HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

(A limited liability company incorporated in the Republic of Singapore under the Companies Act, Chapter 50 of Singapore)

(Company registration number: 201100749W)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

General Information

Hutchison Port Holdings Management Pte. Limited

DIRECTORS

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

JOINT COMPANY SECRETARIES

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

REGISTERED OFFICE

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

PricewaterhouseCoopers LLP

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Directors' Statement

The directors of Hutchison Port Holdings Management Pte. Limited (the "Company") present their statement to the shareholders, together with the audited financial statements of the Company for the year ended 31 December 2018.

In the opinion of the directors,

(a) the financial statements as set out on pages 7 to 21 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and the financial performance, cash flows and changes in equity of the Company for the financial year covered by the financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement 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 shares and debentures

Neither at the end of nor at any time during the year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50 of Singapore, none of the directors holding office at the end of the year (or during the year) had any interest in shares in, or debentures of, the Company or its related corporations, except 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
Hutchison Telecommunications (Australia) Limited				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	100,000	100,000	5,000,000	5,000,000
Hutchison Telecommunications Hong Kong Holdings Limited				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	–	–	1,202,380	1,202,380

Directors' Statement

Directors' interests in shares or debentures (Continued)

	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
Hutchison China MediTech Limited ("HCML")				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	–	–	26,740	26,740
Ms. Edith Shih	70,000	70,000	–	–
- American Depositary Shares[(1)]				
Ms. Edith Shih	100,000	100,000	–	–
Mr. Graeme Allan Jack	–	–	3,000	–
CK Infrastructure Holdings Limited				
- Number of ordinary shares				
Mr. Kevin Anthony Westley	–	–	4,000	4,000
Hutchison Whampoa International (09) Limited				
- 7.625% Notes due 2019				
Ms. Edith Shih	A nominal amount of US$300,000	A nominal amount of US$300,000	–	–
Hutchison Whampoa International (11) Limited				
- 4.625% Notes due 2022				
Ms. Edith Shih	A nominal amount of US$250,000	A nominal amount of US$250,000	–	–
CK Hutchison Holdings Limited				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	–	–	5,111,438	5,111,438
Ms. Edith Shih	52,125	52,125	5,062	5,062

(1) Each representing 0.5 HCML ordinary share

Share options

There were no share options granted during the year to anyone to take up unissued shares of the Company.

No shares have been issued during the year by virtue of the exercise of share options to take up unissued shares of the Company.

There were no unissued shares of the Company under share option at the end of the year.

Directors' Statement

Independent auditor

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

On behalf of the directors

Ip Sing Chi Director	**Tsim Sin Ling, Ruth** Director

12 February 2019

Independent Auditor's Report

To the Members of Hutchison Port Holdings Management Pte. Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Hutchison Port Holdings Management Pte. Limited (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, cash flows and changes in equity of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of cash flows for the year then ended;
- the statement of changes in equity 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 Singapore Standards on Auditing ("SSAs"). 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 Company 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 1 to 3 but does not include the financial statements and our auditor's report thereon.

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.

Independent Auditor's Report

To the Members of Hutchison Port Holdings Management Pte. Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company'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 SSAs 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 SSAs, 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 Company'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 Company'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 Company 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.

We communicate with the directors 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.

Independent Auditor's Report

To the Members of Hutchison Port Holdings Management Pte. Limited

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 12 February 2019

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue and other income	3	24,115	23,377
Staff costs		(3,294)	(3,272)
Other operating expenses		(5,533)	(5,117)
Total operating expenses		(8,827)	(8,389)
Profit before tax	4	15,288	14,988
Taxation	5	(2,486)	(2,169)
Profit and total comprehensive income for the year		12,802	12,819
Dividend	6	15,000	20,000

Statement of Financial Position

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current asset			
Fixed assets	7	–	–
Current assets			
Cash and cash equivalents	8	9,988	11,769
Trade and other receivables	9	12,423	12,176
		22,411	23,945
Current liabilities			
Trade and other payables	10	3,710	2,977
Current tax liabilities		2,481	2,550
		6,191	5,527
Net current assets		16,220	18,418
Net assets		16,220	18,418
EQUITY			
Share capital	11	100	100
Retained profits		16,120	18,318
Total equity		16,220	18,418

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Operating activities			
Net cash generated from operations	12	15,774	20,375
Tax paid		(2,555)	(3,098)
Net cash from operating activities		13,219	17,277
Financing activity			
Dividend paid	6	(15,000)	(20,000)
Net cash used in financing activity		(15,000)	(20,000)
Net changes in cash and cash equivalents		(1,781)	(2,723)
Cash and cash equivalents at beginning of the year		11,769	14,492
Cash and cash equivalents at end of the year		9,988	11,769

Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000	Retained profits HK$'000	Total HK$'000
2018			
Balance at 1 January 2018	100	18,318	18,418
Profit and total comprehensive income for the year	–	12,802	12,802
Transactions with owners:			
Dividend (Note 6)	–	(15,000)	(15,000)
Balance at 31 December 2018	100	16,120	16,220
2017			
Balance at 1 January 2017	100	25,499	25,599
Profit and total comprehensive income for the year	–	12,819	12,819
Transactions with owners:			
Dividend (Note 6)	–	(20,000)	(20,000)
Balance at 31 December 2017	100	18,318	18,418

