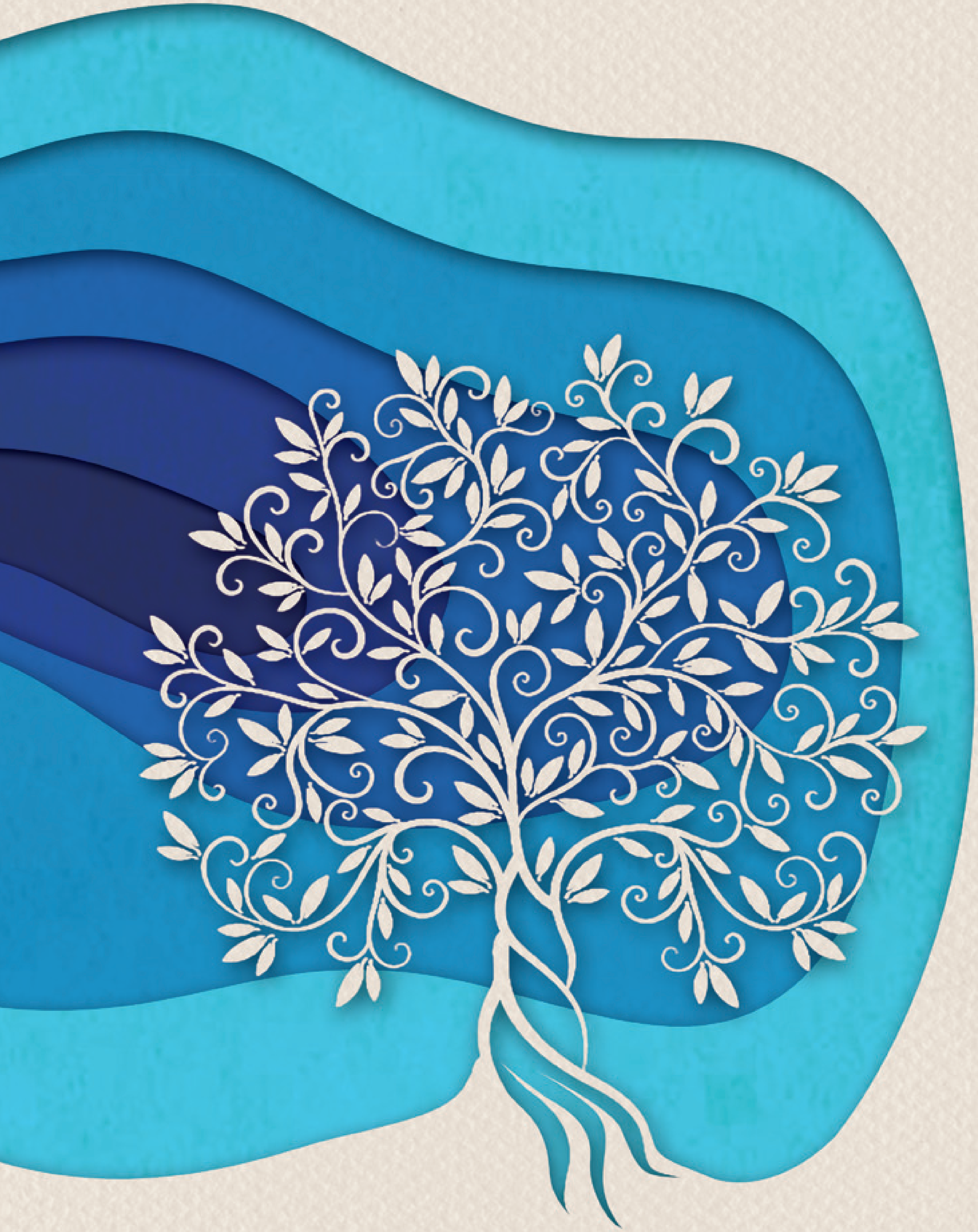
MR. WONG LEK HENG, SIMON
Engineering Director

Mr. Wong* served as 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 overseeing the engineering function of HIT. He had also been the General Manager of Engineering at YANTIAN for more than three years. Simon holds Bachelor's and Master's degrees 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.

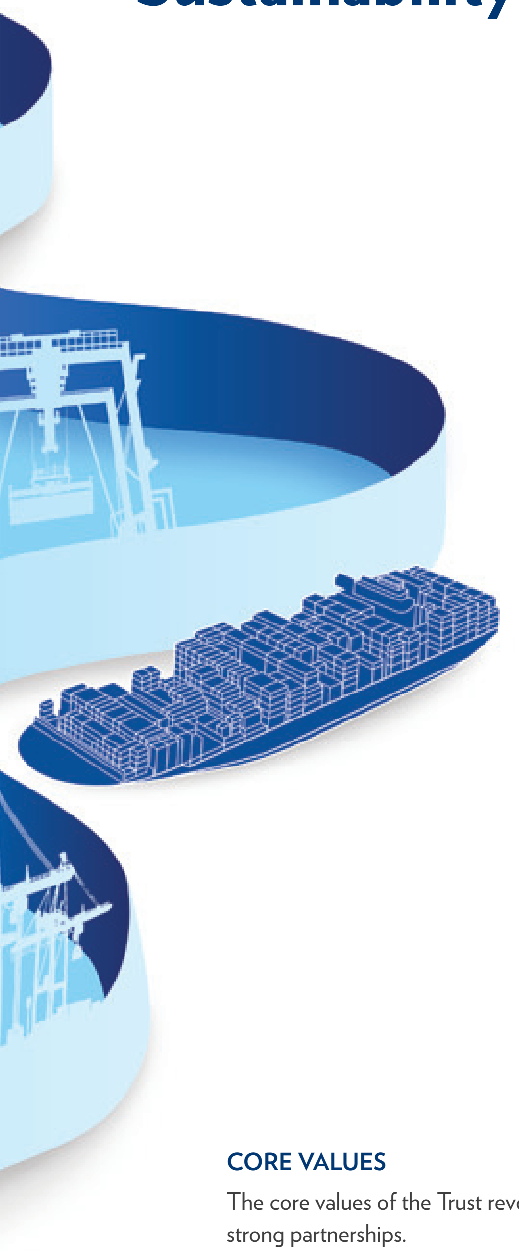
*Mr. Wong has taken up another position at HPH with effect from 1 January 2019. He is succeeded by Mr. Eric Su, General Manager - Engineering, YANTIAN.

NEW CURRENTS ON THE HORIZON

As the shipping industry continues to evolve, HPH Trust understands the importance of enhancing its capabilities to meet future trends and leverage new opportunities. From investing in the latest technologies, to digitising processes and dedicating resources to human capital development, the Trust strives to integrate sustainability practices in its business and bring positive changes to the environment and community in the long-term.



Sustainability Report



ABOUT THIS REPORT

This report sets out sustainability practices and performance of Trust for the financial year ended 31 December 2018 prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option, and with Rule 711A of the SGX Listing Manual, in reference to the primary components set out in Rule 711B of the SGX Listing Manual. The GRI Standards represent the global best practice for reporting on a range of environmental, social and governance ("ESG") impacts. As part of the annual report, this sustainability report plays an integral role in promoting transparent communication with stakeholders. The report has been reviewed by the Board of Directors of HPH Trust, and is published on the corporate website.

REPORTING SCOPE

Data disclosed in this sustainability report covers the port operations of HPH Trust at HIT (Terminals 4, 6, 7 and 9 North) and YANTIAN (Phases I and II; Phase III and Phase III Expansion; and West Port Phases I and II), which are the majority-owned terminals of the Trust and represent its core operations, contributing around 85% of the total throughput handled during the year.

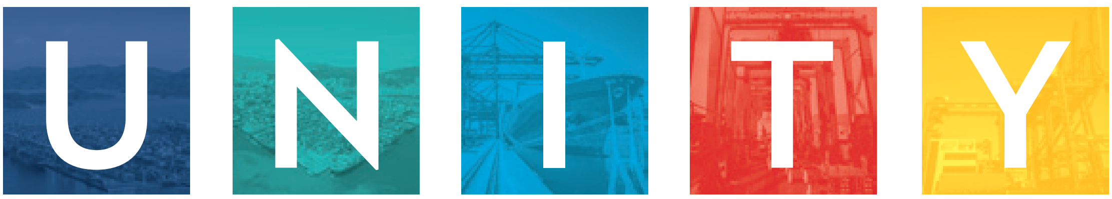
The report presents the management approach of the Trust and its performance in the 13 material ESG topics which are deemed to have the most significant impact on the business of HPH Trust, and are in line with the interest and expectations of key stakeholders.

YOUR FEEDBACK IS WELCOME

HPH Trust seeks to continuously improve its sustainability performance. Comments and suggestions relating to this report and any aspects of the sustainability management of the Trust can be directed to ir@hphtrust.com.

CORE VALUES

The core values of the Trust revolve around the concept of "UNITY", reflecting its commitment to excellence, integrity and strong partnerships.



UNRIVALLED STANDARDS

NETWORK STRENGTH

INFORMED DECISIONS

TRUSTED AND HONEST

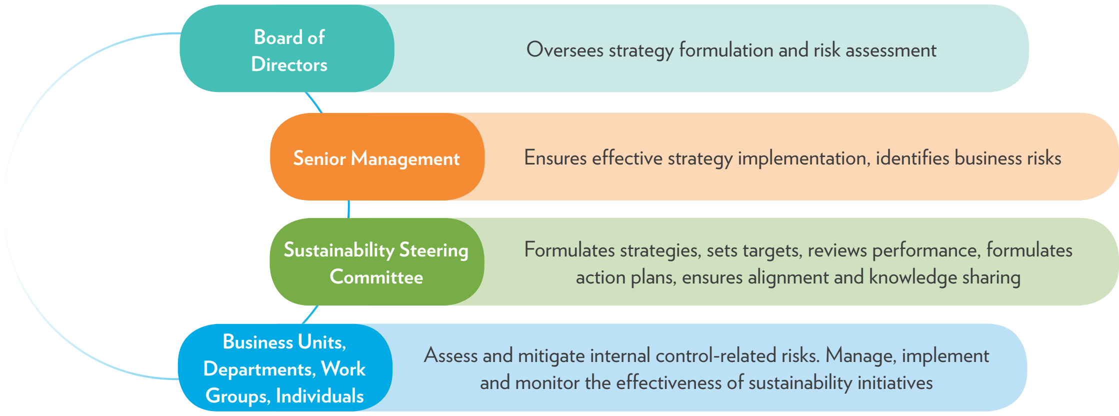
YOUR PARTNERS

Managing Sustainability

SUSTAINABILITY GOVERNANCE AND RISK MANAGEMENT

The Board of HPH Trust is committed to sustainability and incorporates ESG factors when setting out the business strategies and operations of HPH Trust. Having the overall responsibility for the sustainable development of the Trust, the Board determines and oversees the management of the material ESG topics, and evaluates them regularly to ensure they are relevant to the business.

Sustainability initiatives cover all facets of the business, and the complexity lies in the interdependencies of the different functional areas. HPH Trust established a framework that sets out the roles and responsibilities in managing material issues, ensuring sustainability is integrated into business operations. The basis of which is to be compliant with local regulations, adopting industry best practices and where appropriate, be the leader in the industry. More information about corporate governance and risk management at the Trust can be found on pages 59-75.

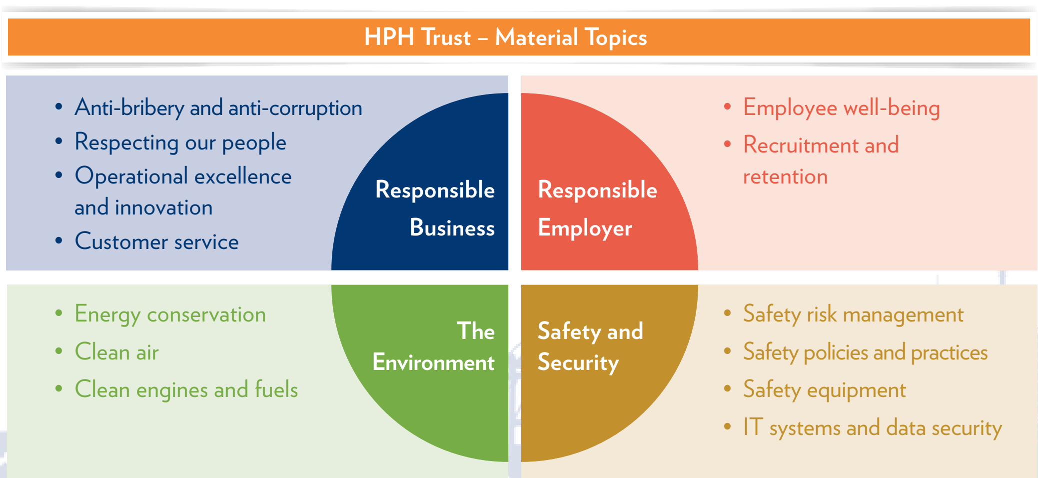


RISK MANAGEMENT

HPH Trust has adopted an Enterprise Risk Management ("ERM") framework, consistent with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Coupled with sound internal controls, this framework facilitates the effective identification of potential risks to business operations, which includes assessing, controlling and mitigating sustainability risks.

MATERIAL TOPICS AND BOUNDARIES

In 2017, the Trust engaged an independent consulting firm to conduct a comprehensive assessment to identify material sustainability topics with reference to the GRI Standards and Practice Note 7.6, Sustainability Reporting Guide of the SGX Listing Manual. Through surveys and interviews, more than 150 employees across the operations in Hong Kong and Mainland China were asked to identify material environmental and social topics that are important to them. Senior and executive management were engaged to determine the importance of each topic to the business of HPH Trust. Through this assessment process, 12 material topics that matter most to stakeholders and businesses of HPH Trust were identified. Together with the topic "IT systems and data security" highlighted by the Board, these 13 material topics were considered relevant for the sustainability report. This year, based on the feedback received through ongoing stakeholder engagement, a business strategy review by Management, industry updates and global sustainability trends, the Board confirmed that the 13 topics from the 2017 assessment remain valid. The Trust has summarised these 13 material topics under four main headings, responsible business, responsible employer, safety and security, and the environment.



Managing Sustainability

BOUNDARIES OF MATERIAL TOPICS

Boundaries of material topics describe which stakeholder groups are impacted by the material topics, therefore guiding companies to determine the extent of measures required when managing each topic. The following table summarises the material topics for HPH Trust and their related boundaries.

