



# OPTIMISING FOR THE FUTURE

HUTCHISON PORT HOLDINGS TRUST  
ANNUAL REPORT 2015



HPHT

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OUR EYES ARE  
ON THE FUTURE





# Strengthening relationships with our partners



# Corporate Milestones



## JAN

### YICT achieved the 123,456,789th TEU milestone

On 28 January 2015, YICT reached the auspicious milestone of handling its 123,456,789th TEU since operations began in 1994. A celebration was organised on-site to commemorate the special achievement featuring the unveiling of a model made out of the nine digits.

## FEB

### HIT awarded Green Medal at the Hang Seng Pan Pearl River Delta Environmental Awards

HIT was awarded a Green Medal at the Hang Seng Pan Pearl River Delta Environmental Awards in February 2015. The award recognises and encourages sound environmental practices by manufacturing companies, including those in the transportation and logistics sector. The award ceremony was jointly organised by the Federation of Hong Kong Industries and Hang Seng Bank.



## APR

### YICT won China Ports and Harbors Association awards

On 25 April 2015, the Container Branch of the China Ports and Harbors Association presented YICT with five awards for its performance in 2014. The awards included:

- Container Terminal with Annual Throughput Exceeding Ten Million TEU in China
- Container Terminal with Single Vessel Productivity Exceeding 100 Containers per Hour in China
- Top 7 Container Terminals in terms of Total Container Volume by Intermodal Services in China
- Container Terminal with Transshipment Throughput Exceeding 1.7 Million TEU in China
- Container Terminal with International Transshipment Throughput Exceeding 1.4 Million TEU in China



## JUN

### YICT received four mega-vessels simultaneously

On 19 June 2015, YICT received three 18,000-plus TEU mega-vessels and one 11,000-plus TEU mega-vessel simultaneously for the first time. The three 18,000-plus TEU mega-vessels were CSCL *Pacific Ocean*, *Mayview Maersk* and *Marit Maersk*, all deployed on the Asia-Europe service, and the 11,000-plus TEU mega-vessel was the CMA CGM *Cassiopeia*.



## AUG

### Delivery of electric rubber-tyred gantry cranes (eRTGCs)

At the end of August 2015, HIT received 12 new eRTGCs which were subsequently deployed to production. Similarly, YICT took delivery of 22 1-over-6 eRTGCs during the year which increase both its yard stacking capacity and container handling efficiency.





## SEP

### HIT received the *MSC Zoe*

On 21 September 2015, the 19,224 TEU *MSC Zoe* made its maiden call at HIT. With a length of 395.4 metres, and spanning 59 metres wide, *MSC Zoe* is one of the world's largest mega-vessels, and is part of the same fleet as the *MSC Oscar*, which called earlier in the year at YICT. *MSC Zoe's* arrival at HIT highlights the port's mega-vessel handling capabilities.



## OCT

### HPH Trust's Hong Kong operations celebrated its 200 millionth TEU

HPH Trust's cumulative throughput in Hong Kong reached 200 million TEU, setting a remarkable milestone for the city's container port industry.

HPH Trust hosted a celebration cocktail with over 350 guests representing the Hong Kong government, shipping line customers, industry partners and stakeholders. The Honourable Professor Anthony Cheung Bing-leung, GBS, JP, Secretary for Transport and Housing, congratulated HPH Trust at the event for its achievements and contributions to Hong Kong's economy.

The day before, an internal celebration was held to commemorate the occasion. Staff from HIT, COSCO-HIT, ACT and Portfolio Ancillary Services as well as external contractors attended the event.



## NOV

### New generation QCs enhanced port capabilities

HIT welcomed the arrival of two additional Super Post-Panamax quay cranes (QCs) in November 2015, in response to growing customer requirements and container vessel sizes. The first of their kind in Southern China, these cranes can handle a width of 23 rows of containers and have a lifting capacity of 70 tonnes. Similarly, YICT also received four new QCs. With a higher lifting height of 52 metres and a larger outreach of 70 metres, the new QCs will accommodate the increasing number of mega-vessels from around the world.

With these new additions, existing QCs were also re-designated under a broader berthing strategy to enhance the Trust's ability to service the largest container ship type today.

### ACT took delivery of 10 hybrid RTGCs

ACT took delivery of 10 new hybrid RTGCs in November 2015. In a drive to reduce emissions and increase efficiency at the port, the new RTGCs utilise the latest technologies to maximise fuel usage while reducing emissions. Compared to traditional cranes, lifting capabilities are improved without sacrificing absolute speed.

# Trust Profile



## HPH TRUST

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

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

Currently, HPH Trust owns interests in four<sup>1</sup> market-leading, best-in-class, deep-water container ports strategically located in Kwai Tsing in Hong Kong and Shenzhen in China, two of the world’s busiest port destinations. In 2015, its terminals operate 32 container berths across 543 hectares of land, with a combined throughput of approximately 23.9 million twenty-foot equivalent units (“TEU”).

The Trust’s core port operations are supported by complementary river ports and ancillary services, which provide customers with seamless supply chain solutions for both imports and exports. HPH Trust holds economic benefits in two river ports in China (“River Ports Economic Benefits<sup>2</sup>”), namely Jiangmen International Container Terminals Limited (“Jiangmen Terminal”) and Nanhai International Container Terminals Limited (“Nanhai Terminal”) (together, the “River Ports”). It 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”), which offers 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. The Trustee-Manager has the dual responsibility of safeguarding the interests of unitholders and managing HPH Trust’s businesses. The key objective of the Trustee-Manager is to provide unitholders with stable and regular distributions and long-term growth in distributions per unit (“DPU”).

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

<sup>1</sup> Namely Hongkong International Terminals (“HIT”), COSCO-HIT Terminals (“COSCO-HIT”), Asia Container Terminals (“ACT”) and Yantian International Container Terminals (“YICT”)

<sup>2</sup> 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

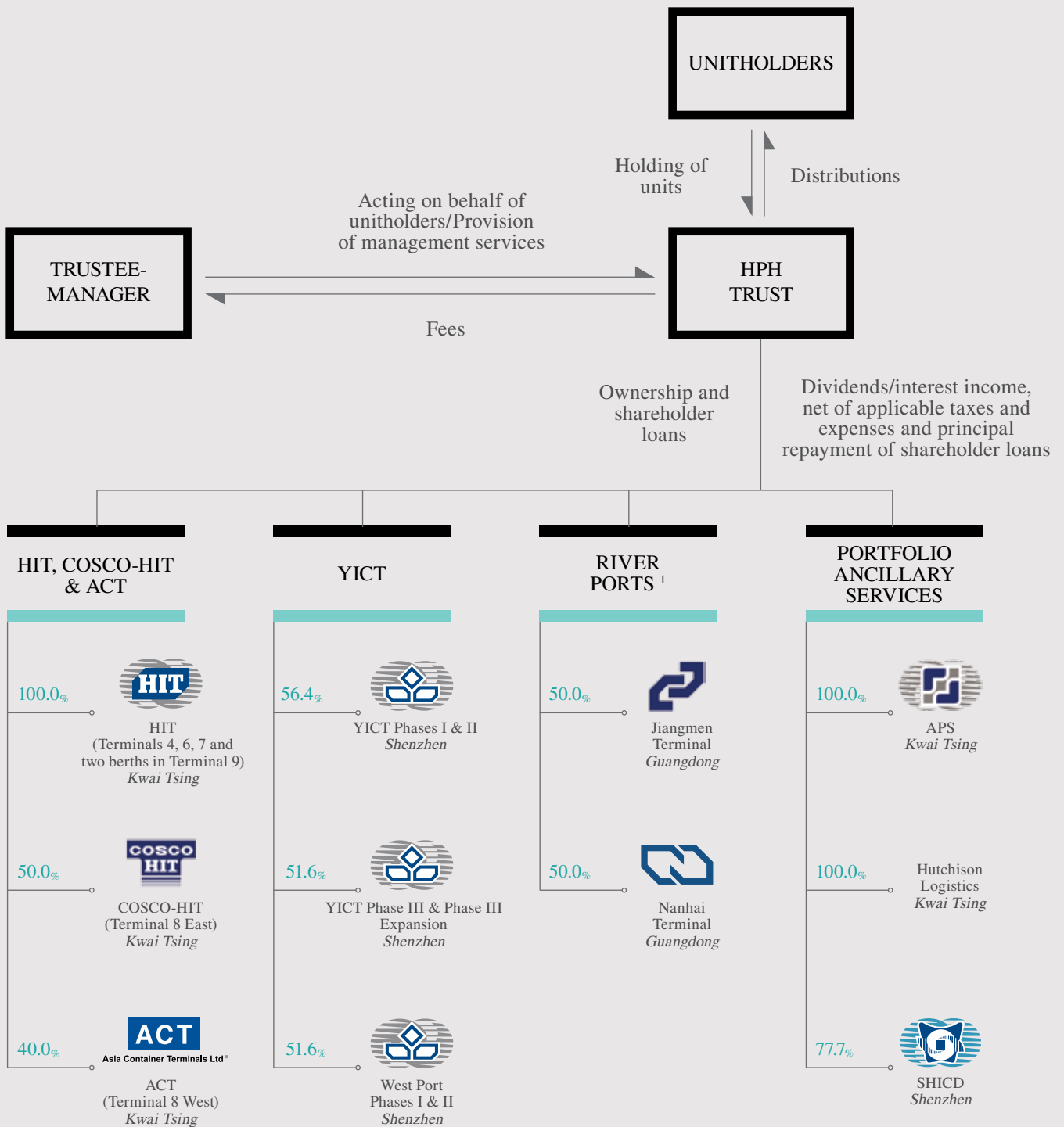
DID YOU  
KNOW ?

Fun Fact

HIT first began operations in 1969 – the same year that mankind first landed on the moon!