Notes to the Financial Statements

1 General information

Hutchison Port Holdings Management Pte. Limited (the "Company") is a limited liability company incorporated in the Republic of Singapore on 7 January 2011 under the Companies Act, Chapter 50 of Singapore. The Company's immediate holding company is CK Hutchison Global Investments Limited, its ultimate holding company is CK Hutchison Holdings Limited, which is incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as the Trustee-Manager of Hutchison Port Holdings Trust ("HPH Trust") and has dual responsibilities in safeguarding the interests of unitholders and managing the business of HPH Trust.

The registered office address of the Company is at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

2 Significant accounting policies

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. However, there are no areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements.

Adoption of standards and amendments to existing standards

The Company has adopted all of the new and revised standards, amendments and interpretations issued by the Accounting Standards Council that are relevant to the Company'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.

FRS 109 Financial Instruments

FRS 109 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 Company 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.

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.

Notes to the Financial Statements

2 Significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

FRS 109 Financial Instruments (Continued)

(i) Changes in accounting policies (Continued)

Impairment of financial assets

FRS 109 replaces the 'incurred loss' impairment model in FRS 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 FRS 115 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 Company applies the simplified approach permitted by FRS 109, 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 Company 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 FRS 109 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

There will be no impact on the Company's accounting for financial investments as the Company does not have any such financial investments.

Classification of loans and receivables

The Company'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 Company's significant financial assets, such as trade receivables, are subject to the new ECL model. The Company applies the simplified approach to provide for ECL prescribed by FRS 109, which requires the use of the lifetime expected losses for all trade receivables. The adoption of the simplified expected loss approach under FRS 109 has not resulted in any material impact to the carrying value of trade receivables as at 1 January 2018.

Notes to the Financial Statements

2 Significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

FRS 109 Financial Instruments (Continued)

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

Hedge accounting

Generally, more hedge relationships might be eligible for hedge accounting under FRS 109, as the standard introduces a more principles-based approach. However, there will be no impact on the Company's accounting for hedge accounting as the Company does not have any such hedge relationships.

FRS 115 Revenue From Contracts With Customers

FRS 115 Revenue from Contracts with Customers establishes a framework for determining whether, how much and when revenue is recognised. Under FRS 115, 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 Company'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 Company 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.

Management and service fee income is recognised over time along with the progress when service is rendered.

(ii) Effects of changes in accounting policies

The Company has elected the modified retrospective approach for transition to the new revenue standard. However, there is no significant impact on the Company'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 are not adjusted in respect to the adoption of FRS 115.

Notes to the Financial Statements

2 Significant accounting policies (Continued)

Standards, amendments and interpretations which are not yet effective

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

Amendments to FRS 109[(1)]	Prepayment Features with Negative Compensation
Amendments to FRS 28[(1)]	Long-term Interests in Associates and Joint Ventures
FRS 116[(1)]	Leases
Annual improvements to FRS 103, FRS 111, FRS 112 and FRS 23[(1)]	Annual improvement 2018
Amendments to FRS 19[(1)]	Employee Benefits
Amendments to FRS 103[(2)]	Business combinations
Amendments to FRS 110 and FRS 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

FRS 116 Leases

FRS 116 specifies how an entity will recognise, measure, present and disclose leases. FRS 116 is mandatory for the Company'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 FRS 116, 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 FRS 116's approach to lessor accounting substantially unchanged from its predecessor FRS 17. The Company is currently assessing the impact of FRS 116 and it is not expected that there would have a material impact to the financial statements on the date of adoption. However, it is anticipated that the application of FRS 116 in the future may impact the Company's financial statements.

Other than the new standard 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 Company.

(a) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets 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:

Furniture and fixtures	Over the lease term of office premise
Computer equipment	5 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.

Notes to the Financial Statements

2 Significant accounting policies (Continued)

(a) Fixed assets (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(b) Asset impairment

Impairment of financial assets

The Company applies the ECL model to assess impairment of financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under FRS 115 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 Company applies the simplified approach permitted by FRS 109, 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 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 profit or loss 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 recognised in other comprehensive income.

(c) 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 expected credit losses.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits with maturity less than three months.

(e) 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.

(f) Provisions

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

Notes to the Financial Statements

2 Significant accounting policies (Continued)

(g) Foreign exchange

(i) Functional and presentation currency

The financial statements are presented in Hong Kong dollar whereas the functional of the Company is in United States dollar.

(ii) Transactions and balances

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 reporting period. Exchange differences are included in the determination of profit or loss.

(h) Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the country where the Company operates and generates 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.

(i) 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 under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(j) Revenue 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 Company'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.

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

Management and service fee income is recognised over time along with the progress when service is rendered.