		Impacts and Boundaries						
		Investors	Employees	Government	Contractors & Suppliers	Customers	People & Community	Port Users
Responsible Business	Anti-bribery and anti-corruption	•	•	•	•	•		
	Respecting our people		•	•	•		•	•
	Operational excellence and innovation	•	•		•	•		
	Customer service	•	•			•		•
Responsible Employer	Employee well-being		•	•	•			
	Recruitment and retention	•	•				•	
The Environment	Energy conservation	•		•	•			•
	Clean air			•	•	•	•	•
	Clean engines and fuels				•			•
Safety and Security	Safety risk management		•	•				
	Safety policies and practices		•	•	•			
	Safety equipment		•	•	•			•
	IT systems and data security	•	•	•	•	•		

SUPPLY CHAIN

HPH Trust works closely with partners in the value chain to ensure operating activities are in line with sustainable development principles. The Trust adopts a systematic approach to regularly monitor and review supplier performance and identify potential risks in the procurement process. The Trust communicates its anti-bribery and anti-corruption ("ABAC") policy, which specifies zero tolerance of any bribery- or corruption-related behaviours, to its suppliers.

The Trust engages outsourced labour as equipment operators, stevedores and truck drivers, and other positions in operations, maintenance and security to support front-line employees in certain job types and during peak times. As the Trust does not directly employ these external contractor workers, it is vital to have an effective system in place to ensure suppliers have sound labour practices. The Procurement and Stores department works with user departments to conduct periodic reviews for all external contractors, and ensure labour practices comply with local regulations, market norms and contract terms and conditions. Generally, the Trust will highlight to suppliers the expectation that all labour laws, including the prohibition of child labour and forced labour, are strictly followed.

The Trust sources most of the major equipment required for terminal operations, including quay cranes and yard cranes, from Mainland China. Where necessary, the Engineering and Operations team collaborates with suppliers to optimise the design and construction of cranes, adapting the technology to the operations of ports under HPH Trust.

The Trust has comprehensive internal controls to ensure fair and transparent procurement processes. Tender requirements are clearly communicated to potential suppliers, and selection is based on criteria including experience, quality, price competitiveness and the ability to meet stated project requirements. Generally, local suppliers are selected to support the local economy. Overseas suppliers may be used for some highly specialised maintenance or engineering projects, or where only limited local resources are available.

STAKEHOLDER ENGAGEMENT

Stakeholders can affect the long-term success of HPH Trust. It is therefore critical that the Trust engages with key stakeholders regularly to understand their expectations and respond promptly to major concerns.

The Trust engages with a wide range of stakeholders through various channels available in its daily operations, covering issues and concerns they raise.

ENGAGEMENT CHANNELS WITH DIFFERENT STAKEHOLDER GROUPS AND KEY TOPICS COVERED

Investors

- Investor meetings
- Conference days
- Port visits
- Annual General Meeting
- Dedicated email address

- Unit price
- Financial performance
- Impact of US/China Trade War
- Chinese government-proposed tariff reduction
- Throughput for Hong Kong

Employees

- Port visits for staff and their families
- Town Hall Talks/General Manager Open Day
- In-house magazines
- Company intranet
- Notices and bulletins
- Performance appraisal

- Financial performance
- Key initiatives
- Career propsects

Contractors and Suppliers

- Induction and safety training
- Compliance with Code of Conduct
- Supplier evaluation

- Workplace safety
- Service performance
- Result of tendering process

Government

- Calls and meetings
- Port visits

- Key government maritime policies
- Competitiveness of Hong Kong Port

Customers

- Mobile applications
- Customer meetings
- Port visits
- Terminal news release
- Exhibition
- Brochures

- Terminal performance
- Shore power implementation
- Updates on customs processes and local regulations
- Opportunities to further expand digitisation to improve efficiencies
- Expand hinterland cargo coverage
- Impact of US/China Trade War

People and Community

- Fingerling release at YANTIAN
- Recycling and waste reduction initiatives
- Visits to elderly homes
- Internship programmes
- Port visits for students

- Introduction of the port industry
- Build relationship with the local community

Port Users

- Mobile communication platform
- Safety information sharing
- Helpdesk hotline
- Meeting with trade associations

- Waiting time at port
- Berth availability and related arrangement
- Operational safety
- Issues related to customs declaration

Media

- Press release
- Press briefing

- Launch of remote-control operations
- Competitiveness of the port
- Service-related concerns

Responsible Business

HPH Trust believes that high standards of corporate governance, operational excellence and high-quality service are key components to establish a responsible business. By investing in facilities, people and technologies, the Trust is committed to continuously improving corporate governance and related implementation, terminal management, and delivering higher quality service to customers.

Why this matters to society

Business integrity and transparency are crucial factors when choosing service providers. Having credible partners in its supply chain ensures, and often enhances, the overall sustainability of the business.

Why this matters to HPH Trust

Building a responsible business is vital to maintaining its reputation and building stakeholder trust. Operational excellence and customer service bring direct business benefits and strengthen the market position of the Trust.

ETHICS AND INTEGRITY

HPH Trust upholds strictly the standards of ethical conduct and has zero tolerance for corruption and bribery in any form.

The Trust has an ABAC policy that is communicated to all business units. The Human Resources departments at HIT and YANTIAN distribute this policy and the Code of Conduct via the intranet and/or hard copies. New joiners receive the Code of Conduct and ABAC briefing during orientation.

The Trust conducts ABAC compliance and the Code of Conduct training every two years. Specifically, ABAC training is mandatory for all managers and supervisors, and selected individuals from the Human Resources, Commercial, and Procurement and Stores departments. While the ABAC training focuses on case studies and updates on local regulations, the Code of Conduct training emphasises the ethical standards and expectations for employees in the workplace, and includes topics such as ABAC, conflicts of interest, anti-competition and information security.

HPH Trust has established procedures to report any suspected acts of bribery and corruption. Furthermore, whistle-blowing policies and related incident reporting procedures have been enacted so that employees and other stakeholders can confidentially report suspected cases of corruption without fear of retribution. There were no cases reported in 2018.

The Trust is committed to operating with integrity, complying with local labour regulations and promoting good labour practices in its operations and supply chains. This year, the Human Resources Policy of the Trust was expanded to explicitly prevent child and forced labour. There were no reported cases of child or forced labour in its operations in 2018.

ABAC Related Training and Communications[1]		
	No. of employees	Percentage of employees
Employees receiving ABAC related training and communications[2]	**1,652**	**44.8%**
By employee category		
Senior management	27	75.0%
Middle management	79	40.5%
Functional areas (administration, technical, production, etc.)	1,546	44.7%

[1]Both HIT and YANTIAN conducts ABAC training every two years.
The figures largely reflects YANTIAN employees attending ABAC as of 31 December 2018. To incorporate changes in local regulations, ABAC training commenced in mid-December 2018 and continued until mid-January 2019 with 100% of managers, supervisors and targeted functional staff in attendance.

[2]Figures shown include HIT and YANTIAN as per reporting scope
As at 31 December 2018

OPERATIONAL EXCELLENCE

At HPH Trust, operational excellence is driven by reliable and cost-efficient management of terminals. By investing in facilities, technologies and equipment, the Trust endeavours to optimise terminal operations to meet and exceed customers' expectations.

The Operations departments at HIT and YANTIAN manage daily cargo handling operations at the container terminals. While the standardisation of operations is based on clear operating procedures and effective execution, the continuous improvement process relies on measuring and analysing key metrics, identifying areas for enhancement and formulating appropriate action plans.

Enabling real-time updates on work status and stowage plans between the operation centre and quay-side operations deliver improvements at both HIT and YANTIAN. The adoption of mobile solutions replaced the traditional paper printouts at quay-side, streamlined the communication within the Operations team, improving efficiency and accuracy.

In 2018, HIT focused on system and process improvement, better planning and real-time tracking of tractor fleet and related performance statistics. The adoption of RCI and Optical Character Recognition technology at the gatehouse increased deployment efficiencies.

A full review of operational achievements at HPH Trust is available on pages 20-22.

HIT

Internal tractor productivity
+17.4%
compared with 2017

Gatehouse deployment efficiency
+20.7%
compared with 2017

YANTIAN

5 container-handling records were recognised by the Container Branch of the China Ports and Harbours Association, including handling more than 100 containers per hour for a single vessel

+15.6%
increase in throughput on a peak day compared with 2017

+2.4%
increase in gate moves handled on a peak day compared with 2017

Responsible Business

CUSTOMER SERVICE

High-quality service delivery is essential to operational excellence. The Customer Service teams within the HIT and YANTIAN Commercial departments continuously gather feedback from stakeholders to ensure that the concerns of customers are handled properly and in a timely manner. Inter-departmental teams often work together to seek solutions that best address customer needs. Based on the 180 complaints received in 2018, the following key initiatives, covering process and customer experience improvements, were implemented to respond to the concerns of customers.

Key concerns of customers	Actions
Increasing productivity and reducing turnaround time for barge and vessels; operationally, minimising human error and streamining existing processes	HIT started collaborating with shipping lines, expanding the scope of IT services and launching electronic release orders to enhance process flow. In addition, HIT has been working with barge operators and PRD ports to achieve operational improvements through the adoption of barge mobile platform for reporting arrival times and stowage plans in advance. In YANTIAN, the pre-advice system is now fully functional at Gatehouse B, enabling pre-declaration of tractors before arrival to reduce waiting time at the entry gate. Furthermore, mobile technology has been adopted to streamline the customs inspections process, and allows customers to access real-time inspection status online.
Keeping customer property safe	The Trust uses RCI capabilities to closely monitor the condition of containers at the out gate.
Delayed reporting of damaged containers and complicated process for reporting and cleaning up trash in empty containers	Review the existing procedure for handling and inspecting empty and/or damaged containers, YANTIAN reinforced the responsibilities of all the various internal and external teams involved in the service provision and tighten the tracking and follow-up of complaints.
Standardise and further expand digital channels to improve process flow and related communication with terminal users	HIT deployed mobile applications to support more efficient status updates for port users. YANTIAN helped improve the efficiency of customs inspection through real-time data exchange.

To learn more about customer engagement channels and key concerns addressed, please refer to page 39 of this report. During 2018, there were no reported fines or non-monetary sanctions due to non-compliance with laws or regulations concerning products and services.

GOING FORWARD

In 2019, HPH Trust will continue to review and streamline existing processes and explore automating operational data interchange, communication and information sharing to improve efficiency and operational transparency. YANTIAN plans to expand its pre-advice system to cover Gatehouse A.

Responsible Employer

Employees are the driving force of the business of HPH Trust. The Trust is committed to upholding the principles of equality, diversity and anti-discrimination in the hiring, development and retention of its employees. It strives to offer attractive remuneration and benefits, invest in training and development, and focus on employee engagement.

In 2018, there are no reported cases of non-compliance with local labour laws and regulations. Internal policies and procedures, which outline key labour practices and references local regulations, are circulated to employees. With the support of functional department managers, the Human Resources departments at HIT and YANTIAN ensure compliance. Relevant employment-related policies and guidelines are introduced to new hires during staff orientation and outlined in the Staff Handbook. The Operations departments at HIT and YANTIAN are responsible for monitoring on-site working conditions and employment practices for external contract workers. Regular internal audits are conducted to further strengthen responsible labour practices.

Why this matters to society

Enabling members of the workforce to receive fair treatment and make the most of their talent, achieving personal and professional growth. These are essential building blocks for an inclusive, harmonious and prosperous society.

Why this matters to HPH Trust

Attracting and retaining talent and enabling employees to reach their full potential supports the long-term and sustainable growth of the business.

EMPLOYEE PROFILE

At the end of 2018, the total number of employees at HIT and YANTIAN is 3,686, comprising mostly permanent full-time workers. During the reporting year, all staff at YANTIAN were permanent and full-time employees, while HIT has 57 employees working on a temporary or part-time basis. The profile of full-time employees at HIT and YANTIAN as of 31 December 2018 is as follows.

Employee Profile

	No. of employees	Percentage of employees
By Employment Type		
Full-time	3,629	98.5%
Part-time/temporary	57	1.5%
By Gender		
Male	3,231	87.7%
Female	455	12.3%
By Age		
Below 30	302	8.2%
30-50	2,632	71.4%
Above 50	752	20.4%
By Employee Category		
Senior management	36	1.0%
Middle management	195	5.3%
Functional areas (administration, technical, production, etc.)	3,455	93.7%

Figures shown include HIT and YANTIAN as per reporting scope
As at 31 December 2018

Responsible Employer

RECRUITMENT AND RETENTION

A diverse talent pool encourages growth, innovation and inclusivity, which contribute positively to the business performance of the Trust. In addition, voluntary turnover is tracked and exit interviews are conducted to better understand why employees leave.

TALENT ATTRACTION AND RECRUITMENT

HPH Trust adheres to recruitment principles that are based on merit, comprehensive assessment and fairness. The state of the economies where we operate, industry conditions and the business directions of the Trust also affect recruitment.

To allow more time for training in preparation for peak times, new staff members are generally hired during non-peak periods. During the year, the 3.7% reduction in the total full-time employees reflected a more challenging operating environment and a more competitive job market. In addition, in 2018, HIT began offering a more flexible employment alternative by hiring part-time remote-controlled RTGC operators who underwent a more condensed training programme.

	New hires		Turnover	
	No. of employee	%	No. of employee	%
Total	**110**	**3.0%**	**245**	6.6%
By Gender				
Male	91	2.8%	198	6.1%
Female	19	4.2%	47	10.3%
By Age				
Below 30	69	22.8%	77	25.5%
30-50	33	1.3%	102	3.9%
Above 50	8	1.1%	66	8.8%

Figures shown include HIT and YANTIAN as per reporting scope
For the year 2018

REMUNERATIONS AND BENEFITS

The Trust seeks to protect the rights and welfare of employees while offering competitive remuneration packages to attract and retain its talent. The Trust provides a variety of benefits to employees, varying by market (depending on regulatory requirements and general market practice), employee category and type. The Trust offers benefits that meet or exceed local regulatory requirements and market practice. It should be noted that health insurance is offered to full-time employees only.

The Trust also conducts annual performance reviews to maintain dialogues with the employees to discuss their development needs and concerns. In 2018, 100% employees completed their performance reviews.

TRAINING AND DEVELOPMENT

Training and development is about more than equipping employees with necessary skills. It is also about enabling them to achieve professional and personal growth, unlocking their potential to perform effectively for the business. The Trust provides a range of training and development programmes, which are structured for employees at different stages of their career and with different personal needs.

Training	No. of hours
Total training hours	**43,262.5**
Average training hours per employee	**11.7**
Average training hours per employee by gender	
Male	11.4
Female	14.1
Average training hours per employee by employee category	
Senior management	12.1
Middle management	19.8
Functional areas (administration, technical, production, etc.)	11.3

Figures shown include HIT and YANTIAN as per reporting scope
For the year 2018

Training and Development Programmes at HPH Trust

JOIN

Induction and orientation training helps new joiners understand the strategy, values and policies of the organisation, and their job roles.