# Corporate Structure



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

# Portfolio Overview

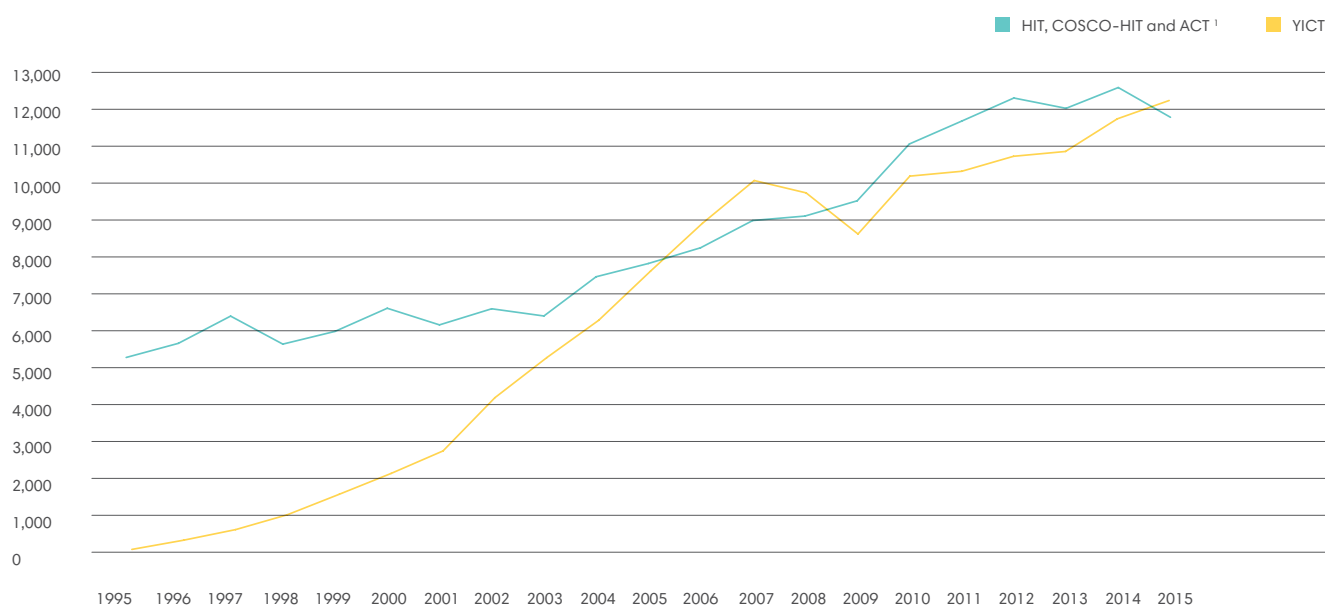
“A testament to its success, the Trust celebrated the handling of its 200 millionth TEU at its Hong Kong container terminal operations, and the successful simultaneous reception of four mega-vessels at YICT, the Trust’s terminal in Shenzhen, in 2015.”

HPH Trust remains one of the leading global container port operators, with 32 berths spanning a total of 543 hectares, handling a combined throughput of 23.9 million TEU in 2015. Strategically located within the key trading hubs of PRD, the Trust’s assets are well-poised to offer its customers unparalleled geographical connectivity to the rest of the world. These main assets comprise Hongkong International Terminals (“HIT”), COSCO-HIT Terminals (“COSCO-HIT”), Asia Container Terminals (“ACT”) and Yantian International Container Terminals (“YICT”).

The Trust’s competitive advantage stems from locations with natural, deep-water channels and berths that can accommodate mega-vessels in excess of 10,000 TEU in capacity. In June 2015, YICT, the Trust’s terminal in Shenzhen, achieved a significant milestone with the concurrent reception of four mega-vessels (of which three were 18,000-plus TEU container vessels) at its facility. The four mega-vessels were the *CSCL Pacific Ocean*, *Mayview Maersk*, *Marit Maersk* and *CMA CGM Cassiopeia* – all of which were deployed on Asia-Europe routes. To date, the Trust remains the only port operator in the region that can manage four vessels of such scale simultaneously.



## THROUGHPUT OF HPH TRUST'S ASSETS (1995 - 2015) TEU IN THOUSAND



**Note:**

The published statistics from the Hong Kong Marine Department ("HKMD") for the total of local and transshipment throughput incorporate liftings to or from ocean-going vessels and containers received from or delivered to ports located within the river trade zone (as defined by the HKMD) by water-borne traffic, i.e. traffic to and from the PRD via barges. The HKMD published statistics are not directly comparable to throughput figures of HIT, COSCO-HIT and ACT<sup>2</sup> shown in the above chart. From 2009 onwards, the HIT, COSCO-HIT and ACT<sup>2</sup> 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

<sup>1</sup> Included throughput volume of ACT from 7 March 2013, the date of acquisition

<sup>2</sup> From 7 March 2013, the date of acquisition

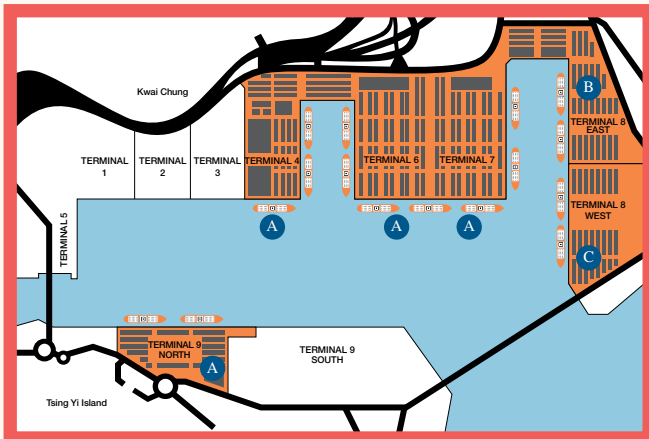


Focused on upholding best-in-class industry standards, the Trust continually strives to improve on its offerings by updating its facilities with the latest equipment and systems. Notably, the Trust uses the award-winning proprietary terminal management system, nGen, to accurately monitor vessel movements and containers in motion over both land and sea. As a testament to its experience and knowledge in port operations and vessel management, the Trust celebrated the handling of its 200 millionth TEU at its Hong Kong container terminals in October 2015, exemplifying its expertise in port operations.

To complement its terminal core operations, the Trust also operates other ancillary services across several ports in the PRD. These include logistics and supply chain solutions such as warehousing, feeder services, trucking, freight handling, cargo depots, container storage and repair, as well as transport networks across road, rail, sea and air.

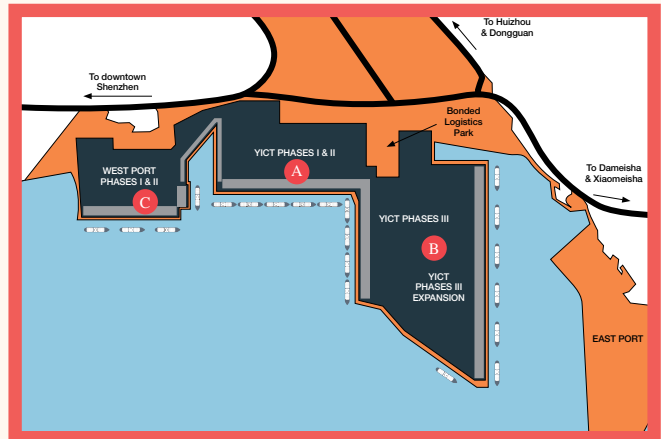
# Portfolio Overview

## KWAI TSING, HONG KONG

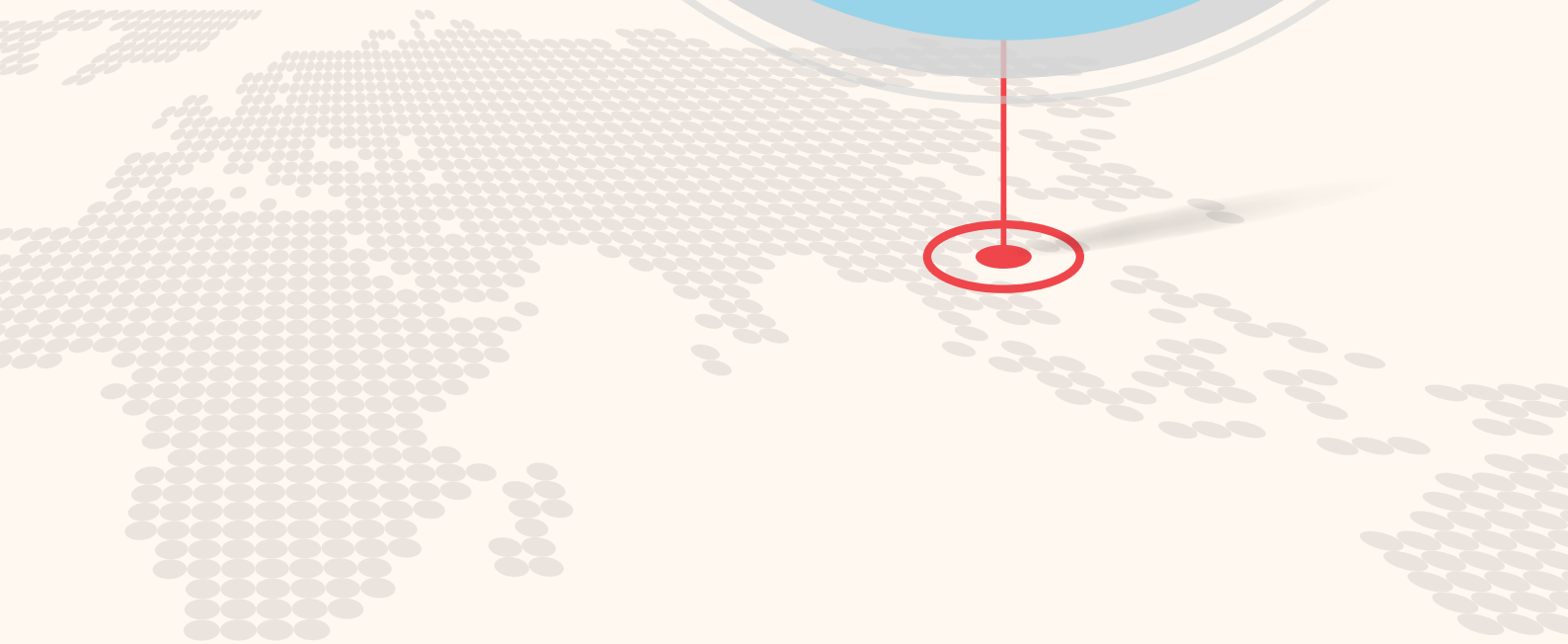


- A HIT**
  - 12 container berths across Terminals 4, 6, 7 and 9 with combined area of 111 hectares
  - 100% ownership
- B COSCO-HIT**
  - 2 container berths at Terminal 8 East with combined area of 30 hectares
  - 50/50 joint venture with COSCO Pacific Limited ("COSCO Pacific")
- C ACT**
  - 2 container berths at Terminal 8 West with combined area of 29 hectares
  - Strategic partnership among HPH Trust, COSCO Pacific and China Shipping Ports Development Co., Limited, with stakes of 40%, 40% and 20%, respectively

## SHENZHEN, CHINA



- A YICT Phases I & II**
  - Effective interests: 56.4%
  - 5 container berths and combined land area of 130 hectares
- B YICT Phase III and Phase III Expansion**
  - Effective interests: 51.6%
  - 10 container berths and combined land area of 226 hectares
  - YICT Phase III Expansion South Berth is currently under construction
- 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 and combined land area of 44 hectares. The first berth commenced operations in February 2016. The remaining two berths are currently under construction



# Portfolio Overview



## KWAI TSING, HONG KONG

Backed by a well-established legal system, pro-business policies and status as a free port, Hong Kong has built a reputation as an attractive location for businesses from all round the world. Hong Kong Port, with its natural deep-water channels and modern, reliable infrastructure, has been consistently ranked amongst the top five busiest ports globally<sup>1</sup>.