Notes to the Financial Statements

3 Revenue and other income

	2018 HK$'000	2017 HK$'000
Revenue		
Management and service fee income	23,988	23,317
Other income		
Interest income	127	60
	24,115	23,377

4 Profit before tax

Profit before tax is stated after charging the following:

	2018 HK$'000	2017 HK$'000
Operating lease rentals on office premise	179	173
Staff costs	3,294	3,272
Directors' fees	4,758	4,758

5 Taxation

	2018 HK$'000	2017 HK$'000
Current tax:		
Current tax on profits for the year	2,481	2,404
Under/(over) provision in prior year	5	(235)
	2,486	2,169

The tax charge on the Company's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	15,288	14,988
Tax calculated at Singapore standard rate of income tax of 17% (2017: 17%)	2,599	2,548
Tax exemption	(205)	(209)
Expenses not deductible for tax purposes	109	75
Income not subject to tax	(22)	(10)
Under/(over) provision in prior year	5	(235)
	2,486	2,169

Notes to the Financial Statements

6 Dividend

	2018 HK$'000	2017 HK$'000
Interim dividend paid of HK$1.5 (2017: HK$2) per share	15,000	20,000

7 Fixed assets

	Furniture and fixtures HK$'000	Computer equipment HK$'000	Total HK$'000
2018			
At 1 January 2018	–	–	–
Depreciation	–	–	–
At 31 December 2018	–	–	–
At 31 December 2018			
Cost	124	34	158
Accumulated depreciation	(124)	(34)	(158)
Net book value	–	–	–
2017			
At 1 January 2017	–	–	–
Depreciation	–	–	–
At 31 December 2017	–	–	–
At 31 December 2017			
Cost	124	34	158
Accumulated depreciation	(124)	(34)	(158)
Net book value	–	–	–
At 1 January 2017			
Cost	124	34	158
Accumulated depreciation	(124)	(34)	(158)
Net book value	–	–	–

8 Cash and cash equivalents

	2018 HK$'000	2017 HK$'000
Cash at bank	1,988	1,769
Short-term bank deposits	8,000	10,000
	9,988	11,769

Notes to the Financial Statements

8 Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	2018 Percentage	2017 Percentage
Hong Kong dollar	92%	93%
United States dollar	4%	3%
Singapore dollar	4%	4%
	100%	100%

9 Trade and other receivables

	2018 HK$'000	2017 HK$'000
Trade receivables from HPH Trust	12,405	12,164
Other receivables	18	12
	12,423	12,176

Trade and other receivables are mainly denominated in United States dollar and the carrying amounts approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables.

10 Trade and other payables

Trade and other payables are mainly denominated in United States dollar and the carrying amounts approximate their fair values.

11 Share capital

	Number of shares	HK$
At 31 December 2017 and 2018	10,000,000	100,001

12 Net cash generated from operations

Reconciliation of profit before tax to net cash generated from operations:

	2018 HK$'000	2017 HK$'000
Profit before tax before working capital changes	15,288	14,988
(Increase)/decrease in trade and other receivables	(247)	5,642
Increase/(decrease) in trade and other payables	733	(255)
Net cash generated from operations	15,774	20,375

Notes to the Financial Statements

13 Operating lease commitments

The Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Within one year	59	173
Between two to five years	–	58
	59	231

14 Related parties transactions

Significant transactions between the Company and related parties during the year that are carried out in the normal course of business are disclosed below:

(i) Income from and expense to related parties

	2018 HK$'000	2017 HK$'000
Income:		
Management fees received from HPH Trust (Note a)		
- Base fee	23,988	23,317
Expense:		
Rental expenses (Note b)	179	173

Notes:

(a) Management fees were charged in accordance with the trust deed dated 25 February 2011 and the first supplemental deed dated 28 April 2014 for HPH Trust (collectively, "Trust Deed"). The base fee was charged at a fixed fee of US$2,500,000 (equivalent to approximately 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 period.

(b) Operating lease rental paid to a related company was charged at terms pursuant to the relevant agreement.

(ii) Key management compensations

Key management includes directors, the Chief Executive Officer and the Chief Financial Officer. The compensation paid or payable to key management for employee services is shown below:

	2018 HK$'000	2017 HK$'000
Salaries and directors' fees	6,807	6,760

Notes to the Financial Statements

15 Financial risk and capital management

The major financial instruments of the Company include cash and cash equivalents, trade and other receivables and trade and other payables. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risk management programme of the Company is designed to minimise the financial risks of the Company. These risks include credit risk and foreign currency risk.

(a) Cash management and funding

The management of the Company regularly and closely monitors its overall net cash position and reviews its funding costs and maturity profile.

(b) Capital management

The Company's strategy is to ensure optimal returns to shareholders, while maintaining sufficient flexibility to implement growth strategies.

(c) Credit exposure

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

(d) Foreign currency exposure

Currency risk arises on financial instruments denominated in a currency that is not the functional currency and being of a monetary nature.

The Company does not have significant foreign currency exposure as Hong Kong dollar is pegged to United States dollar.

16 Approval of the financial statements

The financial statements set out on pages 7 to 21 were approved by the Board of Directors of the Company for issue on 12 February 2019.