For certain functional areas, mentorship programmes are available for new joiners.

GROW

Performance reviews help identify development and training needs. Human Resources departments conduct Training Needs Analysis with functional department managers.

LEAD

Management skills training includes situational leadership, change management and team leadership.

Periodic compliance training includes ABAC, competition law and the Code of Conduct. Training on general topics, such as personal effectiveness, business writing and effective presentation, time management, technical skills and safety management, is arranged based on the roles of employees and their specific needs.

The Trust provides support to employees in developing their career path, ranging from supervisory curriculum to regional talent management programmes for high potential candidates.

Responsible Employer

EMPLOYEE ENGAGEMENT AND WELL-BEING

An engaged and motivated workforce enables employees to live up to the values of the Trust. Regular communication keeps employees updated on changes in the business while providing opportunities for various social activities fosters stronger team spirit.

In 2018, a range of employee engagement events were organised to improve the well-being of employees and promote communication between management and employees. YANTIAN organised an employee recognition programme to applaud the contribution of its employees.

HIT organised outing for staff and their family members

AWARDS

In 2018, both HIT and YANTIAN received accolades for their efforts in training.

HIT received the 2017-2018 Manpower Development Award organised by the Hong Kong Employees Retraining Board. HIT garnered this award for the first time, in recognition of its outstanding performance in five aspects: Leading a learning Culture, Resources Planning, Training and Development Systems, Performance Management, and Corporate Social Responsibility in Manpower Development.

An award ceremony was organised to honour winners of Yantian District Port Crane - Maintenance Skills Competition 2018. Employees of YANTIAN won First, Second and Third prizes, with some being honoured as "Excellent Technicians of Yantian District".

HIT apprentice Yeung Tung received the Outstanding Apprentices Award, which honours the excellent performance of apprentices and encourages them to contribute to society. This award scheme was organised by the Vocational Training Council.

GOING FORWARD

HPH Trust will further expand the trainee and mentorship programmes for new joiners. For high potential candidates in supervisory and management roles, HPH Trust plans to enrich its management and leadership developmemt programmes, and include topics such as emotional intelligence and effective delegation.

Safety and Security

Container terminals require workers to operate large machinery and work with heavy and sometimes hazardous loads. Providing a healthy and safe working environment for all employees, external contractor workers and terminal users is of utmost priority. In the current digital era, safety and security also applies to data and systems hardware and software, especially in light of the recent high-profile incidents related to data leakage at other companies.

Why this matters to society

Accidents and unsafe conditions can severely affect human health and the environment.

Why this matters to HPH Trust

Accidents disrupt operations and damage the bottom line and reputation of the Trust. Robust safety and information management systems enable the Trust to better control and address safety and security risks.

2018 HIGHLIGHTS

YANTIAN started to delegate responsibility to front-line employees

based on their roles, enabling more comprehensive inspections to better identify hazards and take corrective actions.

Conducted

97

Emergency drills at HIT and YANTIAN

(including one scenario on cyberattack)

No reported incidents on digital security breach

SAFETY AND RISK MANAGEMENT

HIT and YANTIAN have set up management systems and allocated resources to plan, implement, monitor and continually improve safety performance. The Safety and Health committees at HIT and YANTIAN, comprising senior executives and front-line representatives, meet regularly to formulate, review and monitor the enforcement of safety policies and share case studies. The committees also analyse safety risks and determine preventive measures to mitigate or minimise the risk of accidents. The committees work closely with functional departments to enforce relevant policies, update workers on safety measure, and drive effective implementation of safety-related practices.

Emergency preparedness and effective responses are important to ensure operational continuity. Both HIT and YANTIAN organise regular emergency drills, simulating scenarios including fire, gas and chemical leaks, and the malfunctioning of heavy equipment. Emergency drills are designed to ensure the readiness and capabilities of operational teams in handling accidents and related communications, and evaluate the emergency response plans and procedures.

Safety and Security

IT SYSTEMS AND DATA SECURITY

In the age of digitalisation, safety in operations also extends to cybersecurity. HPH Trust works towards zero compromise of IT infrastructure and zero loss or unauthorised access to customer data. Both HIT and YANTIAN received ISO 27001 certification for Information Security Management.

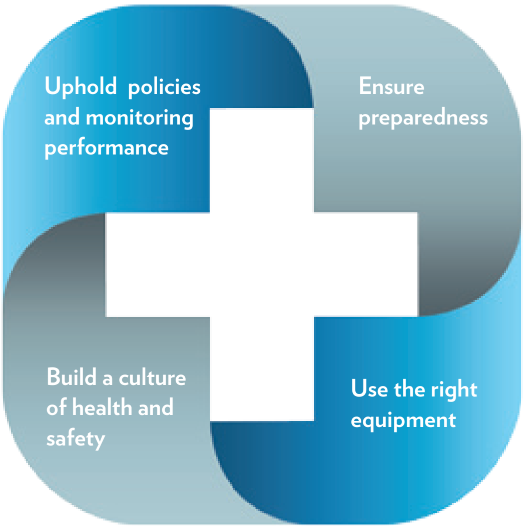
System security comprises hardware and firewalls, which form the basic layer of data protection; and effective data-handling and system monitoring procedures. In addition to relevant policies and guidelines on systems and data security, regular internal and external audits confirm effective implementation.

The Information Technology departments at HIT and YANTIAN take proactive measures to keep customer data secure. Information on security performance is tracked through monthly key performance indicators. Furthermore, partners and suppliers who have access to customer data are required to commit to safekeeping of confidential data of the Trust.

In 2018, there is no record of non-compliance and accident related to customer privacy, loss of customer data, identified digital attack incidents or digital security breach incidents at HIT and YANTIAN.

- Conduct internal IT and safety audits to ensure compliance
- Review IT and safety policies for necessary updates
- See operational safety performance data on page 49

- Conduct safety and system drills to enhance the effectiveness of emergency procedures, back up and recovery plans and related communication



- Conduct Health and Safety talks for employees and external contractors
- Provide updates on safety regulation and related procedures
- Initiate communication programmes to promote operational and system safety awareness

- Procure protective equipment
- Procure hardware and software for data and system protection
- Train users on how to correctly use the equipment

SAFETY PERFORMANCE

Tracking and continually improving safety-related performance is an integral part of the safety management system in HPH Trust. Data is collected, reported and monitored on a regular basis, and analysis is performed to ensure that the root causes of safety-related issues are effectively addressed.

The Trust remains committed to achieving zero serious injuries and accidents. In 2018, there was one fatal case reported at HPH Trust. After investigation, the case was found purely accidental and was unrelated to non-compliance to safety procedures and local regulations. While the number of injuries decreased compared to the previous year, more lost days were reported. Steps were taken to investigate the incidents, and develop and implement measures to prevent recurrence.

HEALTH AND SAFETY PERFORMANCE

	Overall	Male	Female
Absentee rate (per 1 million working hours)	**2,135.1**	**2,064.1**	**2,636.0**
No. of absent days	*16,842*	*14,260*	*2,582*
Injury incidence rate (per 1,000 employees)	**7.3**	**8.0**	**2.2**
No. of minor injuries	*25*	*24*	*1*
No. of major injuries	*2*	*2*	*0*
Lost days frequency rate (per 1 million working hours)	**156.3**	**178.0**	**3.1**
No. of lost days	*1,233*	*1,230*	*3*

Figures shown include HIT and YANTIAN as per reporting scope
For the year 2018

GOING FORWARD

HIT achieved Level 3 accreditation under Occupational Safety and Health Council's (OSHC) Continual Improvement Safety Programme Recognition of System (CISPROS). As of February 2018, OSHC no longer supports the renewal of CISPROS certification in Hong Kong. Based on this change, HIT will pursue ISO 45001 certification management systems of occupational health and safety and obtain accreditation.

The Environment

At HPH Trust, caring for and protecting the natural environment goes hand in hand with achieving business success in the long run. As a socially responsible enterprise, the Trust works towards a strategy that is forward-looking, and aims to strike a balance between the adoption of applicable technology, its related cost and benefit.

The environmental management strategy of the Trust centers around three material topics that stakeholders consider most important: energy conservation, clean air, and clean engines and fuels.

Why this matters to society

Climate change is causing more frequent extreme weather events, and increasing ocean acidity and rising sea levels are threatening the lives of humans and animals.

Why this matters to HPH Trust

The consequences of climate change will impact energy consumption, fuel use and the global economy, which in turn, will affect how the shipping industry operates. As a responsible corporate citizen, the Trust needs to be forward-looking in reducing emissions.

2018 ACHIEVEMENTS

Energy Intensity

-2.4%

compared to 2017

In 2018, YANTIAN won the

SCIENCE AND TECHNOLOGY AWARD

from the China Water Transport Construction Industry Association for its mobile shore power systems, recognised as an outstanding green shore power technology for the industry

ENVIRONMENTAL MANAGEMENT

HIT[1] and YANTIAN[2] have established clear environmental protection policies, which are available on their websites. Both HIT and YANTIAN established a system of continuous improvement of the environmental management processes and practices, achieving ISO 14001 – Environmental management accreditation. The HPH Trust Environmental Steering Committee, with representatives from each business unit, is responsible for conducting quarterly reviews of environmental performance to ensure effective implementation of related policies and systems.

At HIT and YANTIAN, the Engineering and Operations teams lead the efforts to reduce the carbon footprint across operations, and regularly report their progress to the Trust management team.

[1] *For highlights of the environmental policy at HIT, please refer to Corporate Social Responsibility section at https://hit.com.hk*
[2] *For highlights of the environmental policy at YANTIAN, please refer to Community section at https://yict.com.cn*

ENERGY SAVING AND EMISSIONS REDUCTION

The Trust continues to invest in technological advances and adopt best environmental practices to optimise energy efficiency and conservation, reduce operating costs and increase workplace wellness. Understanding the current performance forms the basis for assessing alternative technologies and practices.

The Engineering teams at HIT and YANTIAN regularly measure, monitor and evaluate energy and greenhouse gas ("GHG") emissions, report updates and recommend action plans to management for adoption. To meet internal energy efficiency and GHG emission reduction targets, each business unit carries out infrastructure upgrades and adopts energy-efficient measures. These include gradually replacing diesel-powered RTGCs with hybrid-powered RTGCs and electric-powered RTGCs, an initiative launched in 2008 that can reduce fuel use by 50%, and installing more durable and energy-efficient LED lighting on RTGCs, light towers and QCs.

Environmental Performance[1]

TOTAL ENERGY CONSUMPTION
2,514,497
GJ&

ENERGY INTENSITY
0.120
GJ per TEU

GHG EMISSIONS
40.5%
Direct GHG emission (Scope 1)[2]
59.5%
Direct GHG emission (Scope 2)[3]

Energy Consumption	FY2018
Direct energy consumption and GHG emissions	
Natural gas	218,343,000 L*
Liquefied natural gas	10,412,516,000 L
Petrol	508,335 L
Diesel	34,526,583 L
Liquidfied petroleum gas	247,901 Kg#
Indirect energy consumption and GHG emissions	
Purchased electricity	219,071978 kWh@
Energy consumption	
Direct energy consumption	1,725,838 GJ&
Indirect energy consumption	788,659 GJ
Total energy consumption	**2,514,497 GJ**
Energy intensity	**0.120 GJ per TEU**
GHG emissions	
Direct GHG emissions (Scope 1)	115,393 tonnes CO_2e^
Indirect GHG emissions (Scope 2)	169,413 tonnes CO_2e
Total GHG emissions	**284,806 tonnes CO_2e**
Emission intensity	**13.595 kg CO_2e per TEU**

**L = Litre*
#Kg = Kilogram
@kWh = Kilowatt hour
&GJ = Gigajoule
^CO_2e = carbon dioxide equivalent

[1]Figures shown include HIT and YANTIAN as per reporting scope for the year 2018. The following standards were adopted: Hong Kong: Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition); Shenzhen: Specification with guidance for quantification and reporting of the organisation's greenhouse gas emissions (2012)
[2]Scope 1 emissions are direct GHG emissions from sources that are controlled by HPH Trust, including emissions from natural gas, liquefied natural gas, petrol, diesel and liquid petroleum gas used on-site.
[3]Scope 2 emissions are indirect GHG emissions generated from purchased electricity by HPH Trust.
Figures shown include HIT and YANTIAN
As per reporting scope for the year 2018

GOING FORWARD

In the coming year, YANTIAN will expand its shore power to cover an additional 3 berths.

Going forward, HPH Trust will conduct studies to explore using more energy efficient technology to replace existing machinery and equipment.

Community Engagement

As a socially responsible corporation, HPH Trust believes in giving back to the local communities and the localities in which it operates. HPH Trust adopts an integrated approach that focuses on educating the youth, supporting the elderlies and raising environmental awareness within the local communities.

Supporting the Elderlies

As with previous years, volunteers from the local business units spent time with the elderlies in the district, and assisted them with cleaning and minor repairs around their living quarters.

Towel craft made by HIT staff for the elderlies

Staff from YANTIAN decorated local elderly centre for Chinese New Year

HIT collaborates with Vocational Training Council as an industry partner to nurture young talents in STEM education

Summer internship programme at YANTIAN

Aluminium can recycling programme as part of Go Green initiative

Employee recycled aluminum cans for potted plants

Educating the Youth

HIT and YANTIAN offer tailored programmes for students and graduates to encourage their interest in the port and logistics industry. In addition to scholarships, internships and port visits, the Human Resources departments also partnered with local technical schools to organise project competitions and related training.

Raising Environmental Awareness

While HIT partnered with the community on recycling aluminium cans and set up "No Straw Days" in the staff canteen, YANTIAN released fingerlings into the surrounding waters of the terminal, a programme that has been put in place since almost a decade ago.