<sup>1</sup> *Alphaliner Weekly Review (Volume 2016 Issue 8)*

- Terminals efficiently managed and operated by approximately 2,100 employees and 3,500-4,000 external contractor workers daily
- Port operations are complemented by supply chain and logistics solutions providers Hutchison Logistics and APS

## HIT, COSCO-HIT AND ACT

# 16

CONTAINER  
BERTHS

# 65

QUAY  
CRANES

# 11.76

MILLION TEU IN 2015

Combined throughput  
mainly comprised cargoes  
plying Asia, US and Europe  
trade routes

# 170

HECTARES  
TOTAL LAND AREA

Close proximity, scale and  
strategically contiguous berths  
encourage operational synergies

## YICT

12.17

MILLION TEU IN 2015

Combined throughput mainly comprised cargoes along trans-Pacific and Far East-Europe trade routes

373

HECTARES  
TOTAL LAND AREA

Advanced capabilities and long contiguous berths allow simultaneous handling of multiple mega-vessels

78

QUAY  
CRANES

16

CONTAINER  
BERTHS

Note: Figures are as at 31 December 2015

## > SHENZHEN, CHINA

China's emergence as a key player in the global manufacturing scene has facilitated the success of the Trust's assets in Shenzhen.

Adjacent to Hong Kong, Shenzhen is symbolic of China's reforms in the 21st century, and serves to enhance cooperation between Hong Kong and China. Shenzhen is the gateway to Guangdong, a global manufacturing hub, and has cemented its status as a veritable force among container ports globally. It was ranked the third busiest port in the world in 2015<sup>1</sup>.

<sup>1</sup> *Alphaliner Weekly Review (Volume 2016 Issue 8)*

- Approximately 2,200 employees and 3,500-4,500 contractor workers ensure smooth day-to-day operations at the port
- Well-developed intermodal network provides smooth connectivity to and from China's burgeoning hinterland
- Dedicated rail facility connects with China's main railway network, enabling comprehensive logistical coverage across inland areas



# Key Events

## > JUN 2015

### YICT welcomed the simultaneous call of four mega-vessels

On 19 June 2015, YICT welcomed the simultaneous arrival of three 18,000-plus TEU container vessels, along with one 11,000-plus TEU vessel for the first time. The handling of the four mega-vessels, *CSCL Pacific Ocean*, *Mayview Maersk*, *Marit Maersk* and *CMA CGM Cassiopeia*, was preceded just one month before by the simultaneous handling of three 16,000-plus TEU mega-vessels. YICT's ability to handle multiple mega-vessels concurrently is unmatched by any other port in the region, and speaks volumes to the efficiency and quality of the port's staff, operational processes and facilities.



## > 2016

### New berths at YICT

West Port Phase II is an ongoing expansion project at YICT with the addition of three new berths to the port. The first berth commenced operations in February 2016. When the entire project is completed, a total area of 44 hectares will be added.

In addition, the YICT Phase III Expansion South Berth is currently under construction. The berth will increase YICT's handling capability by approximately one million TEU per year, which further cements the port as the mega-vessel hub in the region.







# OCT 2015

## HPH Trust's Hong Kong operations hit 200 millionth TEU milestone

In October 2015, the Hong Kong ports of HPH Trust reached their 200 millionth TEU throughput milestone. The landmark achievement came less than three years after YICT handled its 100 millionth TEU in January 2013, and is a testament to the efficiency of the port's operations, along with the commitment and determination of the Trust's staff. HPH Trust hosted a cocktail to celebrate the historic occasion, with Professor Anthony Cheung Bing-leung, GBS, JP, Hong Kong's Secretary for Transport and Housing, in attendance. An internal ceremony was also held at HIT to commemorate the achievement, with staff from HPH Trust's Hong Kong operations attending, along with external contractors.



### DID YOU KNOW?

#### Fun Fact

The four mega-vessels that called at YICT in June 2015 span a total length of 1,561 metres. Positioned vertically, the four mega-vessels would stretch beyond the peak of Mount Thor in Canada, the tallest cliff in the world at 1,250 metres.



# Enhancing our capacity for growth



# Letter to Unitholders

## OPTIMISING FOR THE FUTURE

“In October 2015, the Trust’s cumulative throughput in Hong Kong reached 200 million TEU – the result of hard work, a collaborative relationship with local industry and our reputation for speed, reliability and efficient terminal management.”

### CHARTING NEW GROWTH IN 2015

The Trust recorded a year of steady progress and growth, forging ahead with a strategy to expand, enhance and optimise its assets.

With the state of the global economy holding steady in 2015, albeit tinged with uncertainty in some markets, our overall throughput remained relatively consistent with past years. This enabled us to continue as one of the leading port operators in the world. During the year, we pressed on with our berth expansion plans and purchased new equipment to ensure that we remain at the forefront of technology and stepped up our efforts to optimise our operations for the future.

Economic developments in the U.S. and Europe delivered mixed messages during the year. The U.S. market started strong, with consumer spending increasing by 3.4% in 2015 after advancing 4.2% in 2014 and unemployment rates dropping from 5.6% in December 2014 to 5.0% in December 2015. The U.S. Federal Reserve also decided to raise interest rates for the first time since late 2008, showing confidence in the U.S. economic recovery. However, towards the end of 2015, the increase in outbound cargoes to the U.S. narrowed, as high inventory levels impacted shipments during the quarter.

Outbound cargoes to Europe remained soft in the first half of the year, reflecting a weak euro and fragile customer sentiment. However, in the last quarter of 2015, the decline in exports to Europe narrowed and stabilised.

The devaluation of the Renminbi added another layer of uncertainty to the market. While a weaker Renminbi is believed to be beneficial to global trade in the medium term, it nevertheless adds trade volatility in the short-term as buyers delay buying decisions to reduce exposures to currency fluctuation.

Despite the challenges in the global economy, HPH Trust managed to maintain a healthy level of DPU to Unitholders, by increasing tariffs and controlling costs effectively. These measures enabled the Trust to end the year on a strong note with solid full year results.

Full year throughput across our deep-water ports in 2015 remained stable, at only 1% below 2014’s numbers. We retained our competitive edge, reinforced our position of strength and outperformed the overall market – further proof of our resilience and the quality of our assets.

In the last quarter of 2015, we received approximately HK\$347.2 million from the realisation of our investment when HPH divested its interests in Zhuhai International Container Terminals (Jiuzhou) Limited, one of the river ports in which the Trust holds economic benefits. We received our share of the consideration from HPH for cessation of the said benefits. Not only did we recover the cost

of our initial investment in 2011, but we also recognised a gain of approximately HK\$155.5 million in the quarter.

The Trust held notable records in other respects in 2015 as well. In June, YICT simultaneously handled four mega-vessels – three 18,000-plus TEU container vessels, along with one 11,000-plus TEU vessel. This was a significant first for the Trust, reinforcing YICT's position as a mega-vessel hub in the region. As the port operator with the largest capacity to service mega-vessels in South China, YICT continues to be the preferred port-of-call for this vessel type.

Plans are underway to enhance the mega-vessel handling capabilities of our ports. The first berth of West Port Phase II commenced operations in February 2016. In 2016, we also expect the completion of the YICT Phase III Expansion South Berth, which allows us to handle the increasing number of calls from mega-vessels.

In October 2015, the Trust's cumulative throughput in Hong Kong reached 200 million TEU – the result of hard work, a collaborative relationship with local industry and our reputation for speed, reliability and efficient terminal management.

### OPTIMISING FOR THE FUTURE

Shipping lines continue to augment their mega-vessel fleets, form carrier alliances and expand the coverage of vessel-sharing schemes to achieve economies of scale, enhance efficiency and strengthen competitiveness. The rise of mega-vessels and formation of shipping alliances call for superior handling capabilities and better vessel berthing management. Capacity must be effectively managed to ensure a steady and stable supply of berths.

"Optimising for the Future" was our guiding theme for 2015. The key initiative was to continuously review and improve our internal processes and resource deployment efficiencies, leverage our advanced port infrastructure and systems to achieve and maintain world class best practices and capabilities. Through better resource planning and allocation, continuous process improvements and internal process reviews, we were able to further strengthen our core competencies and differentiate ourselves as the preferred service provider in the region.

This initiative also meant driving productivity without compromising safety standards, and maintaining profitability against a backdrop of differing economic cycles, rising costs, general volatility and unpredictable demand. In 2015, our emphasis was on deploying high-tech, intelligent port management operations and infrastructure, providing scalable solutions, nurturing a strong culture of innovation and empowering our workforce. The key highlight was our HK\$1.8

billion equipment investment plan to sustain the long-term development of the Trust's assets.

In the area of process improvement, we launched BOXplus (Building Operations Excellence), a 40-week efficiency enhancement study, at HIT. This project was the first large scale endeavour to reduce vessel turn-around time, streamline operations, enhance handling capabilities, optimise resource utilisation and crane maintenance and improve customer service. After 10 months, HIT achieved marked improvements in berth productivity and accuracy of estimated time of vessel departure, setting an important milestone in the Trust's pursuit of efficiency.

### PAVING THE WAY FORWARD

Our success is built on the effort and support from our people, who have always been the core of our operations. We therefore focused highly on staff development initiatives during the year, offering a series of educational programmes, skill competitions, apprenticeships and internships. These initiatives were designed to better empower our workforce with the latest skills and knowledge and also foster better teamwork.

Cargo volumes for 2016 are expected to remain soft given the cloudy global trade outlook and anticipated effects of a China slow-down. However, we are encouraged by gradual recoveries of economic activities, as well as improving trade relations in other markets. We anticipate a stable U.S. economic outlook for 2016 and a mild increase in U.S. outbound cargoes, but believe that volumes towards Europe will likely remain flat.

Looking ahead, the Trust will benefit from the groundwork laid in 2015 around efficiency and infrastructure improvements. As we head into 2016, we remain committed to enhancing the quality of our assets, our operational fundamentals and our returns to Unitholders. We will continue to focus on tariff and cost improvements, and work towards shaping the Trust to become even more future-ready in the years to come.