Memberships and Associations

HIT

British Chamber of Commerce in Hong Kong
Business Environment Council
Employers' Federation of Hong Kong
Hong Kong Container Terminal Operators Association
Hong Kong General Chamber of Commerce
Hong Kong Logistics Association
Hong Kong Maritime and Port Board
Hong Kong Maritime Museum Trust
Sailors Home and Mission to Seamen
The Chartered Institute of Logistics and Transport
The Merchant Service Club

YANTIAN

China Communications and Transportation Association
China Port Association
China Promotion Consortium for Special Equipment Safety and Energy-saving
China Water Transportation Construction Association
Guangdong Port & Harbours Association
Industry Association, Guangdong Shenzhen Customs Brokers Association
Refrigeration Logistics Special Interest Committee of Guangdong Logistics
Shenzhen Association for Friendship with Foreign Countries
Shenzhen Association of Enterprises with Foreign Investment
Shenzhen Container Yard Association
Shenzhen Entry & Exit Inspection and Quarantine Association
Shenzhen Federation of Returned Overseas Chinese
Shenzhen Ports Association
Shenzhen Port Facility Security Association
Shenzhen Publishers Association
Shenzhen Society of Macroeconomics
The Radio Association of China

GRI Content Index

GENERAL DISCLOSURES

GRI Standard 102: General Disclosures 2016

DISCLOSURE	DESCRIPTION	PAGE, REFERENCE OR ADDITIONAL COMMENT
Organisational profile		
102-1	Name of the organisation	Hutchison Port Holdings Trust ("HPH Trust" or "Trust")
102-2	Activities, brands, products, and services	Pages 1-7
102-3	Location of headquarters	The place of business for the Trustee-Manager in Hong Kong is at HIT in Kwai Tsing, Hong Kong
102-4	Location of operations	Pages 2-7
102-5	Ownership and legal form	Pages 2-3
102-6	Markets served	Pages 2-7
102-7	Scale of the organisation	Pages 2-7, 43
102-8	Information on employees and other workers	Pages 38, 43
102-9	Supply chain	Page 38
102-10	Significant changes to the organisation and its supply chain	No significant change
102-11	Precautionary principle or approach	Pages 37, 59-79
102-12	External initiatives	Page 53
102-13	Membership of associations	Page 53
Strategy		
102-14	Statement from senior decision-maker	Pages 10-11, 37
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	Page 36
Governance		
102-18	Governance structure	Pages 37, 59-79
Stakeholder engagement		
102-40	List of stakeholder groups	Page 39
102-41	Collective bargaining agreements	Not applicable for HIT as the Hong Kong Employment Ordinance does not provide for collective bargaining agreements. 100% of employees at YANTIAN are covered by collective negotiation
102-42	Identifying and selecting stakeholders	Page 39
102-43	Approach to stakeholder engagement	Pages 37, 39
102-44	Key topics and concerns raised	Pages 37, 39
Reporting practice		
102-45	Entities included in the consolidated financial statements	Pages 82-142
102-46	Defining report content and topic boundaries	Page 38
102-47	List of material topics	Pages 37-38
102-48	Restatements of information	There are no restatements of information.
102-49	Changes in reporting	No significant changes
102-50	Reporting period	1 January to 31 December 2018

GRI Content Index

DISCLOSURE	DESCRIPTION	PAGE, REFERENCE OR ADDITIONAL COMMENT
Reporting practice		
102-51	Date of most recent report	Sustainability Report 2017
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Page 36
102-54	Claims of reporting in accordance with the GRI Standards	Page 36
102-55	GRI content index	Pages 54-56
102-56	External assurance	No external assurance was sought for this report

SPECIFIC DISCLOSURES

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE, REFERENCE OR ADDITIONAL COMMENT
ENVIRONMENT			
Topic: Energy Conservation			
GRI 103: Management Approach 2016			Pages 50-51
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Page 51
	302-3	Energy intensity	Page 51
Topic: Clean Air			
GRI 103: Management Approach 2016			Pages 50-51
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Page 51
	305-2	Energy indirect (Scope 2) GHG emissions	Page 51
	305-4	GHG emission intensity	Page 51
Topic: Clean Engines and Fuels			
GRI 103: Management Approach 2016			Pages 50-51
Non-GRI		Use of clean engines and fuels	Pages 50-51
RESPONSIBLE BUSINESS			
Topic: Anti-Bribery and Anti-Corruption			
GRI 103: Management Approach 2016			Pages 38, 40
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Pages 38, 40
	205-3	Confirmed incidents of corruption and actions taken	Page 40
Topic: Respecting our People			
GRI 103: Management Approach 2016			Pages 38, 40
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Pages 38, 40
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Pages 38, 40

GRI Content Index

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE, REFERENCE OR ADDITIONAL COMMENT
Topic: Operational Excellence and Innovation			
GRI 103: Management Approach 2016			Pages 20-22, 40-41
Non-GRI		Measuring efficiency	Pages 20-22, 41
Non-GRI		Operational excellence awards or recognition	Pages 12-17, 21, 41
Topic: Customer Service			
GRI 103: Management Approach 2016			Pages 40, 42
Non-GRI		Customer complaints received	Page 42
RESPONSIBLE EMPLOYER			
Topic: Recruitment and Retention			
GRI 103: Management Approach 2016			Pages 43-46
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Page 44
GRI 401: Employment 2016	404-1	Average hours of training per year per employee	Page 45
	404-2	Programmes for updating employee skills and transition assistance	Page 45
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 44
Topic: Employee welfare			
GRI 103: Management Approach 2016			Pages 43-44, 46
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 44
SAFETY AND SECURITY			
Topic: Safety Risk Management, Policies and Practices, and Safety Equipment			
GRI 103: Management Approach 2016			Pages 47-49
GRI 403: Occupational Health & Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	Page 47
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pages 48-49
Non-GRI		Safety risk	Pages 47-48
Non-GRI		Emergency preparedness and response	Pages 47-48
Non-GRI		Safety equipment provided	Page 48
Topic: IT Systems and Data Security			
GRI 103: Management Approach 2016			Pages 47-48
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pages 47-48
Non-GRI		Data security incidents	Pages 47-48

Investor Relations

Open and up-to-date communication is the cornerstone of the Trust's investor relations. HPH Trust strives 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

HPH Trust recognises the importance of releasing material and price-sensitive information in a timely manner. The Investor Relations team ensures all announcements relating to financial performance and strategic corporate developments are promptly disseminated via different media, including hphtrust.com and the SGX online portal, SGXNET.

HPH Trust publishes its annual report for the financial year in April of the following year. This report is available on SGXNET and hphtrust.com. The annual report is distributed as a CD-ROM to all stakeholders, and printed copies are available on request.

Investors and stakeholders can refer to hphtrust.com as their first point of reference. HPH Trust regularly updates 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 the contact details published on hphtrust.com. Interested parties can also 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 its full-year results, the management team holds its Annual General Meeting in Singapore, where unitholders are encouraged to receive updates in person 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 investors is central to the corporate strategy of the Trust. Members of the management team regularly participate in investor conferences, small-group and one-on-one meetings, conference calls and non-deal roadshows, to cultivate and maintain open dialogue with global investor and financial analyst communities.

In 2018, the management team met with around 300 analysts and investors from around the world, in individual discussions and larger group events such as investor conferences. The management team participated in roadshows and key investor conferences, including the Deutsche Bank 9th Annual dbAccess Asia Conference, the Goldman Sachs Conglomerates and Gaming Corporate Day in Hong Kong, the HSBC 12th Annual Transport and Logistics Conference, the J.P. Morgan Asia Pacific CEO-CFO Conference and the SGX-CS Singapore Corporate Day.

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 its 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 covered the Trust, including CLSA, DBS, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan, Morgan Stanley, OCBC 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

JOINT COMPANY SECRETARIES

Mr. LAI Kuan Loong, Victor
Ms. KIM Yi Hwa

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 2018 with 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 2018 with all the principles and guidelines of the Code, where applicable. The reasons for deviations from the guidelines of the Code are explained in this report.

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 and monitoring managerial performance. 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 in subsequent sections of 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 notes 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;

Corporate Governance Report

(e) transactions between the Trustee-Manager for and on behalf of HPH 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 2018 with an average Director attendance of approximately 97%. The Company Secretary and/or the Deputy Company Secretary attended all board meetings held in 2018.

NAME OF DIRECTOR	ATTENDED / ELIGIBLE TO ATTEND
Chairman and Non-executive Director	
Mr. Fok Kin Ning, Canning	3/4
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 allows 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 and/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. In 2018, there was no new Director appointed to the Board.

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 2018

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, webcasts 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 or 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 2018 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 2018, 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.

Corporate Governance Report

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 Joint Company Secretaries and the Deputy Company Secretary. With the support of the Executive Director, the Joint Company Secretaries, the Deputy Company Secretary and Management, the Chairman seeks to ensure that all Directors are properly briefed on issues discussed 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 and ongoing engagement 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 performance 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 periodic meetings among the Independent Non-executive Directors without the presence of the other Directors.

Board Membership

Principle 4

As at 31 December 2018, 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 26 to 31 of the Annual Report and on HPH Trust's corporate website.

Corporate Governance Report

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 other principal commitments, such as directorships 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 and expand the skill set, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.

No alternate director is appointed to the Board.

Directors' Independence

The Board has assessed the independence of all the Independent Non-executive Directors having regard to the independence criteria as set out in the SGX-ST Listing Manual and the BTR.

The Board considers all of them to be independent in accordance with the provisions of the SGX-ST Listing Manual because none of them (i) have been employed by the Trustee-Manager or any of its related corporations for the current financial year or any of the preceding three financial years of the Trustee-Manager, (ii) have an immediate family member who is currently or has been during the current financial year or in any of the preceding three financial years, employed by the Trustee-Manager or any of its related corporations and whose remuneration is determined by the Board.

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.

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 ("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

Corporate Governance Report

(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 and his wife is only a minority shareholder of China Med holding 3,000 American Depositary Shares, representing about 0.002% issued shares of 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 findings of the questionnaires were evaluated and discussed by the Directors. 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 out of 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 is 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 Joint Company Secretaries 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 is subject to Board approval. During the year, Mr. Lee Tiong Hock resigned as Company Secretary of the Trustee-Manager and the Board has collectively decided on the appointment of both Mr. Lai Kuan Loong Victor and Ms. Kim Yi Hwa as the new Joint Company Secretaries.

The Joint Company Secretaries 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 Joint Company Secretaries 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 as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Joint Company Secretaries 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 developments into consideration when making decisions for the Group. From time to time, they organise seminars on specific topics of importance and interest and disseminate reference materials to Directors for their information.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7

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

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

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

Corporate Governance Report

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 2018:

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	32%	65%	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	44%	55%	1%	100%[2]
S$750,001 TO S$1,000,000				
Ms. Lee Tung Wan, Diana CFO and Investor Relations Officer Finance and Legal Director and Company Secretary, YANTIAN	59%	36%	5%	100%[2]
S$500,001 to S$750,000				
Mr. Shum Kai Shing, Lawrence Managing Director, COSCO-HIT	62%	32%	6%	100%[2]
Mr. Tang Hin Kee, Edward Operations Director General Manager - Operations, YANTIAN	53%	45%	2%	100%[2]
Mr. Wong Lek Heng, Simon Engineering Director General Manager - Engineering, HIT	66%	31%	3%	100%[2]

Notes:

1 The total remuneration paid to the CEO was S$1,825,000, 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).

Corporate Governance Report

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 2018, the total remuneration paid to the above key executives (excluding the CEO) was S$3,613,000.

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 2018 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 2018.

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 2018 are set out on page 134 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.

Corporate Governance Report

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 companies 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.

The Group 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 is an integral part of the day-to-day operations and management 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 significant 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 take a holistic assessment of all the significant risks that the Group faces.

The composite risk register, as 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 internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment for the financial year ended 31 December 2018.

The Board, through the AC, has conducted a review of the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the financial year ended 31 December 2018. 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 2018. 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 74 and 75 of the Annual Report. In addition, it has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

Corporate Governance Report

Audit Committee

Principle 12

As at 31 December 2018, 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 2018 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 2018, 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 to 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 2018 were addressed as follows:

Significant Matters	How the AC reviewed these matters
Asset impairment	The AC discussed with the management on the approach, valuation methodology and key assumptions applied to the asset 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 maintaining effective risk management and internal control systems. 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 risk management and 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.

Corporate Governance Report

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 FY2018	HK$'000	% of total fees
Total Audit Fees	14,103	93%
Total Non-Audit Fees	991	7%
Total Fees Paid	15,094	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 is committed to achieving and maintaining the high standards of openness, probity and accountability and 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 continually reassessed during the year to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's risk management and 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 the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the Group's external auditor so that the parties 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.

Corporate Governance Report

Based on the reporting structure, the methodology and standard used, the above-mentioned reviews and the work performed by the internal auditor, the AC is satisfied that the internal audit function is independent, effective and adequately resourced.

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 for 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 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.

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 by the Board and is subject to regular review to ensure its effectiveness and compliance with the prevailing regulatory and other requirements. 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.

Corporate Governance Report

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 13 April 2018 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 13 April 2018. 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 2018. Key officers may, as requested by the Trustee-Manager, be required to confirm annually that they have complied with and are not in breach of the provisions of the relevant Codes of Conduct.

Corporate Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

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

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. Through policies and procedures, it has adopted a proactive approach to environmental, social and governance responsibility. The implementation of these efforts focuses on initiatives related to its stakeholders, its employees, and the environment. The HPH Trust Sustainability Steering Committee, chaired by the CEO and involves personnel from key business units and functional areas, ensures strategic alignment on major decisions, co-ordination and knowledge sharing at a senior level. The Sustainability Report of the Group is set out on pages 36 to 56 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.

(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.

Corporate Governance Report

(d) The Management identifies interested person transactions in relation to HPH Trust. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by HPH Trust and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into. The Trustee-Manager incorporates into its internal audit plan a review of all interested person transactions entered into by HPH Trust. The 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 2018 are disclosed in note 29(i)(f) to the financial statements, on page 134 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 2018 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$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) 2018 HK$'000	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2018 HK$'000
CK Hutchison Holdings Limited and its subsidiaries and its associates	356,097	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 2018, 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

Financial Contents

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 2018.

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 31.12.2018	At 1.1.2018	At 31.12.2018	At 1.1.2018
Number of units held by:				
Mr. Fok Kin Ning, Canning	–	–	676,000	676,000
Ms. Edith Shih	–	–	626,440	626,440
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 2019.

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)
Mr. Chan Tze Leung, Robert
Mrs. Sng Sow-Mei (alias Poon Sow Mei)

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 2018 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 adequacy and effectiveness of the Group's systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the year ended 31 December 2018, and is of the opinion that the Group's internal control and risk management 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 2018. 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

12 February 2019

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 2018;

(b) the consolidated income statement and consolidated statement of comprehensive income set out in the financial statements on pages 87 and 88 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 2018;

(c) the statements of financial position set out on pages 89 and 90 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 2018;

(d) the statements of changes in equity set out on pages 92 to 94 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 2018;

(e) the consolidated statement of cash flows set out on page 91 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 2018; 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 2018 for issue.

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

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

12 February 2019

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

12 February 2019

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 ("Trust") and its subsidiaries ("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 ("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 2018 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 2018;
- 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 2018;
- the statement of financial position of the Trust as at 31 December 2018;
- 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 2018. 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), 14(b) and 16 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, which is allocated to the Group's cash-generating units ("CGUs") identified according to geographical locations. As at 31 December 2018, the aggregate carrying values of goodwill, before impairment, amounted to HK$22,629 million. The Group also has goodwill included within the investments in joint ventures. Goodwill is subject to impairment assessments annually and when there is an indication of impairment. For the purpose of the Group's impairment assessment of goodwill, impairment was assessed using the value in use model for the CGUs in Mainland China and Hong Kong and for investments in joint ventures. In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the respective CGU and investments in joint ventures and 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, the carrying values of Mainland China and Hong Kong CGUs and an investment in a joint venture exceeded their recoverable amounts as at 31 December 2018, which are calculated under value in use models. Consequently, impairment losses of goodwill of HK$11,359 million and impairment loss on investment in a joint venture of HK$930 million were recognised for the year ended 31 December 2018. The significant assumptions are disclosed in note 14(b) and note 16 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 2018, revenue from container handling services amounting to HK$11,135 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, 12 February 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue and other income	4	11,482,562	11,550,957
Cost of services rendered		(4,143,451)	(4,131,564)
Staff costs		(286,534)	(288,020)
Depreciation and amortisation		(3,076,015)	(3,003,337)
Other operating income		129,122	25,400
Other operating expenses		(553,942)	(551,983)
Total operating expenses		(7,930,820)	(7,949,504)
Operating profit	5	3,551,742	3,601,453
Interest and other finance costs	6	(1,021,801)	(856,887)
Share of profits less losses after tax of associated companies		(106,904)	(116,405)
Share of profits less losses after tax of joint ventures		54,279	76,375
Impairment of goodwill	14(b)	(11,359,000)	–
Impairment of investment in a joint venture	16	(930,000)	–
(Loss)/profit before tax		(9,811,684)	2,704,536
Tax	7	(434,368)	(487,063)
(Loss)/profit for the year		(10,246,052)	2,217,473
Allocated as: Profit attributable to non-controlling interests		(1,305,268)	(1,273,292)
(Loss)/profit attributable to unitholders of HPH Trust	9	(11,551,320)	944,181
		HK cents	HK cents
(Loss)/earnings per unit attributable to unitholders of HPH Trust	9	(132.60)	10.84

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
(Loss)/profit for the year	(10,246,052)	2,217,473
Other comprehensive (loss)/income:		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	40,815	220,539
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts		
Losses recognised directly in reserves	(85,522)	(1,214)
Costs of hedging		
Changes in fair value of currency basis spread	(10,524)	–
Share of other comprehensive (loss)/income of associated companies	(23,148)	31,913
Share of other comprehensive loss of joint ventures	(595)	–
Investments		
Valuation losses taken to reserves	(97,044)	(8,458)
Currency translation differences	(193,381)	268,441
Total other comprehensive (loss)/income	(369,399)	511,221
Total comprehensive (loss)/income for the year	(10,615,451)	2,728,694
Allocated as: Attributable to non-controlling interests	(1,201,250)	(1,410,492)
Attributable to unitholders of HPH Trust	(11,816,701)	1,318,202

Note:

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

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Fixed assets	10	24,629,553	24,626,394
Projects under development	11	996,397	1,970,166
Leasehold land and land use rights	12	38,373,329	39,724,150
Railway usage rights	13	11,619	12,667
Customer relationships	14(a)	5,835,978	6,170,184
Goodwill	14(b)	11,270,044	22,629,044
Associated companies	15	945,342	754,247
Joint ventures	16	2,683,777	3,835,883
Other non-current assets	17	560,929	739,326
Deferred tax assets	18	18,528	22,712
		85,325,496	100,484,773
Current assets			
Cash and bank balances	19	6,566,354	6,768,082
Trade and other receivables	20	3,060,915	3,446,205
Inventories		103,137	109,655
		9,730,406	10,323,942
Current liabilities			
Trade and other payables	21	5,928,221	6,741,629
Bank and other debts	22	2,517,506	4,241,186
Current tax liabilities		358,228	409,568
		8,803,955	11,392,383
Net current assets/(liabilities)		926,451	(1,068,441)
Total assets less current liabilities		86,251,947	99,416,332
Non-current liabilities			
Bank and other debts	22	28,974,121	28,248,895
Pension obligations	23	56,601	80,552
Deferred tax liabilities	18	10,290,856	10,635,108
Other non-current liabilities	24	262,210	129,871
		39,583,788	39,094,426
Net assets		46,668,159	60,321,906
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(41,786,104)	(28,260,285)
Net assets attributable to unitholders of HPH Trust		26,767,735	40,293,554
Non-controlling interests		19,900,424	20,028,352
Total equity		46,668,159	60,321,906

Statement of Financial Position of Hutchison Port Holdings Trust

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary company	26	26,390,258	52,351,427
Current assets			
Cash and bank balances	19	4,525	2,954
Trade and other receivables	20	337	1,439
		4,862	4,393
Current liability			
Trade and other payables	21	20,555	30,312
Net current liabilities		(15,693)	(25,919)
Total assets less current liabilities		26,374,565	52,325,508
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(42,179,274)	(16,228,331)
Total equity		26,374,565	52,325,508

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Operating activities			
Cash generated from operations	27	6,055,269	7,143,141
Interest and other finance costs paid		(984,652)	(757,873)
Tax paid		(825,547)	(645,482)
Net cash from operating activities		4,245,070	5,739,786
Investing activities			
Purchase of an associated company		–	(672,789)
Loan to an associated company		(40,050)	(315,350)
Purchase of fixed assets, projects under development, leasehold land and land use rights		(743,559)	(841,350)
Proceeds on disposal of fixed assets		22,074	2,194
Dividends received from investments		48,848	21,645
Dividends received from associated companies and joint ventures		78,452	130,766
Interest received		99,979	64,457
Repayment of loans by joint ventures		181,700	1,600
Net cash used in investing activities		(352,556)	(1,608,827)
Financing activities			
New borrowings		5,040,750	11,736,814
Repayment of borrowings		(6,077,010)	(12,746,650)
Upfront debt transaction costs and facilities fees of borrowings		(8,775)	(29,250)
Distributions to unitholders of HPH Trust		(1,709,118)	(2,273,597)
Dividends to non-controlling interests		(1,340,089)	(1,050,073)
Net cash used in financing activities		(4,094,242)	(4,362,756)
Net changes in cash and cash equivalents		(201,728)	(231,797)
Cash and cash equivalents at beginning of the year		6,726,082	6,957,879
Cash and cash equivalents at end of the year	19	6,524,354	6,726,082

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Units in issue HK$'000	Exchange and other reserves HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'000	Costs of 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 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
Adjustment on adoption of HKFRS 9	–	–	–	19,578	(19,578)	–	–	–	–	–
At 1 January 2018	68,553,839	(19,474)	(55,471)	18,364	(19,578)	141,174	(28,325,300)	40,293,554	20,028,352	60,321,906
(Loss)/profit for the year	–	–	–	–	–	–	(11,551,320)	(11,551,320)	1,305,268	(10,246,052)
Other comprehensive (loss)/income:										
Remeasurement of defined benefit plans	–	–	–	–	–	40,815	–	40,815	–	40,815
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Losses recognised directly in reserves	–	–	–	(85,522)	–	–	–	(85,522)	–	(85,522)
Costs of hedging										
Changes in fair value of currency basis spread	–	–	–	–	(10,524)	–	–	(10,524)	–	(10,524)
Share of other comprehensive loss of associated companies	–	(15,198)	–	–	–	–	–	(15,198)	(7,950)	(23,148)
Share of other comprehensive (loss)/ income of joint ventures	–	(1,595)	1,000	–	–	–	–	(595)	–	(595)
Investments:										
Valuation losses taken to reserves	–	–	(97,044)	–	–	–	–	(97,044)	–	(97,044)
Currency translation differences	–	(97,313)	–	–	–	–	–	(97,313)	(96,068)	(193,381)
Total other comprehensive (loss)/income	–	(114,106)	(96,044)	(85,522)	(10,524)	40,815	–	(265,381)	(104,018)	(369,399)
Total comprehensive (loss)/income	–	(114,106)	(96,044)	(85,522)	(10,524)	40,815	(11,551,320)	(11,816,701)	1,201,250	(10,615,451)
Transferred to/(from) reserve	–	35	–	–	–	–	(35)	–	–	–
Transactions with owners:										
Distributions	–	–	–	–	–	–	(1,709,118)	(1,709,118)	–	(1,709,118)
Dividends	–	–	–	–	–	–	–	–	(1,329,178)	(1,329,178)
At 31 December 2018	68,553,839	(133,545)	(151,515)	(67,158)	(30,102)	181,989	(41,585,773)	26,767,735	19,900,424	46,668,159

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Units in issue HK$'000	Exchange and other reserves HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'000	Costs of 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 and 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

Statement of Changes in Equity of Hutchison Port Holdings Trust

For the year ended 31 December 2018

	Units in issue HK$'000	Accumulated losses HK$'000	Attributable to unitholders HK$'000
Trust			
At 1 January 2018	68,553,839	(16,228,331)	52,325,508
Loss and total comprehensive loss for the year	–	(24,241,825)	(24,241,825)
Transaction with owners:			
Distributions	–	(1,709,118)	(1,709,118)
At 31 December 2018	68,553,839	(42,179,274)	26,374,565
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

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.

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 standards and amendments to existing standards

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 2018. The changes in accounting policies and the effects of changes in accounting policies are summarised below.

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.

(i) Changes in accounting policies

Investments

Investments (other than investments in subsidiary companies, associated companies or joint ventures) are non-derivative equity financial investments which are measured at fair value. Management is eligible to make an irrevocable election, on an instrument-by-instrument basis, on equity investments other than those held for trading, to present changes in fair value through profit or loss or fair value through other comprehensive income ("FVOCI"). The Group has elected to measure as FVOCI, to which 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. Dividends from investments continued to be recognised as other operating income in the income statement when the right to receive payment is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

HKFRS 9 Financial Instruments (Continued)

(i) Changes in accounting policies (Continued)

Loans and receivables

Loans and receivables are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the loans and receivables and are subsequently measured at amortised cost less impairment. Interest income using the effective interest method is recognised in the income statement.

Impairment of financial assets

HKFRS 9 replaces the 'incurred loss' impairment model in Hong Kong Accounting Standards ("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 (if applicable). The impairment methodology to be applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses for amounts due from customers to be recognised from initial recognition of the trade receivables.

As debt instruments at amortised cost are considered to have low credit risk, the impairment provision applied is to recognise 12-month ECL.

Hedge accounting

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of the foreign currency basis spread portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate costs of hedging reserve under equity.

(ii) Effects of changes in accounting policies

The Group has applied the modified retrospective approach, where the 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 be recognised as an adjustment to the opening balance of equity at the date of adoption, i.e. as at 1 January 2018.

Classification of investments

The Group has elected to present changes in the fair value of all its equity investments (classified as Investments) in other comprehensive income as they are long-term strategic investments. Investments as at 31 December 2017 will continue to be measured at fair value after adoption of HKFRS 9.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

HKFRS 9 Financial Instruments (Continued)

(ii) Effects of changes in accounting policies (Continued)

Classification of loans and receivables

The Group's existing loans and receivables are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and therefore will continue to be measured at amortised cost.

Impairment of financial assets

The Group's significant financial assets, such as trade receivables and loans to an associated company and joint ventures, are subject to the new ECL model.

For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime expected losses for all trade receivables. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material impact to the carrying value of trade receivables as at 1 January 2018.

For loans to an associated company and joint ventures, management considers that the credit risk has not increased significantly since initial recognition as both the associated company and joint ventures have low credit risk of default and have strong capacity to meet contractual cash flows. As such, the impairment provision is determined based on the 12-month ECL which are close to zero.

Hedge accounting

Generally, more hedge relationships might be eligible for hedge accounting under HKFRS 9, as the standard introduced a more principle-based approach. However, the Group has not identified any new hedge relationships under HKFRS 9. The Group's existing hedge relationships qualifies as continuing hedges upon the adoption of HKFRS 9.

Upon transition to HKFRS 9, the Group has elected the option to exclude foreign currency basis spreads of financial instruments from the designation of hedging relationships. This change in accounting policy is applied with a modified retrospective approach, resulting in a reclassification adjustment to the Group's reserves at 1 January 2018.

	Cash flow hedge reserve HK$'000	Costs of hedging reserve HK$'000
At 31 December 2017, as previously reported under HKAS 39	(1,214)	–
Effects of adoption of HKFRS 9		
Reclassification of costs of hedging - Foreign currency basis spread	19,578	(19,578)
At 1 January 2018	18,364	(19,578)

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

HKFRS 9 Financial Instruments (Continued)

(ii) Effects of changes in accounting policies (Continued)

Hedge accounting (Continued)

The following table shows the impact on each individual line item of the consolidated statement of comprehensive income for the year ended 31 December 2018 following the adoption of the HKFRS 9. Line items that were not affected by the changes are not included.

	Before adoption of HKFRS 9 HK$'000	Impact from adoption of HKFRS 9 HK$'000	After adoption of HKFRS 9 HK$'000
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts			
Losses recognised directly in reserves	(96,046)	10,524	(85,522)
Costs of hedging			
Changes in fair value of currency basis spread	–	(10,524)	(10,524)

The adoption of HKFRS 9 has no impact on the consolidated income statement, statement of financial position and consolidated statement of cash flows.

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. Under HKFRS 15, revenue is recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied.

(i) Changes in accounting policies

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on direct measurements of the value transferred by the Group to the customer.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

HKFRS 15 Revenue From Contracts With Customers (Continued)

(i) Changes in accounting policies (Continued)

Transaction price of a contract shall be allocated to individual performance obligation (or distinct good or service). 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.

Revenue is recognised over time:

i) for ports and related services, transportation and logistics solutions along with the progress when service is rendered; and

ii) for management and service fee income, and system development and support fees along with the progress when service is rendered.

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

(ii) Effects of changes in accounting policies

The Group has elected the modified retrospective approach for transition to the new revenue standard. However, there is no significant impact on the Group's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified. Accordingly, opening balance of retained profits at 1 January 2018 is not adjusted in respect to the adoption of HKFRS 15.

Standards, amendments and interpretations which are not yet effective

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

Amendments to HKFRS 9(1)	Prepayment Features with Negative Compensation
Amendments to HKAS 28(1)	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle(1)	Improvements to HKFRSs
HKFRS 16(1)	Leases
HK(IFRIC) Interpretation 23(1)	Uncertainty over Income Tax Treatments
Amendments to HKAS 19(1)	Employee Benefits
Amendments to HKFRS 3 (Revised)(2)	Business Combinations
Amendments to HKAS 1 (Revised) and HKAS 8(2)	Definition of Materiality
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 2019
(2) Effective for annual periods beginning 1 January 2020
(3) New effective date to be determined

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

Standards, amendments and interpretations which are not yet effective (Continued)

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 on 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 currently assessing the impact of HKFRS 16 and it is not expected that there would have a material impact to the consolidated financial statements on the date of adoption. However, it is anticipated that the application of HKFRS 16 in the future may impact the Group's 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 2018 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 2018 or up to the dates of disposal as the case may be. The acquisition of subsidiary companies is accounted for using the acquisition method.