**FOK Kin Ning, Canning**  
Chairman

# Board of Directors

## MR. FOK KIN NING, CANNING

*Chairman and Non-executive Director*



Mr. FOK Kin Ning, Canning, aged 64, has been Chairman and a Non-executive Director of the Trustee-Manager since February 2011. He has been a non-executive director of CK Hutchison Holdings Limited ("CKHH") since 9 January 2015 and was re-designated as an executive director and group co-managing director of CKHH on 3 June 2015. Mr. Fok has been a director of Cheung Kong (Holdings) Limited ("Cheung Kong") since 1985 and became a non-executive director in 1993. The listing status of Cheung Kong on The Stock Exchange of Hong Kong Limited was replaced by CKHH on 18 March 2015 and he was re-designated as director of Cheung Kong on 3 June 2015. Mr. Fok has been an executive director of Hutchison Whampoa Limited ("HWL") since 1984, group managing director since 1993 and was re-designated as director on 8 June 2015 when HWL was privatised by way of a scheme of arrangement on 3 June 2015. He is also the chairman of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Power Assets Holdings Limited ("Power Assets"), HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited ("HKEIL"), co-chairman of Husky Energy Inc. ("Husky Energy"), deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI") and an alternate director to a director of HTHKH. The aforementioned 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. Mr. Fok was previously the Chairman of Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited) (resigned on 19 December 2014). He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

## DR. JOHN EDWARD WENHAM MEREDITH

*Deputy Chairman and Non-executive Director*



Dr. John Edward Wenham MEREDITH, aged 77, has been Deputy Chairman and a Non-executive Director of the Trustee-Manager since February 2011. He holds senior management positions in other companies within worldwide operations of Hutchison Port Holdings Limited ("HPH"). Dr. Meredith became a non-executive deputy chairman of HPH on 1 January 2014. He was previously a non-independent non-executive director of Westports Holdings Berhad (resigned on 16 November 2015). He graduated from the University of Southampton as a Master Mariner and holds an honorary Doctor of Laws degree awarded by the University of Western Ontario in Canada. Dr. Meredith has received a number of awards and recognitions for his services to the international maritime industry and as a pioneer in containerisation. In August 2013, he was conferred the National Decoration of Grand Officer of the Order of Vasco Núñez de Balboa from the President of Panama and in June 2011, he was awarded the Commander of the Order of the British Empire (CBE) by Queen Elizabeth II.

**MR. IP SING CHI***Executive Director*

Mr. IP Sing Chi, aged 62, has been an Executive Director of the Trustee-Manager since February 2011. He is group managing director of HPH since 2014 and chairman of Yantian International Container Terminals Limited. He is also an external director of Hyundai Merchant Marine Co., Ltd., a non-independent non-executive director of Westports Holdings Berhad and an independent non-executive director of COSCO Pacific Limited and China Shipping Development Company Limited. In addition, he was a member of the Hong Kong Port Development Council until the end of December 2014 and was the founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. He has over 35 years of experience in the maritime industry. He holds a Bachelor of Arts degree.

**MR. FRANK JOHN SIXT***Non-executive Director*

Mr. Frank John SIXT, aged 64, has been a Non-executive Director of the Trustee-Manager since February 2011. He is also a member of the Audit Committee of the Trustee-Manager. He has been a non-executive director of CKHH since 9 January 2015 and was re-designated as an executive director, group finance director and deputy managing director of CKHH on 3 June 2015. Mr. Sixt has been an executive director of Cheung Kong since 1991 and became a non-executive director in 1998. The listing status of Cheung Kong on The Stock Exchange of Hong Kong Limited was replaced by CKHH on 18 March 2015 and he was re-designated as director of Cheung Kong on 3 June 2015. He has been an executive director of HWL since 1991, group finance director since 1998 and was re-designated as director on 8 June 2015 when HWL was privatised by way of a scheme of arrangement on 3 June 2015. He is also the non-executive chairman of TOM Group Limited, an executive director of CKI, a non-executive director of HTHKH and Power Assets, a director of HTAL and Husky Energy, and an alternate director to directors of HTAL, HKEIM as the trustee-manager of HK Electric Investments, and HKEIL. The aforementioned companies are either subsidiaries or associated companies of CKHH Group in which Mr. Sixt acts as chairman or director for the purpose of overseeing the management of such businesses. Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

# Board of Directors

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**MR. CHAN TZE LEUNG, ROBERT**

*Independent Non-executive Director*

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Mr. CHAN Tze Leung, Robert, aged 69, has been an Independent Non-executive Director of the Trustee-Manager since February 2011. He is an independent non-executive director of Noble Group Limited, Quam Limited and Sibanye Gold Limited. He is also chairman (non-executive) of The Hour Glass (HK) Limited. Mr. Chan is an experienced banker with over 39 years of experience in both commercial and investment banking. He retired as chief executive officer of United Overseas Bank, Hong Kong on 31 December 2011. He is a 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 and a Fellow of the Hong Kong Institute of Directors. He holds a Bachelor of Science (Econ) Hons. and a Master's degree in Business Administration.

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**MR. GRAEME ALLAN JACK**

*Independent Non-executive Director*

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Mr. Graeme Allan JACK, aged 65, has been an Independent Non-executive Director of the Trustee-Manager since February 2011. He is also Chairman of the Audit Committee of the Trustee-Manager. He has extensive experience in finance and audit. He is an independent non-executive director of The Greenbrier Companies Inc. and China Shipping Container Lines Company Limited, and serves as an independent trustee of retirement plans established for employees of the CKHH Group. He retired as a partner of PricewaterhouseCoopers in 2006. He holds a Bachelor of Commerce degree and is a Fellow of the Hong Kong Institute of Certified Public Accountants and an Associate of Chartered Accountants Australia and New Zealand.



**MRS. SNG SOW-MEI (ALIAS POON SOW MEI)***Independent Non-executive Director and Lead Independent Director*

Mrs. SNG Sow-Mei (alias POON Sow Mei), aged 74, has been an Independent Non-executive Director of the Trustee-Manager since February 2011. She is also a member of the Audit Committee and Lead Independent Director of the Trustee-Manager. Mrs. Sng is an independent non-executive director and a member of the audit committee of CKI, ARA Asset Management (Fortune) Limited and ARA Asset Management (Prosperity) Limited. From 2004 to 2013, she was an independent non-executive director of ARA Trust Management (Suntec) Limited. She was conferred the title of PPA(P)- Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore in 1996. She holds a Bachelor of Arts degree.

**MR. KEVIN ANTHONY WESTLEY***Independent Non-executive Director*

Mr. Kevin Anthony WESTLEY, aged 67, has been an Independent Non-executive Director of the Trustee-Manager since February 2011. He is a non-executive director of The Zuellig Group Incorporated Limited and served as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited until May 2015 and now acts as an adviser to the bank. He is also a member of the investment committee of the West Kowloon Redevelopment Authority. He retired from the HSBC Group in 2000 as chairman and chief executive of HSBC Investment Bank (Asia) Limited, and as an adviser to chairman of The Hongkong and Shanghai Banking Corporation Limited at the start of 2013. He holds a Bachelor of Arts (Hons) degree and is a Fellow of the Institute of Chartered Accountants of England and Wales.

# Board of Directors

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## MR. WONG KWAI LAM

*Independent Non-executive Director*

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Mr. WONG Kwai Lam, aged 66, has been an Independent Non-executive Director of the Trustee-Manager since December 2015. He is an independent non-executive director of ARA Asset Management (Prosperity) Limited ("ARA"), China Merchants Bank Co., Ltd ("CMB"), K. Wah International Holdings Limited ("KWIH"), Langham Hospitality Investments Limited ("LHIL"), LHIL Manager Ltd ("LHILM"), a member of the audit committee and the designated (finance) committee of ARA, the chairman of the remuneration and appraisal committee and a member of the audit committee of CMB, a member of the remuneration committee and the nomination committee of both KWIH and LHIL, the chairman of the audit committee of both LHIL and LHILM. Mr. Wong is also the chairman of IncitAdv Consultants Ltd., a director of Opera Hong Kong Limited, a 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 ("CUHK"), the investment sub-committee of the CUHK and the Hospital Governing Committee of the Prince of Wales Hospital and a director of CUHK Medical Centre Ltd. He was formerly a member of the advisory committee of the Securities and Futures Commission in Hong Kong. Mr. Wong has over 33 years of experience in the commercial and investment banking industry. He retired as managing director of Asia investment banking division of Merrill Lynch (Asia Pacific) Ltd. in 2009 and thereafter served as their senior client adviser until 2010. He holds a BA degree from CUHK and a Ph. D degree from Leicester University, England. He was conferred with an honorary fellowship by the CUHK.

# Senior Management

## MR. YIM LUI FAI, GERRY

*Chief Executive Officer*

Mr. YIM Lui Fai, Gerry has been the Chief Executive Officer 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 chief executive officer. 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 Port Development Council. 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.

## MR. IVOR CHOW

*Chief Financial Officer and Investor Relations Officer*

Mr. Ivor CHOW has been the Chief Financial Officer ("CFO") of the Trustee-Manager since February 2011. He is also in charge of the investor relations function of the Trustee-Manager. He is a member of the HPH Trust Exco and executive director of HIT. He has been on the board of directors of several HPH Trust business portfolio assets since 2008. He previously served as the general manager of the commercial division, the finance director of the South China division, and the chief financial officer of several HPH subsidiaries. He holds a Bachelor's degree in Mathematics and is a Chartered Accountant of The Institute of Chartered Accountants of Ontario.

## MS. LEE TUNG WAN, DIANA

*Deputy Chief Financial Officer*

Ms. LEE Tung Wan, Diana has been the Deputy CFO of the Trustee-Manager since February 2011. She is also the finance and legal director and company secretary of YICT. She held various executive positions at HPH. She focused in the financial planning and corporate finance area of the South China division of HPH and served as the chief financial officer of several HPH subsidiaries. She has also served as director on some of HPH Trust business portfolio assets' boards of directors since 2006. She holds a Bachelor's degree in Commerce and is an Associate of The Institute of Chartered Accountants in Australia.

## MR. LAM HING MAN, PATRICK

*Managing Director of YICT*

Mr. LAM Hing Man, Patrick is the managing director of YICT and a member of the HPH Trust Exco. He first joined HIT in 1988 and spent the following two decades developing joint-venture projects for HPH in China. He 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 YICT. He holds a Master's degree in International Shipping and Transport Logistics.

## MR. YING TZE MAN, KENNETH

*Managing Director of COSCO-HIT and Deputy Managing Director of ACT*

Mr. YING Tze Man, Kenneth 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. He was an executive director of HIT and the finance director of the South China division of HPH. He was a member of the Port Development Advisory Group of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of the Chartered Association of Certified Accountants in the United Kingdom.

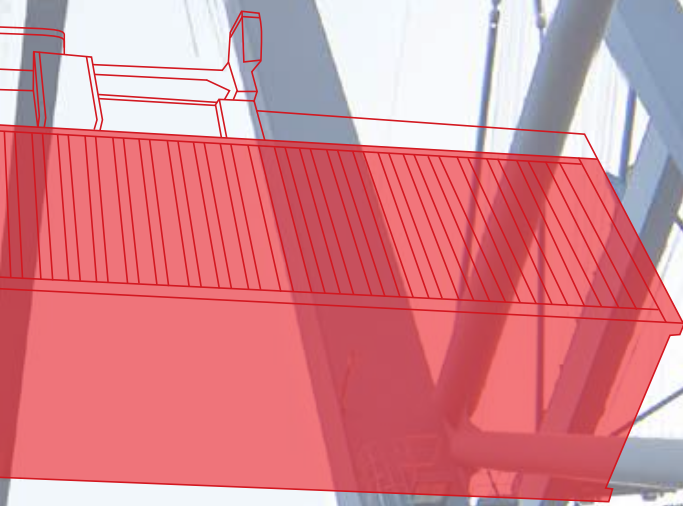
## MR. TANG HIN KEE, EDWARD

*Operations Director*

Mr. TANG Hin Kee, Edward has over 36 years of experience in the port operations and is a member of the HPH Trust Exco. He oversees the port operations of HPH Trust and has been the Operations Director of HPH Trust since 2013. He is also the general manager of operations at HIT and was the general manager of operations at YICT prior to his transfer back to HIT. He first joined HIT in 1979 and held various executive positions at HPH. He had successively been the general manager of three HPH ports in China. He is a member of Hong Kong Port Operations Committee of Marine Department, and MILT member of The Chartered Institute of Logistics and Transport.



# Equipping with the latest technology



S W L  
80T Under spreaders  
71T Under cargo beam

VERGREEN

YANG

K LINE

NICHICON

NewPort

NICHICON

LESCH

# Financial Review



## TOP LINE CONTINUED ON STABLE PATH; OPERATING PROFIT HEALTHY

In 2015, the Trust recorded growth in operating profit amidst a lacklustre year for the shipping industry. Despite a drop in transshipment volume resulting from service rationalisation by shipping lines through alliance formation and slot sharing agreements, the Trust was successful in raising tariffs for customers upon contract renewal and maintained revenue and other income for the full year 2015 at HK\$12.6 billion, whilst also managing to gain market presence in both Hong Kong and Shenzhen.

During the fourth quarter of 2015, HPH divested its interests in Zhuhai International Container Terminals (Jiuzhou) Limited ("Zhuhai Jiuzhou Terminal"), one of the river ports in which the Trust derives its economic benefits. The Trust received HK\$347.2 million, representing its share of the consideration from HPH for cessation of the economic benefits, and recognised a gain of HK\$155.5 million in the same quarter, after fully recovering its original investment valued at the time of initial public offering.

Net profit after tax ("NPAT") for the full year 2015 was HK\$3.0 billion – a 119.0% increase from 2014. Net profit attributable to unitholders was HK\$1.7 billion, up 110.1% from 2014. This takes into account the one-off items which include the gain from the cessation of River Ports Economic Benefits in Zhuhai Jiuzhou Terminal and additional depreciation due to the change of an accounting estimate in 2015; and the HK\$19.0 billion goodwill impairment and net gain from the disposal of a 60% effective interest in ACT in 2014. Net of the one-off items, full year NPAT for 2015 was HK\$2.9 billion, up 6.5% from 2014, while NPAT attributable to unitholders rose to HK\$1.6 billion, a 2.9% increase when compared to the previous year.

This increase in attributable NPAT of 2.9% was also made possible by improved cost management. Overall operating expenses from regular operations, net of the one-off items, for HPH Trust for 2015 were HK\$8.4 billion. Improvements in operational efficiency and lower fuel prices helped mitigate the increase in external contractor costs and inflationary pressure, resulting in a 3.7% decrease in overall expenses year-on-year. As a result, operating profit for the full year 2015 improved by 8.0%.

## THROUGHPUT CONSISTENT AMIDST GLOBAL ECONOMIC UNCERTAINTY

Compared to 2014, throughput at HPH Trust's deep-water ports fell by 1.3%, handling a total of 23.9 million TEU. Combined throughput at HPH Trust's Hong Kong ports fell 6.4% year-on-year, whereas throughput for the overall Hong Kong market decreased by 9.5%. The drop in throughput at HIT was mainly due to weaker transshipment and intra-Asia cargo volumes, a result of more efficient alliance operations and vessel slot sharing agreements.

YICT's throughput rose 4.2% year-on-year, outperforming Shenzhen's throughput increase of 0.7%. Throughput growth at YICT was primarily driven by transshipment and empty cargoes as growth in U.S. laden volumes was partially offset by declines in European trade.

Revenue contribution from HPH Trust's China operations continued to grow, representing 59.6% of full year revenue, from 57.8% in 2014.

Continuous infrastructure improvements and enhanced operational efficiencies enabled HPH Trust to maintain its outstanding performance within the PRD in 2015, and to stay ahead of continued economic uncertainties and changing industry demands.

## HEALTHY CASH BALANCE PAIRED WITH STABLE DISTRIBUTIONS

HPH Trust concluded 2015 with a healthy cash balance of HK\$6.8 billion. Cash generated from operations in 2015 totalled HK\$6.8 billion, with net cash from operating activities at HK\$5.0 billion.

In 2015, HPH Trust recommended a total payout of HK\$3.0 billion in distributions to unitholders, translating to a DPU of 34.4 HK cents and a distribution yield of 8.3% based on the market price of US\$0.53 on 31 December 2015. The Trust's units remain attractive when compared with the average yield offered by STI component stocks.

In view of the expected soft global trade outlook, the Trustee-Manager will continue to adopt prudent cost and cash flow management to maintain stable cash distributions.



### BALANCED CAPITAL STRUCTURE

HPH Trust maintains a balanced capital structure with leverage of about 53%. Short-term debt forms around a quarter of total consolidated debt. HPH Trust's total outstanding bank loans amount to HK\$33.1 billion, with the majority of them unsecured. Details of the bank loans are set out on page 101 of the Annual Report.

### OUTLOOK FOR 2016

U.S. volumes are expected to grow by a low-to-mid single digit percentage in 2016. Forecasts indicate that the U.S. will continue on its gradual recovery path that first began in late 2014, with anticipated increases in consumer spending and employment. This is expected to positively impact outbound cargoes to the U.S.. A slowdown in China and a weaker Renminbi ("RMB") may be a stimulus to export trade and offer slight easing of cost pressures in the Trust's China operations in the medium term. However, it is expected that fluctuations in the RMB will contribute to market volatility in the immediate and short term.

In Europe, all signs point to a slow recovery, with low oil prices and a weak euro providing momentum for growth. European volumes are expected to stabilise in the second half of 2016, with potential for some uplift toward the latter half of the year.

In Hong Kong, we expect volume to remain flat as alliances continue with service rationalisation.

HPH Trust will continue to enhance its mega-vessel handling capabilities by rolling out an additional mega-vessel berth in YICT under the YICT Phase III Expansion.

By retaining its strong fundamentals and focusing on tariff and cost improvements, along with traditional practices of properly managed financing arrangements and capital expenditure, HPH Trust will continue to follow a steady and sustainable path of growth, while ensuring stable annual distributions to unitholders.

DID YOU  
KNOW

Fun Fact

Laid out on a single level, the 200 million TEU handled by the Trust's Hong Kong ports since operations began would be enough to cover the land area of Singapore more than four times!

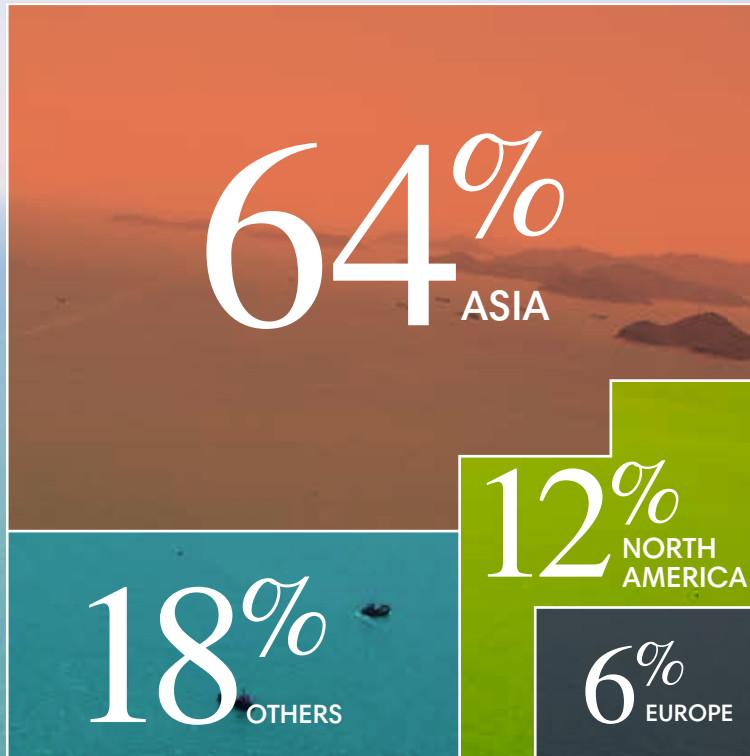
# Operational Review



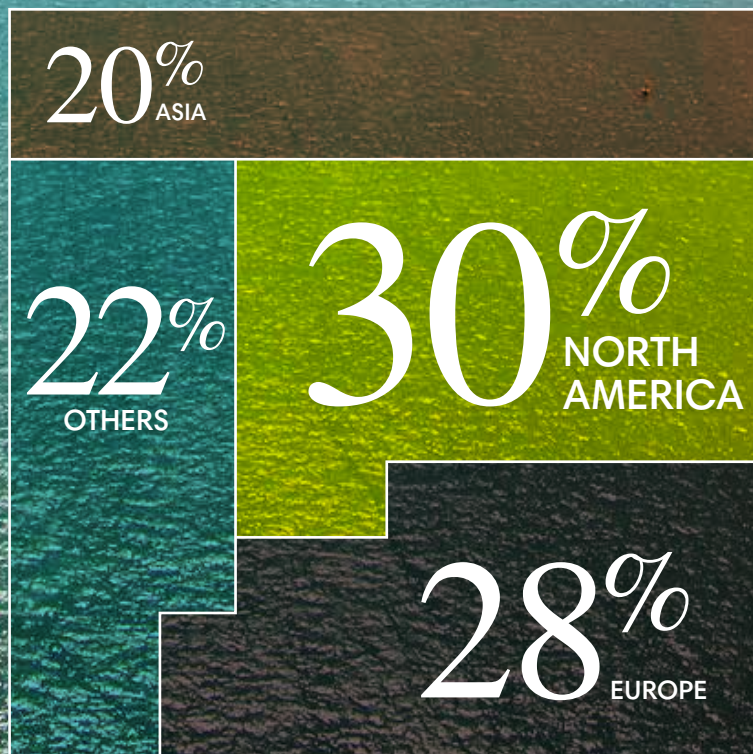


# PROPORTION OF WEEKLY SERVICES BY TRADE ROUTES (2015)

## HIT, COSCO-HIT AND ACT



## YICT



# Operational Review



## FUTUREPROOFING OUR OPERATIONS

Despite softening market conditions and economic uncertainties, the Trust was able to deliver on major growth targets and proactively took measures in light of new challenges, changing customer demands and increasing stringent environmental and safety regulations.