(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.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

(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.

(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.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

(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 is 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.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

The profit or loss on disposal 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.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

(k) Current and deferred tax (Continued)

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 equity financial investments which are measured at fair value. Management is eligible to make an irrevocable election, on an instrument-by-instrument basis, on equity investments other than those held for trading, to present changes in fair value through profit or loss or FVOCI. The Group has elected to measure as FVOCI, to which 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. Dividends from investments continued to be recognised as other operating income in the income statement when the right to receive payment is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

(m) Loans and receivables

Loans and receivables are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the loans and receivables and are subsequently measured at amortised cost less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement based on ECL model. Interest income using the effective interest method is recognised in the income statement.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement based on lifetime ECL.

(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.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

(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

Impairment of financial assets

The Group applies the ECL model to assess impairment of financial assets classified at amortised cost and debt instruments measured at FVOCI. The impairment methodology to be applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses for amounts due from customers to be recognised from initial recognition of the trade receivables.

As debt instruments at amortised cost are considered to have low credit risk, the impairment provision applied is to recognise 12-month ECL.

Impairment of other assets

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

(u) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its 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 HKFRS 9 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

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.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

(u) Derivative financial instruments and hedging activities (Continued)

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 (i) cross currency interest rate swap contracts to swap certain fixed interest rate United States dollar debts to fixed interest rate Hong Kong dollar debts; (ii) cross currency interest rate swap contracts to swap certain floating interest rate United States dollar debts to fixed interest rate Hong Kong dollar debts; and (iii) interest rate swap contracts to swap certain floating interest rate United States dollar debts to fixed interest rate United States dollar debts to hedge against the foreign currency and interest rate risk. The Group excludes foreign currency basis spread of these cross currency swaps in the hedge designation. The change in fair value of the foreign currency basis spread (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate costs of hedging reserve under equity. Changes in the fair value relating to the effective portion of derivative contracts designated as hedging instruments qualifying as cash flow hedges 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 costs of 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 HKFRS 9 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.

(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.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

(w) Foreign exchange (Continued)

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.

(z) Revenue and other income recognition

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Notes to the Financial Statements

2 Basis of preparation and significant accounting policies (Continued)

(z) Revenue and other income recognition (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on direct measurements of the value transferred by the Group to the customer.

Transaction price of a contract shall be allocated to individual performance obligation (or distinct good or service). 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.

Revenue is recognised over time:

(i) for ports and related services, transportation and logistics solutions along with the progress when service is rendered; and

(ii) for management and service fee income, and system development and support fees along with the progress when service is rendered.

Interest income is recognised over time 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.

Notes to the Financial Statements

3 Critical accounting estimates and judgements (Continued)

(a) Long lived assets (Continued)

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

(b) Goodwill

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

Key assumptions are made with respect to the expected growth in revenues and cost of services rendered, timing of future capital expenditures, terminal 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, structural changes within the shipping line industry 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.

3 Critical accounting estimates and judgements (Continued)

(d) Depreciation

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

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

(e) Accrual of net revenue

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

(f) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with 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.

Notes to the Financial Statements

3 Critical accounting estimates and judgements (Continued)

(g) Tax (Continued)

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.

4 Revenue and other income and segment information

(a) Revenue and other income

	2018 HK$'000	2017 HK$'000
Revenue		
Rendering of port and related services	11,134,666	11,224,487
Rendering of transportation and logistics solutions	187,958	203,705
Management and service fee income	36,962	36,876
System development and support fees	13,374	14,513
Others	1,173	1,209
	11,374,133	11,480,790
Other income		
Interest income	108,429	70,167
	11,482,562	11,550,957

(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.

Revenue is recognised over time and disclosures by geographical location are shown below:

	Revenue and other income		Non-current assets	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Hong Kong	3,883,780	4,138,146	24,050,421	27,823,603
Mainland China	7,598,782	7,412,811	61,275,075	72,661,170
	11,482,562	11,550,957	85,325,496	100,484,773

Notes to the Financial Statements

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2018 HK$'000	2017 HK$'000
Crediting		
Dividend income from River Ports Economic Benefits (Note 17)	46,490	–
Net exchange gain	9,499	6,828
Charging		
Auditor's remuneration		
- audit services	14,103	15,009
- non-audit services	991	1,392
Amortisation		
- leasehold land and land use rights	1,292,271	1,285,796
- railway usage rights	535	523
- customer relationships	334,206	334,206
Depreciation of fixed assets	1,449,003	1,382,812
Net loss on disposal of fixed assets and investments	17,069	5,591
Operating lease rentals		
- office premises and port facilities	36,442	41,998
Staff costs (included amount charged within cost of services rendered)		
- Wages, salaries and other benefits	1,393,400	1,369,538
- Pension costs	127,346	128,349

6 Interest and other finance costs

	2018 HK$'000	2017 HK$'000
Bank loans and overdrafts	705,948	568,578
Guaranteed notes	261,925	227,492
Loans from non-controlling interests	3,186	3,061
Other finance costs	50,742	57,756
Fair value loss on interest rate swaps	906	15,656
Less: fair value adjustment to bank and other debts under fair value hedge	(906)	(15,656)
	1,021,801	856,887

Notes to the Financial Statements

7 Tax

	2018 HK$'000	2017 HK$'000
Current tax	774,087	794,593
Deferred tax (Note 18)	(339,719)	(307,530)
	434,368	487,063

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

	2018 HK$'000	2017 HK$'000
(Loss)/profit before tax excluding share of profits less losses after tax of joint ventures and associated companies and impairment of goodwill and investment in a joint venture	2,529,941	2,744,566
Tax calculated at weighted average tax rate of 27.5% (2017: 26.7%)	695,888	732,804
Tax exemption in the PRC	(485,808)	(429,104)
Income not subject to tax	(3,751)	(3,920)
Expenses not deductible for tax purposes	93,248	82,428
Withholding tax on unremitted earnings	121,253	115,617
Recognition of previously unrecognised tax losses	(80)	(10,162)
Utilisation of previously unrecognised tax losses	(1,645)	(2,661)
Under provision in prior year	13,579	860
Tax losses not recognised	1,475	1,261
Others	209	(60)
Total tax	434,368	487,063

Note:

Non-cash goodwill impairment loss of HK$11.4 billion and impairment loss of investment in a joint venture of HK$0.9 billion were recognised in 2018 (Note 14(b) and Note 16).

8 Distributions

	2018 HK$'000	2017 HK$'000
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
For the period from 1 July 2017 to 31 December 2017 Distribution of 11.10 HK cents per unit	966,932	–
For the period from 1 January 2018 to 30 June 2018 Distribution of 8.52 HK cents per unit	742,186	–
	1,709,118	2,273,597

On 12 February 2019, the Board of Directors of the Trustee-Manager recommended the distribution of 8.48 HK cents per unit for the financial result from 1 July 2018 to 31 December 2018 (2017: 11.10 HK cents per unit) amounting to HK$738.7 million (2017: HK$966.9 million) and payable on 29 March 2019. This distribution is not reflected in these financial statements and will be recognised in equity in the financial year ending 31 December 2019.

Notes to the Financial Statements

9 (Loss)/earnings per unit

The calculation of (loss)/earnings per unit is based on loss attributable to unitholders of HPH Trust of HK$11,551,320,000 for the year ended 31 December 2018 (2017: profit of HK$944,181,000) and on 8,711,101,022 units in issue (2017: 8,711,101,022 units in issue), which is the weighted average number of units for the year ended 31 December 2018.

Diluted (loss)/earnings per unit is the same as the basic (loss)/earnings per unit for the years ended 31 December 2018 and 2017.

10 Fixed assets

Group	Properties HK$'000	Container handling equipment HK$'000	Barges HK$'000	Other fixed assets HK$'000	Total HK$'000
2018					
Opening net book amount	16,382,757	7,674,807	45,243	523,587	24,626,394
Additions	13,117	68,730	2,857	642	85,346
Transfer from projects under development (Note 11)	876,840	616,422	–	55,458	1,548,720
Depreciation	(607,875)	(749,709)	(9,102)	(82,317)	(1,449,003)
Disposals	(9,064)	(26,776)	(2,973)	(320)	(39,133)
Currency translation differences	(125,289)	(13,509)	–	(3,973)	(142,771)
Closing net book amount	16,530,486	7,569,965	36,025	493,077	24,629,553
At 31 December 2018					
Cost	20,909,362	12,744,709	66,130	930,613	34,650,814
Accumulated depreciation	(4,378,876)	(5,174,744)	(30,105)	(437,536)	(10,021,261)
Net book amount	16,530,486	7,569,965	36,025	493,077	24,629,553
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
At 1 January 2017					
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

Notes to the Financial Statements

11 Projects under development

Group	2018 HK$'000	2017 HK$'000
At beginning of the year	1,970,166	1,846,912
Additions	563,992	776,734
Transfer to fixed assets (Note 10)	(1,548,720)	(715,075)
Currency translation differences	10,959	61,595
At end of the year	996,397	1,970,166

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

12 Leasehold land and land use rights

Group	2018 HK$'000	2017 HK$'000
Net book value		
At beginning of the year	39,724,150	40,925,107
Amortisation	(1,292,271)	(1,285,796)
Currency translation differences	(58,550)	84,839
At end of the year	38,373,329	39,724,150
Cost	48,250,794	48,319,008
Accumulated amortisation	(9,877,465)	(8,594,858)
	38,373,329	39,724,150

13 Railway usage rights

Group	2018 HK$'000	2017 HK$'000
Net book value		
At beginning of the year	12,667	12,428
Amortisation	(535)	(523)
Currency translation differences	(513)	762
At end of the year	11,619	12,667
Cost	15,343	16,357
Accumulated amortisation	(3,724)	(3,690)
	11,619	12,667

Notes to the Financial Statements

14 Intangible assets

(a) Customer relationships

Group	2018 HK$'000	2017 HK$'000
Net book value		
At beginning of the year	6,170,184	6,504,390
Amortisation	(334,206)	(334,206)
At end of the year	5,835,978	6,170,184
Cost	8,440,000	8,440,000
Accumulated amortisation	(2,604,022)	(2,269,816)
At end of the year	5,835,978	6,170,184

(b) Goodwill

Goodwill is allocated to the Group's CGU identified according to geographical locations as the Group has one business segment only. The goodwill is allocated as follows:

Group	2018 HK$'000	2017 HK$'000
Hong Kong	–	1,666,002
Mainland China	11,270,044	20,963,042
	11,270,044	22,629,044

Group	2018 HK$'000	2017 HK$'000
At beginning of the year	22,629,044	22,629,044
Impairment of goodwill (accumulated: HK$30.4 billion)	(11,359,000)	–
At end of the year	11,270,044	22,629,044

In the fourth quarter of 2018, an impairment assessment was undertaken in respect of the Group's assets including goodwill. Management reviewed the latest market developments and the business plan and considers the Hong Kong and the Mainland China operations to be adversely impacted by the mounting global trade uncertainties, the behavioural changes in multinational corporations caused by the current trade tensions, including accelerating the diversification of production bases outside of China and the effects stemming from the structural changes within the shipping line industry. As a result, the changes in key assumptions adopted as compared to last year are made as follows:

	Hong Kong	Mainland China
Revenue growth rate	Decreased by 1% - 4%	Decreased by 3% - 7%

As in prior years, the impairment methodology assumed terminal growth rates and discount rates of 2% - 3% and 8% - 10% per annum, respectively. Terminal growth rates 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. Based on the assessment, the Group has recognised non-cash impairment losses of HK$9.7 billion and HK$1.7 billion against the goodwill allocated to the Mainland China CGU and Hong Kong CGU respectively.

Notes to the Financial Statements

14 Intangible assets (Continued)

(b) Goodwill (Continued)

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$1.9 billion, HK$1.0 billion and HK$1.2 billion respectively and of the Mainland China CGU, by HK$2.0 billion, HK$0.7 billion and HK$2.1 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.

15 Associated companies

Group	2018 HK$'000	2017 HK$'000
Share of net assets	603,342	754,247
Loan to an associated company	342,000	–
	945,342	754,247

A loan of RMB300,000,000 (approximate to HK$342,000,000) provided to an associated company is unsecured, interest bearing at a fixed rate of 4.0% per annum and repayable in 5 years. The carrying amount of the loan to an associated company approximates its fair value. The loan was current in nature at 31 December 2017 and disclosed in Note 20.

Details of the principal associated companies at 31 December 2018 and 2017 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%

(1) Audited by PricewaterhouseCoopers network firms

There is no associated company as at 31 December 2018, 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.

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

	2018 HK$'000	2017 HK$'000
Profits less losses after tax	(106,904)	(116,405)
Other comprehensive (loss)/income	(23,148)	31,913
Total comprehensive loss	(130,052)	(84,492)

Notes to the Financial Statements

16 Joint ventures

Group	2018 HK$'000	2017 HK$'000
Share of net assets	3,486,227	3,526,633
Loans to joint ventures (note a)	127,550	309,250
Less: accumulated impairment (note b)	(930,000)	–
	2,683,777	3,835,883

Notes:

(a) A loan of HK$120,000,000 (2017: HK$300,000,000) provided to a joint venture is interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.1% per annum (2017: HIBOR plus 5.0% per annum). Another loan provided to a joint venture of HK$7,550,000 (2017: HK$9,250,000) 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.

(b) In the fourth quarter of 2018, an impairment assessment was undertaken in respect of the Group's joint ventures engaging in terminal operations in Hong Kong as management considered these joint ventures would experience similar challenges as detailed in Note 14(b). Based on the results of the impairment assessments, an impairment loss on investment in a joint venture of HK$930 million were recognised for the year ended 31 December 2018.

The recoverable amount has been determined under the value in use model, which assumed terminal growth rates and discount rates of 2% and 9% per annum, respectively. Terminal growth rates 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.