Trust-wide asset enhancement over the years resulted in numerous operational accomplishments in 2015, most significant of which were the Trust's Hong Kong operations achieving its 200 millionth TEU and YICT receiving four mega-vessels simultaneously for the first time in June. Simultaneously servicing three 18,000-plus TEU container vessels, along with one 11,000-plus TEU vessel concurrently, was a testament to YICT's superior mega-vessel handling capabilities in the region.

At the core of this was a significant push to further increase operational productivity and efficiency, and to encourage innovation in a way that enables the Trust to enter into new cycles of progress and value creation. Vigorous steps in the form of expansion plans, investments in new technologies and equipment, process improvement, training, as well as enhancements to the work environment were undertaken in 2015.

These initiatives laid the groundwork for stable full year results reflective of the Trust's solid fundamentals, foresight, adaptability and resilience. Although full year throughput dipped slightly, cost and tariff improvements helped deliver an increase in operating profit. To continue safeguarding the interests of its unitholders, partners and employees, the Trust embarked on a drive to futureproof its assets: its Ports, People and Processes.

## PORTS, PEOPLE, PROCESSES

In line with the strategy of "Optimising for the Future", the Trust has committed to a HK\$1.8 billion equipment investment plan to acquire or upgrade its assets to facilitate long-term development. New plans were also put in place to modernise port infrastructure, augment handling capacities and capabilities. Initiatives included, but are not limited to the installation of mega QCs, RTGCs and purpose-built barge QCs.

In 2015, YICT welcomed four new QCs. With a higher lift height of 52 metres and a longer outreach of 70 metres, each of the new QCs serve to accommodate the increasing number of mega-vessels around the world. To enhance its yard stacking capacity and container handling efficiency, YICT also received 22 1-over-6 RTGCs that can stack up to six tiers of containers. In Hong Kong, HIT took delivery of two new QCs with lift height of 46 metres and 12 1-over-6 electric RTGCs.

As part of an ongoing review of its operations, the Trust launched the BOXplus Building Operations Excellence project in February 2015. This 40-week efficiency enhancement programme focused on reducing vessel turn around time by 7-10%. To achieve this goal, a cross-functional team worked to streamline operations, enhance handling capabilities, optimise resource utilisation, reduce crane-maintenance related downtime and improve customer service.

This pilot project, supported by the operations, engineering and commercial departments of HIT, concluded with significant improvements in berth productivity and accuracy of estimated time of vessel departure while reducing operational delays and preventive maintenance related downtime. These results translated to savings in cost of services, particularly during the third and fourth quarters. Lessons from this project will be brought to scale and applied across the Trust's other assets to ensure best practices are replicated.

In 2015, HIT conducted a trial run of remote-controlled RTGCs. These cranes are operated remotely from an office environment, improving operator comfort and workplace safety. Technologies utilised in this project include high speed data transmission networks, leading Radio Frequency Identification ("RFID"), optical recognition, and cameras that deliver live videos. After extensive testing, four remote-controlled RTGCs were successfully deployed at HIT's Container Terminal 9.

Following the completion of this trial, HIT will convert another 25 of its conventional RTGCs to remote-controlled RTGCs. Trucks will be equipped with RFID to enable automatic identification as they pass through different checkpoints inside the terminal. These initiatives will support the Trust's goal of improving operational efficiency, industrial safety and providing an improved working environment.

In 2015, the Trust continued to use technology to help centralise control, improve berth and yard utilisation and offer real time feedback necessary for quicker response. Critical investment was made in the area of communications, where it adopted 3G internal tractor pagers as a next step to strengthening in-yard wireless signal reception capabilities and lowering internal tractor turnaround times.

Similarly, automation has become the backbone in revolutionising port management. With an annual throughput of over 12 million TEUs, the location and efficiency of YICT's

terminal gate is crucial to its day-to-day operation. In 2015, YICT implemented Phase 1 of its intelligent auto-gate project, reducing tractor container delivery and pickup time around the terminal. YICT now has two OCR (“optical character recognition”) portals and ten automation machines for the port’s in-gate lane and out-gate lane.

As the Trust works to enhance its operational efficiencies, it is committed to doing so sustainably. Diesel consumption per year across HPH Trust ports decreased over the years as equipment were converted to run on electricity, reducing both noise and air pollution. YICT reduced its diesel consumption by as much as 75%, while ACT and COSCO-HIT have employed the use of hybrid RTGCs which consume 50% less fuel compared to traditional diesel RTGCs. The Trust also made a concerted effort to downsize diesel engines to reduce emissions, with plans to convert more RTGCs going forward.

The adoption of new technologies translated into training needs. To ensure staff were kept abreast of the latest practices in operations, a new curriculum was introduced to augment the basic training programme. In addition to training classes for the new generation equipment, a series of safety training sessions focusing on accident prevention and enhancing the operating skills and safety awareness of RTGC operators and stevedores were held. Since the programme was introduced in April 2015, we have seen a 14% drop in the accident rate in RTGC operations.

### CHARTING A NEW WAY FORWARD

The success of the Trust is founded on its strategically contiguous berths, natural deep water channels and its vessel-handling capabilities. The Trust will continue to build on these natural advantages and future-proof its assets through upgrades in infrastructural, operational and capital efficiencies.

There is much to look forward to in 2016. HIT will receive two new QCs, six RTGCs and two barge QCs. Under a dedicated equipment purchase plan, YICT will receive another five new QCs



with a lift height of 43 metres and an outreach of 56 metres. YICT is also in the process of acquiring eight more units of 1-over-6 RTGCs, which are expected to be delivered by end 2016.

Additional berths will also be constructed in the coming years. YICT’s West Port Phase II will include three container berths with an area of 44 hectares. The first berth commenced operations in February 2016.

The YICT Phase III Expansion South Berth is also expected to expand the port’s mega-vessel handling capabilities in 2016. Construction is currently underway and YICT’s handling capability is projected to increase by approximately one million TEU per year upon completion.

The initiatives undertaken in 2015 reflect renewed competitive advantages where the Trust’s ports are better equipped to respond to new trends and economic challenges. In the years to come, the Trust expects to see gains in these areas: improved productivity and efficiency; innovation and best practices, an empowered workforce and greater adaptability.



# Environmental, Social and Governance Report

## 1. STAKEHOLDER ENGAGEMENT

HPH Trust has undertaken various activities throughout the year with different stakeholder groups which include unitholders, customers, suppliers, financial institutions and our own employees. Each activity is designed to address specific stakeholder concerns, and aims to continue fostering a strong and dynamic professional relationship with different stakeholder groups.



### 1.1 UNITHOLDERS

HPH Trust strongly believes in maintaining a strong investor base and regards investor communications a core aspect of our operations. We actively engage with unitholders and the financial community during the year through quarterly financial updates, results briefings, global non-deal roadshows, industry conferences and various investor outreach events.

### 1.2 CUSTOMERS

Our list of customers includes the world's top carriers and we strive to deliver the best service experience possible in the face of increasing operational complexities and industry developments.

#### *YICT communication sessions*

On 26 June 2015, YICT held its annual customer communication session with the theme "We Are Ready".



Around 200 guests, including cargo owners, freight forwarders and representatives from shipping lines, warehousing enterprises and port authorities, attended the event. During the session, YICT Managing Director, Mr. Patrick Lam, introduced the terminal's latest facility upgrades about its mega-vessel handling capabilities, improvements to intermodal transportation and new initiatives in port clearance procedures and the auto-gate project.

Later in the year, on 26 October 2015, YICT hosted another communication session for the region's major fruit importers during which they were updated on the latest developments in advance clearance, inspection and quarantine procedures for importing fruit. Around 100 guests attended the session.



YICT annual customer communication session "We Are Ready"

# Environmental, Social and Governance Report

## *HIT luncheons*

On 18 May 2015, HIT held a barge operator luncheon to mark the collaborative efforts between barge operators and HIT in improving barge operation efficiency and to secure HIT as a gateway for South China cargoes.

On 10 August 2015, HIT held its "Ready for the Future" luncheon to showcase to shipping lines the latest developments at HIT and highlight upcoming initiatives designed to improve productivity, efficiency and communication.

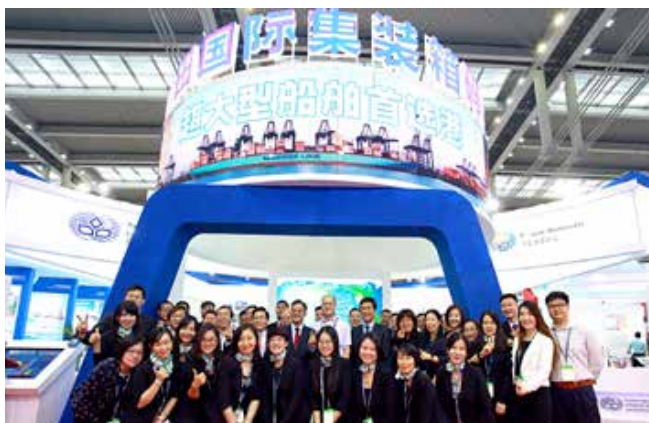
## *Conference and fair participation by YICT and HIT*

From 14 to 16 October 2015, YICT participated in the 2015 China (Shenzhen) International Logistics and Transportation Fair held at the Shenzhen Convention and Exhibition Centre. YICT showcased its latest developments, technological upgrades, green port initiatives and highlighted its mega-vessel servicing capabilities at the event.

HIT participated in the Asian Logistics and Maritime Conference 2015 held in Hong Kong from 17 to 18 November 2015 and Marintec China 2015 held in Shanghai from 1 to 4 December 2015. At both events, HIT showcased its operational efficiencies and unparalleled service levels.



Guests at the HIT barge operator luncheon



YICT staff at the 2015 China (Shenzhen) International Logistics and Transportation Fair



## *HIT launched the Customer Plus Mobile App*

On 23 November 2015, HIT launched the Customer Plus Mobile App, allowing stakeholders to enquire about general vessel schedules, container information and special terminal announcements with greater convenience. Through this secured application, shipping lines are able to access a virtual map of the berthing location and obtain updates of vessel status at HIT. Push notifications are available for vessel berthing and departure, container loading and unloading, and gate in and out status.

## 1.3 EMPLOYEES

Employees form the core of our operations. We provide opportunities for our employees to develop their careers with us. We recognise how essential they are to the organisation, and believe that training and communication are key to maintaining a committed and effective workforce.

### *HIT management held town hall meetings with staff*

In 2015, HIT held six town hall meetings between management and over 1,000 staff. At the meetings, HIT Managing Director Mr. Gerry Yim shared the company's business overview as well as challenges and strategies. Mr. Yim also highlighted the green, safety and health initiatives in 2015.

### *HIT Family Day 2015*

HIT held its Family Day on 8 March 2015, welcoming approximately 5,000 staff, external contractor workers and their families. The carnival received enormous local community support, with HK Evangelical Lutheran Church, Hong Kong Institute of Vocational Education ("IVE") (Tsing Yi), Junior Police Call (Kwai Tsing), South Kwai Chung Service Centre, Tsuen Wan Trade Association Primary School and Youth College hosting games and stage performances.

### *Free medical consultations at YICT*

On 17 April 2015, the Shenzhen Federation of Returned Overseas Chinese collaborated with YICT to provide free medical consultations to more than 150 YICT staff. The consultations were conducted on-site by ophthalmologists, orthopaedists and cardiovascular specialists from leading Shenzhen hospitals. There were also information sessions on the prevention and cure of glaucoma and osteoporosis.



01. Children of HIT staff performing at HIT's Family Day carnival 02. A YICT staff undergoing an eye examination as part of the free medical consultation 03. YICT Managing Director, Mr. Patrick Lam, distributing beverages to a staff at the "Cheer Up" activity

#### **COSCO-HIT opened a new staff recreation centre**

With a focus of improving work-life balance, COSCO-HIT opened a new staff recreation centre in July 2015. The centre is equipped with gymnasium equipment including treadmills, stationary bikes, aerobic steppers and elliptical trainers for staff to use during their breaks.

#### **HIT Children Scholarship**

In an effort to recognise the excellent academic results of children of HIT staff, HIT awards scholarships annually to performers who attained outstanding academic achievements in public examinations and other extracurricular activities. A ceremony was held in August 2015 to present the scholarship to recipients for the year.

#### **YICT "Cheer-Up" Activities 2015**

In August and September 2015, YICT held two "Cheer-Up" activities for staff and external contract workers. YICT's management team distributed fruits and beverages to around 6,500 staff and external contract workers to show the company's appreciation for their hard work during the port's peak season. The events were held during both day and night shifts to ensure coverage of front line personnel.

#### **YICT held "Fun Walk" to celebrate its 22nd anniversary**

On 15 November 2015, YICT held a "Fun Walk" to celebrate its 22nd anniversary, with participation from over 1,300 staff and their families. YICT Managing Director, Mr. Patrick Lam, launched the event with opening remarks before joining the rest of the management team in a cake-cutting ceremony. Participants walked an eight-kilometre route stretching from the hills of Xichong to Xiaomeisha. The event also sought to promote a healthy lifestyle and foster better team spirit among the staff.

#### **Four YICT staff named National Excellent Technicians**

On 9 December 2015, YICT held an award ceremony to honour four staff who were named National Excellent Technicians. The National Excellent Technician Competition was launched to recognise outstanding workers who exhibit professionalism and leading-edge expertise. Four YICT staff were awarded the title this year by the PRC's Ministry of Human Resources and Social Security, a remarkable achievement in the maritime industry.

### **1.4 SUPPLIERS AND VENDORS**

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

### **1.5 GOVERNMENT**

Through active engagement with local and regional authorities, the Trust strives to stay abreast of the latest laws and regulations in the jurisdictions it operates. We remain mindful and vigilant of the various compliance requirements, and understand that respecting the various legal frameworks is integral to long-term operations.

# Environmental, Social and Governance Report

## 2. WORKPLACE QUALITY

Workplace safety remains at the forefront of our operations. As our staff operate across a broad array of working environments and equipment, we believe in the importance of enforcing health and safety practices in all our facilities and recognise that the overall well-being of our staff is a fundamental building block for improved satisfaction, which in turn bodes positively for the Trust's productivity levels and service standards.

### 2.1 WORKING CONDITIONS

#### *Improvements in working environment*

HIT periodically reviews the condition of our gantry cranes and related equipment as part of our commitment to workplace health and safety and to continuously improve staff working conditions. In 2015, HIT replaced 12 quay crane checker rooms, two crane cabins, 66 chairs inside crane cabins and repainted 12 crane cabins.

Since May 2015, we also introduced ergonomically designed industrial-use crane chairs from Germany to help reduce stress on the neck, shoulders and back of crane operators. During the Labour Department's inspections, they confirmed that the crane cabin chairs in use comply with ISO standards and the new crane chairs will further improve the staff's working environment.

### 2.2 HEALTH AND SAFETY

#### *HIT organised talks on driving safety*

On 3 March 2015, HIT, in partnership with the Kwai Tsing District Council Road Safety Working Committee, organised a talk on driving safety for internal truck drivers and security staff at HIT. The talk included presentations from experts in the transportation sector on topics such as driver awareness and defensive driving. A total of 140 participants attended the event.



HIT, COSCO-HIT and ACT staff at the Occupational Safety and Health Campaign

#### *YICT held a ceremony to mark the signing of Ecological Society agreement*

On 30 September 2015, a ceremony honouring the signing of a cooperative agreement to establish YICT as a "Demonstrative Port of International Ecological Safety" was held at the Yantian Entry-Exit Inspection and Quarantine Bureau.

#### *HIT promoted stretching exercises*

In November 2015, more than 1,300 staff and external contractor workers at HIT participated in a company-wide stretching exercise campaign promoting a healthy lifestyle among the workforce. A professional instructor visited HIT from 9 November to 4 December 2015 to lead frontline staff in stretching exercises before their morning shift, followed by another session for office staff.



HIT staff and external contractor workers participating in stretching exercises

#### *HIT, COSCO-HIT and ACT supported Kwai Tsing Container Terminals Occupational Safety and Health Campaign*

Occupational safety and health is a top priority at HPH Trust ports. In a recent Occupational Safety and Health Campaign organised by the Hong Kong Container Terminal Operators Association, HIT, COSCO-HIT and ACT offered their full support to foster a culture of safety at work.

Mr. Donald Tong, JP, Commissioner for Labour, Ms. Bonnie Yau, Executive Director of Occupational Safety and Health Council and over 120 guests kicked off the campaign on 16 December 2015. The campaign reached out to the container terminals' workforce, Kwai Tsing community and the public through a series of activities spanning several months.

In October 2015, HIT, COSCO-HIT and ACT also took part in a safety slogan competition launched as part of the campaign, with future events planned in 2016 which include a driving safety quiz, photo exhibition and truck driving safety competition, and more.

### 2.3 DEVELOPMENT AND TRAINING

Staff development and training are key focuses and we remain committed to nurturing and developing our staff in the long term, offering them opportunities to grow with us. We regularly



develop and offer a variety of training curriculum for our staff, including vocation-specific workshops, sharing sessions, thematic seminars and specialised training courses.

#### *HIT launched safety training programmes*

In April 2015, HIT launched a training programme for its RTGC operators to enhance both their operating skills and safety awareness and to promote defensive driving. The accident rate among RTGC operators has dropped by 14% since the programme was introduced.

HIT conducted the first session of its new stevedore training programme in October 2015. The programme was designed to improve stevedores' safety awareness in vessel operations by studying past accident statistics and promote defensive driving through experience sharing.

#### *HIT held the first graduation ceremony for its Craft Apprenticeship Programme*

On 14 August 2015, HIT held the first graduation ceremony for its Craft Apprenticeship Programme and at the same time hosted the third opening ceremony for its Port Engineering Academy ("PEA"). Both programmes provide training on the basic knowledge of various cranes, equipment within the terminal and case studies of engineering-related issues. A total of four apprentices, who first joined HIT in 2012, received graduation certificates from HIT Managing Director Mr. Gerry Yim and 21 PEA trainees attended the opening ceremony.

### 2.4 RECRUITMENT AND PROMOTION

A reliable and skilled workforce forms the foundation of our business, and is essential to our long-term viability. To promote staff retention and career progression goals, we conduct regular reviews of the company's employment practices, employee appraisal procedures and incentive programmes to ensure that we remain in tune with the changing dynamics of our business. As an equal opportunity employer, we welcome applications from all qualified candidates, and offer all successful candidates a structured development path during their journey with us. We also frequently participate in job fairs and campus talks to attract new talent into the industry.

## 3. SUSTAINABILITY AND ENVIRONMENTAL PROTECTION

Conducting our operations in an environmentally-conscious way is a key aspect of how we do business at all our terminals. We are proud of the track records we have maintained and will continually strive to uphold best practices in energy efficiency, pollution prevention, emissions reduction, operational sustainability and environmental protection.



#### *HIT awarded "Indoor Air Quality Certificate"*

On 19 May 2015, HIT was awarded the "Indoor Air Quality Certificate - Good Class for the Entire Building" by the Indoor Air Quality Information Centre, in recognition of HIT's efforts in maintaining good air quality inside its office buildings.



YICT staff released over half-a-million fingerlings

#### *YICT released fingerlings*

On 3 July 2015, YICT, in collaboration with Yantian Port Group, released over half-a-million fingerlings into its surrounding waters. The event, designed to preserve fish species and the aquatic environment around YICT, is now in its seventh year. Through the years, a total of over 45 million fish and shrimp fingerlings have been released into the waters around the port.

**DID YOU KNOW?**

**Fun Fact**

The 45 million fingerlings that have been released around YICT in the past seven years are equivalent to one fingerling for each person in the Ukraine, with more to spare!