Details of principal joint ventures at 31 December 2018 and 2017 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 2018, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

Notes to the Financial Statements

16 Joint ventures (Continued)

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:

	2018 HK$'000	2017 HK$'000
Profits less losses after tax	54,279	76,375
Other comprehensive loss	(595)	–
Total comprehensive income	53,684	76,375

17 Other non-current assets

Group	2018 HK$'000	2017 HK$'000
Investments		
Listed equity security	39,150	45,225
River Ports Economic Benefits (Note)	428,600	518,600
Prepayment for fixed assets, leasehold land and land use rights	2,159	71,719
Other receivables and prepayments	91,020	103,782
	560,929	739,326

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	2018 HK$'000	2017 HK$'000
Deferred tax assets	(18,528)	(22,712)
Deferred tax liabilities	10,290,856	10,635,108
Net deferred tax liabilities	10,272,328	10,612,396

Notes to the Financial Statements

18 Deferred tax (Continued)

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
2018						
At 1 January 2018	(29,065)	615,593	9,734,188	298,202	(6,522)	10,612,396
Tax charged /(credited) to income statement	5,363	(6,890)	(361,129)	23,314	(377)	(339,719)
Other temporary differences	–	15	(61)	(350)	47	(349)
At 31 December 2018	(23,702)	608,718	9,372,998	321,166	(6,852)	10,272,328
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

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.

(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$75,722,000 at 31 December 2018 to carry forward against future taxable income. Of these, HK$61,506,000 can be carried forward indefinitely. The remaining HK$14,216,000 expires in the following years:

	2018 HK$'000	2017 HK$'000
In the first year	–	–
In the second year	–	–
In the third year	7,892	1,513
In the fourth year	–	15,207
In the fifth year	6,324	–
	14,216	16,720

(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.

Notes to the Financial Statements

19 Cash and bank balances

Group	2018 HK$'000	2017 HK$'000
Cash and cash equivalents		
Cash at bank and on hand	817,733	541,272
Short-term bank deposits	5,706,621	6,184,810
	6,524,354	6,726,082
Restricted deposit (Note)	42,000	42,000
Cash and bank balances	6,566,354	6,768,082

Trust	2018 HK$'000	2017 HK$'000
Cash and cash equivalents		
Cash at bank and on hand	4,525	2,954

Note:

At 31 December 2018, a deposit of HK$42,000,000 (31 December 2017: HK$42,000,000) was placed by a subsidiary company of the Group as a collateral for the secured bank loan entered in 2016.

Cash and bank balances are denominated in the following currencies:

Group	2018 Percentage	2017 Percentage
Hong Kong dollar	43%	53%
Renminbi	21%	16%
United States dollar	36%	31%
	100%	100%

Trust	2018 Percentage	2017 Percentage
Hong Kong dollar	33%	19%
United States dollar	20%	24%
Singapore dollar	47%	57%
	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.

Notes to the Financial Statements

20 Trade and other receivables

Group	2018 HK$'000	2017 HK$'000
Trade receivables	2,518,572	2,617,272
Less : provision for impairment of receivables	(51,255)	(56,838)
	2,467,317	2,560,434
Other receivables and prepayments	355,792	374,022
Dividend receivable from joint ventures	30,091	–
Amount due from a related company (Note a)	20	9,260
Amounts due from associated companies (Note a)	12,139	1,701
Amounts due from joint ventures (Note a)	195,556	185,438
Loan to an associated company (Note b)	–	315,350
	3,060,915	3,446,205

Trust	2018 HK$'000	2017 HK$'000
Other receivables and prepayments	335	1,439
Amount due from a subsidiary company (Note a)	2	–
	337	1,439

Trade and other receivables are denominated in the following currencies:

Group	2018 Percentage	2017 Percentage
Hong Kong dollar	51%	50%
Renminbi	31%	36%
United States dollar	18%	14%
	100%	100%

Trust	2018 Percentage	2017 Percentage
Singapore dollar	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 a related company, associated companies and joint ventures of the Group; and amount due from a subsidiary company of the Trust are unsecured, interest free and have no fixed terms of repayment.

(b) The loan to an associated company of RMB265,000,000 (approximate to HK$315,350,000) is unsecured, interest bearing at a fixed rate of 2.30% per annum as at 31 December 2017. The loan was renewed and non-current in nature as at 31 December 2018. Detail of the non-current loan to an associated company is disclosed in Note 15.

Notes to the Financial Statements

20 Trade and other receivables (Continued)

Notes: (Continued)

(c) At 31 December 2018, trade receivables of the Group amounting to HK$1,305,806,000 (2017: HK$1,135,446,000) 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:

	2018 HK$'000	2017 HK$'000
Up to 2 months	983,560	708,775
2 to 3 months	138,274	137,070
Over 3 months	183,972	289,601
	1,305,806	1,135,446

At 31 December 2018, trade receivables of the Group amounting to HK$51,255,000 (2017: HK$56,838,000) 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:

	2018 HK$'000	2017 HK$'000
At beginning of the year	56,838	60,850
Provision for impairment	220	–
Write back of provision for impairment	(5,803)	(3,807)
Receivables written off as uncollectible	–	(205)
At end of the year	51,255	56,838

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	2018 HK$'000	2017 HK$'000
Trade payables, other payables and accruals	5,511,212	6,366,404
Interest rate swap under fair value hedge (Note 24)	–	4,084
Loans from non-controlling interests (Note a)	157,742	161,242
Amounts due to related companies (Note b)	100,846	99,226
Amounts due to associated companies (Note b)	5,482	3,716
Amounts due to joint ventures (Note b)	152,939	106,957
	5,928,221	6,741,629

Notes to the Financial Statements

21 Trade and other payables (Continued)

Trust	2018 HK$'000	2017 HK$'000
Trade payables, other payables and accruals	4,535	11,378
Amounts due to:		
- a related company (Note b)	12,405	12,165
- subsidiary companies (Note b)	3,615	6,769
	20,555	30,312

Trade and other payables are denominated in the following currencies:

Group	2018 Percentage	2017 Percentage
Hong Kong dollar	75%	78%
Renminbi	25%	22%
	100%	100%

Trust	2018 Percentage	2017 Percentage
Hong Kong dollar	18%	22%
United States dollar	60%	39%
Singapore dollar	22%	39%
	100%	100%

At 31 December 2018, 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 the amount of HK$30,380,000 (2017: HK$30,380,000) and RMB70,000,000, approximate to HK$79,800,000 (2017: RMB70,000,000, approximate to HK$79,100,000) which bear interest at Hong Kong Dollar Prime Rate (2017: Hong Kong Dollar Prime Rate) and fixed rate of 2.00% per annum (2017: 2.00% per annum), respectively, and have no fixed terms of repayment and repayable in one year, respectively.

(b) Amounts due to related companies, associated companies and joint ventures of the Group; and amounts due to a related company and subsidiary companies 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	2,510,000	21,313,350	23,823,350
Secured bank loan	9,120	57,000	66,120
Guaranteed notes	–	7,800,000	7,800,000
Total principal amount of bank and other debts	2,519,120	29,170,350	31,689,470
Unamortised loan facilities fees and discounts related to debts	(1,614)	(135,910)	(137,524)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	–	(60,319)	(60,319)
At 31 December 2018	2,517,506	28,974,121	31,491,627
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

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 (2017: repayable from March 2019 to June 2024).

In March 2015, the Group issued 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.

The effective interest rate of the Group's bank and other debts at 31 December 2018 is 3.2% per annum (2017: 2.2% per annum).

Notes to the Financial Statements

22 Bank and other debts (Continued)

Bank and other debts are denominated in the following currencies:

Group	2018 Percentage	2017 Percentage
Hong Kong dollar	21%	23%
United States dollar	79%	77%
	100%	100%

At 31 December 2018, leasehold land and land use rights of the Group totaling HK$200,770,000 (2017: HK$207,645,000) were pledged as security for a bank loan.

23 Pension obligations

Group	2018 HK$'000	2017 HK$'000
Defined benefit plans		
Pension obligations	56,601	80,552

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 2018 and 31 December 2017 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:

	2018 Percentage	2017 Percentage
Discount rate	2.30-2.40	1.60-1.80
Future salary increases	4.0	4.0
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:

	2018 HK$'000	2017 HK$'000
Present value of defined benefit obligations	1,370,653	1,413,479
Fair value of plan assets	(1,314,052)	(1,332,927)
Net defined benefit liabilities	56,601	80,552

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
2018			
At 1 January	1,413,479	(1,332,927)	80,552
Net charge/(credit) to the income statement			
Current service cost	52,326	825	53,151
Interest cost/(income)	22,777	(21,803)	974
	75,103	(20,978)	54,125
Net (credit)/charge to other comprehensive income			
Remeasurements loss/(gain):			
Actuarial loss/(gain) arising from:			
Experience adjustment	4,992	–	4,992
Financial assumptions	(65,581)	–	(65,581)
Demographic assumption	48	–	48
Return on plan assets excluding interest income	–	19,726	19,726
	(60,541)	19,726	(40,815)
Other			
Contributions paid by the employer	–	(37,261)	(37,261)
Contributions paid by the employee	8,300	(8,300)	–
Benefits paid	(64,005)	64,005	–
Net transfer	(1,683)	1,683	–
At 31 December	1,370,653	(1,314,052)	56,601

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
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 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

Fair value of the plan assets is analysed as follows:

	2018 HK$'000	2017 HK$'000
Equity instruments	939,337	873,725
Debt instruments	335,713	408,974
Cash and others	39,002	50,228
At 31 December	1,314,052	1,332,927

Notes to the Financial Statements

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

	2018 Percentage	2017 Percentage
Equity Instruments		
Conglomerates and manufacturing	4%	6%
Construction and materials	1%	2%
Consumer markets	2%	5%
Energy and utilities	3%	4%
Financial institutions and units trust	46%	19%
Health and care	4%	5%
Insurance	1%	3%
Real estate	1%	3%
Information technology	8%	14%
Others	1%	4%
	71%	65%
Debt instruments		
Government (other than US)	7%	12%
Financial institutions	5%	3%
US Treasury	3%	6%
Others	11%	10%
	26%	31%
Cash and others	3%	4%
	100%	100%

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

	2018 Percentage	2017 Percentage
Aaa/AAA	24%	23%
Aa1/AA+	17%	19%
Aa2/AA	4%	15%
Aa3/AA-	7%	3%
A1/A+	11%	5%
A2/A	11%	8%
A3/A-	6%	7%
Baa1/BBB+	7%	5%
Baa2/BBB	3%	5%
Other lower grade	4%	6%
No investment grade	6%	4%
	100%	100%

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

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

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 2017 and 2018. 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 2018, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year ended 31 December 2018, forfeited contributions totalling HK$963,000 (2017: HK$1,596,000) were used to reduce the level of contributions of the year ended 31 December 2018 and no forfeited contribution was available at 31 December 2018 (2017: 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 1.7%	Increase by 1.8%
Salary increase	0.25%	Increase by 0.4%	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$38,055,000 (2017: HK$39,036,000) to the defined benefit plans during the next year.

The weighted average duration of the defined benefit obligation is 7.0 years as at 31 December 2018 (2017: 7.5 years).

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$73,221,000 (2017: HK$69,645,000).

Notes to the Financial Statements

24 Other non-current liabilities

Group	2018 HK$'000	2017 HK$'000
Fair value hedges		
Interest rate swaps	60,319	59,413
Cash flow hedges		
Cross currency interest rate swaps	80,725	1,214
Interest rate swaps	16,535	–
Less: current portion of interest rate swaps under fair value hedges	–	(4,084)
Non-current portion	157,579	56,543
Others	104,631	73,328
	262,210	129,871

25 Units in issue

Group and Trust	Number of units	HK$'000
At 1 January 2017, 31 December 2017 and 31 December 2018	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 company

Trust	2018 HK$'000	2017 HK$'000
Investment cost	10,000	10,000
Capital contribution	50,592,309	52,341,427
Less: accumulated impairment (Note)	(24,212,051)	–
	26,390,258	52,351,427

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 company.

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

Note:

As explained in Note 14(b), the recoverable amounts of the underlying business of HPHT Limited in Hong Kong and Mainland China deep-water container port have decreased based on the latest forecast from management. Accordingly, provision for impairment of the investment in HPHT Limited amounting to HK$24.2 billion was recognised in current year.

Notes to the Financial Statements

27 Reconciliation of operating profit to cash generated from operations

	2018 HK$'000	2017 HK$'000
Operating profit	3,551,742	3,601,453
Depreciation and amortisation	3,076,015	3,003,337
Net loss on disposal of fixed assets and investments	17,069	5,591
Dividend income	(49,799)	(3,206)
Interest income	(108,429)	(70,167)
Operating profit before working capital changes	6,486,598	6,537,008
Decrease in inventories	6,477	2,694
Decrease in trade and other receivables	149,158	683,064
Movement in balances with associated companies and joint ventures	27,192	41,571
Decrease in trade and other payables	(631,020)	(143,215)
Increase in pension obligations	16,864	22,019
Cash generated from operations	6,055,269	7,143,141

Reconciliation of liabilities arising from financing activities are as follows:

	Dividend payable to non-controlling interests HK$'000	Bank loans repayable not exceeding 1year HK$'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 and Bank loans HK$'000	Total HK$'000
At 1 January 2018	–	347,140	20,552,169	11,590,772	60,627	32,550,708
Cash flows	(1,340,089)	(347,010)	3,201,975	(3,900,000)	–	(2,385,124)
Foreign exchange adjustments	10,911	(130)	(2,900)	–	–	7,881
Fair value adjustments	–	–	–	(906)	–	(906)
Transfer between categories	–	2,517,506	(2,517,506)	–	–	–
Dividends to non-controlling interests	1,329,178	–	–	–	–	1,329,178
Other non-cash movements	–	–	34,920	15,597	96,952	147,469
At 31 December 2018	–	2,517,506	21,268,658	7,705,463	157,579	31,649,206

Notes to the Financial Statements

27 Reconciliation of operating profit to cash generated from operations (Continued)

	Dividend payable to non-controlling interests	Bank loans repayable not exceeding 1 year	Bank loans repayable more than 1 year	Guaranteed notes	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	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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

28 Commitments

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

	2018	2017
	HK$'000	HK$'000
Contracted but not provided for	32,230	28,525
Authorised but not contracted for (Note)	724,415	938,363
	756,645	966,888

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

	2018	2017
	HK$'000	HK$'000
Contracted but not provided for	48,738	16,506
Authorised but not contracted for	94,022	83,215
	142,760	99,721

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.

Notes to the Financial Statements

28 Commitments (Continued)

(b) At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises and port facilities as follows:

	2018 HK$'000	2017 HK$'000
Within one year	7,591	12,169
Between two to five years	178	1,043
	7,769	13,212

(c) At 31 December 2018, the Group had future aggregate minimum lease receivable under non-cancellable operating leases for office premises and port facilities as follows:

	2018 HK$'000	2017 HK$'000
Within one year	37,631	25,345
Between two to five years	72,793	48,239
	110,424	73,584

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. Outstanding balances with associated companies, joint ventures and Group companies are disclosed in Notes 15,16, 20 and 21.

(i) Income from and expenses to related parties

	2018 HK$'000	2017 HK$'000
Income:		
Container handling fees received from joint ventures, an associated company and related companies (Note a)	41,553	40,340
Management, service and support fee received from joint ventures and related companies (Note b)	50,189	52,071
Transportation management services fee income from a joint venture and related companies (Note c)	35,778	39,246
Interest income from a joint venture and an associated company (Note d)	20,040	19,484

Notes to the Financial Statements

29 Related parties transactions (Continued)

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

	2018 HK$'000	2017 HK$'000
Expenses:		
Container handling charges paid to joint ventures, associated companies and a related company (Note e)	28,531	39,431
Operating lease rentals on premises paid to a joint venture and related companies (Note e)	6,306	6,128
Trustee-Manager management fees (Note f)		
- Base fee	23,988	23,317
Global support services fees to a related company (Note g)	141,787	141,416
Information technology ("IT") support and maintenance service fees paid to a joint venture and related companies (Note h)	40,154	45,568
Telecommunication charges paid to related companies (Note i)	1,527	6,188
Security guards service fees paid to a related company (Note j)	9,517	10,149

Notes:

(a) Container handling fees received from joint ventures, an associated company 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) A loan of HK$120,000,000 (2017: HK$300,000,000) provided to a joint venture is interest bearing at HIBOR plus 2.1% per annum (2017: HIBOR plus 5.0% per annum). Another loan of RMB300,000,000, approximate to HK$342,000,000 (2017: RMB265,000,000, approximate to HK$315,350,000) provided to an associated company is unsecured, interest bearing at a fixed rate of 4.0% per annum (2017: fixed rate of 2.3% per annum).

(e) Container handling charges and operating lease rentals paid to joint ventures, associated companies and related companies were charged at terms pursuant to relevant agreements.

(f) 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 2018 is payable in cash. As the December 2018 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.

(g) Global support services fees in respect of administration services, and licence for certain intellectual property rights were charged at prices and terms mutually agreed.

(h) IT support and maintenance services fees in respect of the support and maintenance of IT systems paid to a joint venture and related companies were charged at prices and terms mutually agreed.

Notes to the Financial Statements

29 Related parties transactions (Continued)

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

Notes: (Continued)

(i) Telecommunication charges paid to related companies were charged at prices and terms mutually agreed.

(j) 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 2018, the Group sales and acquired fixed assets to/from an associated company and related companies which were charged at prices and terms mutually agreed as below:

	2018 HK$'000	2017 HK$'000
Sales of fixed assets to an associated company and a related company	15,399	–
Purchases of fixed assets from related companies	28,049	21,583

(iii) Co-Management with joint ventures

Pursuant to a Co-Management Agreement entered into by Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited and Asia Container Terminals Limited, 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 (North) in Kwai Tsing. The revenue and expenses from the management and operation of the facilities of the combined terminal are allocated among Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited and Asia Container Terminals Limited 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:

	2018 HK$'000	2017 HK$'000
Salaries and employee benefits	30,158	30,379

30 Financial risk and capital management

(a) Cash management and funding

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

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

Notes to the Financial Statements

30 Financial risk and capital management (Continued)

(b) Capital management

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

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

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

At 31 December 2018, total equity amounted to HK$46,668,159,000 (2017: HK$60,321,906,000), and consolidated net debt of the Group was HK$25,123,116,000 (2017: HK$25,931,428,000).

(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.

The ECL on trade receivables are calculated using a provision matrix where a provision rate applies based on its historical observed default rates. On that basis, no additional ECL was recognised as at 31 December 2018 and 1 January 2018 (on the adoption of HKFRS 9).

(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$11,344,000 (2017: HK$12,405,000).

The Group has entered into cross currency interest rate swap contracts and interest rate swap contracts to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The effects of the interest rate swap contracts and cross currency interest rate swap contracts on the Group's financial position and performance are as follows:

	2018 HK$'000	2017 HK$'000
Carrying amount (liabilities)	(146,496)	(59,413)
Notional amount	11,700,000	7,800,000
Maturity date	March 2020 to March 2023	March 2018 to March 2020
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	(74,620)	(15,657)
Change in value of hedged item used to determine hedge effectiveness	74,620	15,657

Notes to the Financial Statements

30 Financial risk and capital management (Continued)

(e) Foreign currency exposure

The Group has entered into cross currency interest rate swap contracts to hedges its foreign currency exposure in respect of bank borrowings denominated in United States dollars.

The effects of the cross currency interest rate swap contracts on the Group's financial position and performance are as follows:

	2018 HK$'000	2017 HK$'000
Carrying amount (liabilities)	(80,725)	(1,214)
Notional amount	7,800,000	3,900,000
Maturity date	September 2022 to March 2023	September 2022
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	(26,416)	(1,214)
Change in value of hedged item used to determine hedge effectiveness	26,416	1,214

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	
	2018 HK$'000	2017 HK$'000
Renminbi	26,059	23,638
United States dollar	(1,108,387)	(1,126,215)
Singapore dollar	(103)	(426)
Others	3	10
	(1,082,428)	(1,102,993)

Notes to the Financial Statements

30 Financial risk and capital management (Continued)

(f) Liquidity exposure

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

Group	Contractual maturities				
	Carrying Amounts HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000
2018					
Trade and other payables	5,928,221	5,928,221	5,928,221	–	–
Bank and other debts, and other non-current liabilities	31,753,837	31,681,451	2,557,927	29,116,684	6,840
	37,682,058	37,609,672	8,486,148	29,116,684	6,840
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

The table for the Group above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$943,504,000 (2017: HK$714,793,000) in "within 1 year" maturity band, HK$1,731,732,000 (2017: HK$1,549,349,000) in "within 2 to 5 years" maturity band, HK$152,000 (2017: HK$1,111,000) 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
2018				
Trade and other payables	20,555	20,555	20,555	–
2017				
Trade and other payables	30,312	30,312	30,312	–

(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).

Notes to the Financial Statements

30 Financial risk and capital management (Continued)

(g) Fair value estimation (Continued)

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2018					
Listed equity security	17	39,150	–	–	39,150
River Ports Economic Benefits	17	–	–	428,600	428,600
Fair value hedges					
Interest rate swaps	24	–	(60,319)	–	(60,319)
Cash flow hedges					
Cross currency interest rate swaps	24	–	(80,725)	–	(80,725)
Interest rate swaps	24	–	(16,535)	–	(16,535)
		39,150	(157,579)	428,600	310,171

	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

The fair value of the cross currency interest rate swaps and interest rate swaps included in level 2 category above are estimated using the present value of the estimated future cash flows based on observable yield curves. 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 2018 and 2017, there were no transfers between the Level 1, Level 2 and Level 3 fair value measurements.

At 31 December 2018, the fair value of bank and other debts (note 22) was HK$31,403.9 million (31 December 2017: HK$32,514.3 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 2018 and 2017 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held 2018	Effective interest held 2017
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 2018 and 2017 are as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held 2018	Effective interest held 2017
Hutchison Ports Yantian Limited(1)	Hong Kong	Investment holding	HK$10,000,000	79.45%	79.45%
Wattrus Limited(1)	British Virgin Islands	Investment holding	32 “A” shares of US$1 each 593 “B” shares of US$1 each	94.88%	94.88%
Sigma Enterprises Limited(1)	British Virgin Islands	Investment holding	2,005 “A” shares of US$1 each 8,424 “B” shares of US$1 each	79.45%	79.45%
Hutchison Ports Yantian Investments Limited(2)	British Virgin Islands	Investment holding	200 ordinary shares of US$1 each	100%	100%
Birrong Limited(2)	British Virgin Islands	Investment holding	10,000 ordinary shares of US$1 each	100%	100%
Hutchison Shenzhen East Investments Limited(2)	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%	100%

(1) Audited by PricewaterhouseCoopers network firms

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

Appointment of auditors

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

(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.

Notes to the Financial Statements

31 List of subsidiary companies of the Group (Continued)

(b) Material non-controlling interests (Continued)

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

Summarised statement of financial position

	2018 HK$'000	2017 HK$'000
Non-current assets	65,581,163	67,179,233
Current assets	6,597,197	6,680,448
Total assets	72,178,360	73,859,681
Non-current liabilities	8,401,928	10,618,872
Current liabilities	4,908,406	4,097,165
Total liabilities	13,310,334	14,716,037

Summarised income statement

	2018 HK$'000	2017 HK$'000
Revenue and other income	7,403,373	7,249,875
Net profit for the year	2,957,592	2,854,074

Summarised statement of cash flows

	2018 HK$'000	2017 HK$'000
Net change in cash and cash equivalents	242,387	2,096,077
Dividends paid to non-controlling interests	1,340,089	1,050,073

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

32 Subsequent event

On 8 January 2019, Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited entered into a Hong Kong Seaport Joint Operating Alliance Agreement regarding the terms on which they will collaborate with each other for the efficient management and operation of the 23 berths in Kwai Tsing, New Territories, Hong Kong.

33 Approval of the financial statements

The financial statements set out on pages 87 to 142 were approved by the Board of Directors of the Trustee-Manager for issue on 12 February 2019.

Statistics of Unitholdings

As at 1 March 2019

There were 8,711,101,022 units (voting rights: 1 vote per unit) in issue as at 1 March 2019. There is only one class of units in HPH Trust. There were no treasury units held by HPH Trust.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	13	0.04	264	0.00
100 - 1,000	3,154	8.85	3,031,909	0.04
1,001 - 10,000	18,777	52.67	95,945,403	1.10
10,001 - 1,000,000	13,599	38.14	826,977,735	9.49
1,000,001 AND ABOVE	109	0.30	7,785,145,711	89.37
TOTAL	**35,652**	**100.00**	**8,711,101,022**	**100.00**

SUBSTANTIAL UNITHOLDERS

Based on Register of Substantial Unitholders as at 1 March 2019

		Direct interest		Deemed interest	
	Unitholders	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)	315,764,400	3.62	905,364,000	10.39
6.	Temasek Holdings (Private) Limited (4)	–	–	1,221,272,773	14.02

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 1 March 2019

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	1,583,489,526	18.18
3	PORTCAPITAL LIMITED	905,364,000	10.39
4	DBS NOMINEES (PRIVATE) LIMITED	632,707,210	7.26
5	PSA INTERNATIONAL PTE LTD	330,814,600	3.80
6	RAFFLES NOMINEES (PTE.) LIMITED	329,340,287	3.78
7	DBSN SERVICES PTE. LTD.	315,118,332	3.62
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	248,997,055	2.86
9	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	225,811,877	2.59
10	HSBC (SINGAPORE) NOMINEES PTE LTD	194,653,615	2.23
11	DB NOMINEES (SINGAPORE) PTE LTD	72,124,009	0.83
12	UOB KAY HIAN PRIVATE LIMITED	43,498,039	0.50
13	OCBC SECURITIES PRIVATE LIMITED	40,596,811	0.47
14	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	38,635,531	0.44
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	34,317,335	0.39
16	MERRILL LYNCH (SINGAPORE) PTE. LTD.	31,464,183	0.36
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	31,073,689	0.36
18	PHILLIP SECURITIES PTE LTD	27,580,831	0.32
19	BPSS NOMINEES SINGAPORE (PTE.) LTD.	23,442,871	0.27
20	GOH KIA SENG	19,136,500	0.22
	TOTAL	**7,534,393,323**	**86.49**

FREE FLOAT

Based on the information made available to the Trustee-Manager, as at 1 March 2019, approximately 55.88% 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 2018	5,767,649,279	0.420	0.565	0.230	0.325

Glossary

A	
ABAC	Anti-bribery and anti-corruption
AC or Audit Committee	Audit Committee of the Trustee-Manager
ACRA Code	Accounting and Corporate Regulatory Authority Code
ACT	Asia Container Terminals
AFLAS	Asian Freight, Logistics and Supply Chain
APS	Asia Port Services Limited
B	
Board	Board of Directors
BTR	Business Trust Regulations 2005
BTA	Business Trusts Act, Chapter 31A of Singapore
C	
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating units
China Med	Hutchison China MediTech Limited
CISPROS	Continual Improvement Safety Programme Recognition of System
CKHH	CK Hutchison Holdings Limited
CKI	CK Infrastructure Holdings Limited
Code	The Code of Corporate Governance 2012
COSCO-HIT	COSCO-HIT Terminals
COSCO SHIPPING Ports	COSCO SHIPPING Ports Limited
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPD	Continuous Professional Development
D	
DPU	Distribution per unit
E	
ECL	Expected credit loss
ERM	Enterprise risk management
ESG	Environmental, social and governance
F	
FVOCI	Fair value through other comprehensive income
G	
Group	HPH Trust group of companies
GHG	Greenhouse gas
GRI	Global Reporting Initiative

Glossary

H	
HICT	Huizhou International Container Terminals
HIT	Hongkong International Terminals
HKAS	Hong Kong Accounting Standards
HKFRS	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
HKMD	Hong Kong Marine Department
HPH	Hutchison Port Holdings Limited
HPH Trust	Hutchison Port Holdings Trust
HTHKH	Hutchison Telecommunications Hong Kong Holdings Limited
Hutchison Logistics	HPH E.Commerce Limited
I	
IFRS	International Financial Reporting Standard
ISAs	International Standards on Auditing
J	
Jiangmen Terminal	Jiangmen International Container Terminals
M	
Management	The management of HPH Trust
N	
Nanhai Terminal	Nanhai International Container Terminals
NLAT	Net loss after tax
NPAT	Net profit after tax
O	
ORSO	Occupational Retirement Schemes Ordinance
OSHC	Occupational Safety and Health Council
p	
PRD	Pearl River Delta
PwC	PricewaterhouseCoopers LLP
Q	
QC(s)	Quay crane(s)
R	
RCI	Remote Container Inspection
RMGC(s)	Rail-mounted gantry crane(s)
RTGC(s)	Rubber-tyred gantry crane(s)
ROFR	Right of first refusal

Glossary

S	
SGX	Singapore Exchange
SGX-ST	Singapore Exchange Securities Trading Limited
SGX-ST Listing Manual	The Listing Manual of Singapore Exchange Securities Trading Limited
SHICD	Shenzhen Hutchison Inland Container Depots Co., Limited
SPP	Super Post Panamax
STI	Straits Times Index
T	
TEU(s)	Twenty-foot equivalent unit(s)
Trust	Hutchison Port Holdings Trust
Trust Deed	The deed of trust dated 25 February 2011 and amended by the first supplemental deed dated 28 April 2014
Trustee-Manager	Hutchison Port Holdings Management Pte. Limited
Y	
Yantian	Yantian district in Shenzhen
YANTIAN	Yantian International Container Terminals

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