# Environmental, Social and Governance Report



HIT staff tending to plants at the Environmental Farm

## *HPH Trust supported Go Green 2015 initiative*

HPH Trust participated in Go Green 2015, an environmental initiative undertaken by global terminal operators. At HIT, an environmental farm using recyclable pallets and trays was set up to plant a variety of vegetables. Staff and management attended the first harvest in September 2015. Similarly, 50 COSCO-HIT and ACT staff and family members gathered to plant shrubs and small flowers in pots on the rooftop of the COSCO-HIT office building. At YICT, 900 second-hand items were exchanged in an event under the Go Green initiative. A charity auction was also held, with proceeds donated to the Yunnan Hope Primary School Project.

## *HIT launched graffiti workshops for the second year*

In 2015, HIT and the Warehouse Teenage Club, a local non-profit organisation, jointly organised graffiti workshops for students in the Kwai Tsing area for the second year. Over 100 participants from six secondary schools in the Kwai Tsing area as well as senior citizens from the South Kwai Chung Service Centre attended the kick-off ceremony on 3 October 2015.

On 19 December 2015, over 60 students and the elderly painted eight rubbish bins that have since been placed around HIT's container yard, promoting a clean container terminal environment. A second workshop was held on 30 January 2016 with over 50 attendees including secondary school students, HIT staff and their families. Terminal tours were also arranged for the participants to learn more about the operations and facilities of the container terminal.

## *HIT held GreenFit event*

On 27 November 2015, HIT held a company-wide "GreenFit" event. This event was designed to promote energy saving and personal fitness by encouraging staff to take the stairs instead of using the elevators.



HIT staff taking part in the "GreenFit" event

A competition was arranged in which participants were required to reach different checkpoints by taking the stairs and completing mini-games. Over 70 participants including a team with management staff competed and more than 200 staff cheered on contestants at the goal line.

## *HPH Trust LED lighting programme*

In 2015, HPH Trust continued to replace its traditional lights with light-emitting diode ("LED") lights, extending the usage of LEDs to RTGCs and frontloaders. More than 1,000 LED lights were installed in RTGCs and frontloaders in 2015.

## *New RTGCs*

ACT took delivery of 10 new hybrid RTGCs in 2015. Hybrid RTGCs consume around 50% less fuel than traditional diesel RTGCs, and these new RTGCs have also been fitted with LED lights, further boosting our efforts in operational sustainability and environmental protection. In 2015, HIT and YICT also received 12 and 22 new eRTGCs respectively.

## *Electric/Hybrid vehicles*

HIT and YICT have increased usage of electric or hybrid vehicles at the ports. At HIT, two new electric vehicle ("EV") chargers were installed in 2015 to support the EVs that are currently in use at the port. At YICT, two EV patrol cars, one EV VIP bus, along with one hybrid pool car are to be received by the second quarter of 2016. Furthermore, YICT plans to convert 10% of all non-operation vehicles at the port to electric or hybrid ones in 2016.

### *Cold ironing berths at YICT*

Cold ironing is the process of providing shoreside electrical power to a berthed vessel, allowing the vessel to completely turn off its diesel engines and eliminate emissions from diesel consumption. In 2015, YICT has installed a cold ironing unit which is able to cover five berths.

## 4. OPERATING PRACTICES

With our large scale of operations, the Trust has in place stringent frameworks and processes that ensure smooth, uninterrupted operations. Besides ensuring that all certificates and internal guidelines are up to date, periodic reviews are also carried out to ascertain that all practices comply with the highest levels of safety and security protocols.



YICT celebrating the completion of the Challenge 2000 programme

### *YICT achieved new terminal operating system record*

On 28 June 2015, YICT and the China Hewlett-Packard Company held a joint ceremony at YICT to mark the successful completion of the Challenge 2000 programme, under which YICT's terminal operating system achieved 2,000 days of uninterrupted service. This exceeded the system's previous record of 1,000 consecutive days of operation without experiencing any unplanned system downtime.

### 4.1 SUPPLY CHAIN MANAGEMENT

When interacting with and selecting our vendors, the Trust adheres to a strict framework and stringent protocols. Each potential vendor is assessed in a fair and unbiased selection process, with clear communication and full transparency. We also ensure that appropriate channels are established with our stakeholders to facilitate transparent and effective communication and swift reporting of any suspected improprieties.

### 4.2 CUSTOMER PROTECTION

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

### 4.3 ANTI-CORRUPTION

In establishing a strong internal control framework, stringent policies and a vigorous enforcement regime, the Trust has put in place a series of measures against corruption and fraud.

The executive management team sets a standard of zero-tolerance on corruption and fraud. Such a strong stance is reflected in the Trust's policy on the subject which is communicated to all employees. To reinforce and remind third-party suppliers of this position, the Trust has incorporated suitable clauses into its supply contracts, and such efforts are further strengthened by its internal audit function.

When there is suspicion or incidence of corruption or fraud, an immediate review of the matter will be initiated. Furthermore, cases falling within certain criteria are brought to the attention of the Audit Committee and executive management, and are thoroughly investigated by our internal auditors. We have also established an independent whistle blower channel for individuals to anonymously report any suspected or actual irregularities or misdeeds. The Trust also cooperates fully with law enforcement agencies in their investigations.

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

### *ICAC Talks*

In November 2015, a speaker from the Independent Commission Against Corruption ("ICAC") conducted talks at HIT for management staff plus all staff from the Contract & Procurement department. The talks served to reinforce staff awareness on the importance of ethical standards and to highlight their important roles in managing staff integrity in the company.

# Environmental, Social and Governance Report

## 5. EDUCATION AND COMMUNITY INVOLVEMENT

As an integral part of the local community, HPH Trust ports give back whenever possible. We strive to create a positive impact by nurturing the youth, supporting the elderly, and providing opportunities for employment in the various locations in which we operate. Every year, our employees volunteer outside of their work schedules to organise and participate in a host of activities to contribute to the society.

### 5.1 COMMUNITY

#### *Caring Company Logo*

In 2015, several of the Trust's member companies were again awarded the Caring Company Logo from the Hong Kong Council of Social Services. Both HIT and APS received the 10 Year Plus Caring Company Logo, while Hutchison Logistics (HK) received the 5 Year Plus Caring Company Logo.

HIT took part in Elderly Centre's house cleaning activity. On 24 January 2015, HIT's Community Caring Group participated in a house cleaning activity organised by Yan Chai Hospital Fong Yock Yee Neighbourhood Elderly Centre. To prepare for Chinese New Year, HIT volunteers helped the elderly clean their living quarters. After the event, HIT volunteers received a thank you card from the senior citizens.

#### *YICT staff visited the elderly*

On 12 February 2015, YICT staff visited the Yantian District Welfare Centre to deliver Chinese New Year greetings and gifts to the elderly residents. They also decorated the centre with red lanterns, paper-cut artwork and New Year couplets to create a festive atmosphere to welcome a happy and prosperous year ahead.

#### *HIT sponsored the Hong Kong Maritime Museum*

In March 2015, HIT made its annual sponsorship to the Hong Kong Maritime Museum. The donation will be used to expand programmes to educate the public about the maritime industry.



#### *YICT volunteers celebrated Seniors' Day*

On 21 October 2015, a group of YICT volunteers celebrated Seniors' Day with the residents of the Yantian District Welfare Centre, bringing gifts of blankets for the residents. They also celebrated the 100th birthday of Ms. Zhang Lei, a resident of the centre who had her birthday on the same day.

### 5.2 EDUCATION

HIT is committed to offering training opportunities and practical work experience for young talents.

#### *HIT received the Partner Employer Award*

HIT was awarded the Partner Employer Award by the Hong Kong General Chamber of Small and Medium Business, in recognition of its support in providing opportunities to local graduates.

#### *HIT launched "Start Your Journey@Port" Programme*

HIT partnered with HKU SPACE Community College to launch a talent nurturing programme – Start Your Journey@Port – designed for students and graduates who wish to embark on a future career in the port industry.

One of the major elements of the programme is the HIT Scholarship Scheme which offers opportunities for students to enhance their industry knowledge, sharpen their analytical skills and nurture their passion towards developing a career in the logistics industry.

#### *Summer Internships*

In 2015, HIT conducted an eight-week internship programme, offered to students studying in universities and tertiary institutions





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during their summer vacation. The 2015 programme began on 15 June 2015. With the theme "Think, Act, Stay Green", this programme is designed to promote awareness of environmental protection across the terminals. Students were involved in a series of learning activities, including an orientation programme, team building workshops and port visits in Hong Kong and YICT, as well as group projects and job attachments in various departments. The programme attracted over 600 applicants, and was completed with the successful recruitment of 26 interns.

From 27 July to 14 August 2015, YICT held its 9th annual summer internship for students from Dalian Maritime University and Shenzhen University. 24 students took part in the programme which included fieldwork and case studies. At the end of the programme, the students presented their projects to a panel of university lecturers and YICT managers.

**YICT welcomed students for summer camp**

On 6 July 2015, a group of 12 students from Yunnan Dahaicun Hope Primary School travelled to YICT for a week-long summer camp. At the camp, the students were given a tour of YICT and visited a local beach and other scenic spots across Shenzhen. YICT has been organising this camp annually for Dahaicun Hope Primary School students over the last decade.

**HIT presented certificates of its Dock School Programme**

On 8 July 2015, HIT Managing Director, Mr. Gerry Yim, presented certificates and awards to the participants of the final year project competition, part of its Dock School Programme. Five teams of students from IVE (Tsing Yi) entered the competition, each using a different container port as their focus for the theme "Maritime Transport Management".

**HIT Scholarship**

HIT offers scholarships to outstanding students who are pursuing Higher Diploma in Logistics & Transport, to nurture their passion toward developing their career in the port industry. The first scholarship presentation ceremony was held on 17 October 2015 to recognise the outstanding achievements of the eight students.



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01. A Thank You card from a resident at the Elderly Centre to members of HIT's Community Caring Group 02. YICT staff putting up Chinese New Year decorations at the Yantian District Welfare Centre 03. YICT volunteers distributing blankets to residents of the Yantian District Welfare Centre on Seniors' Day 04. Students of the "Start Your Journey@Port" programme visiting HIT 05. Students at YICT's summer camp 06. YICT summer interns from Dalian Maritime University and Shenzhen University 07. HIT Managing Director, Mr. Gerry Yim, with students who took part in HIT's Dock School Programme 08. HIT Managing Director, Mr. Gerry Yim, with students who received the HIT Scholarship

# Investor Relations



Quality communication with the investment community is the backbone in developing and maintaining strong long-term relationships with our investors. Our investor relations team ensures that company information and updated outlook is available to investors and stakeholders through investor conferences, physical meetings and conference calls.

## FINANCIAL RESULTS AND CORPORATE LITERATURE

All announcements related to our financial results or corporate developments are published in a timely manner across a wide range of sources, including our corporate website ([www.hphtrust.com](http://www.hphtrust.com)), the online portal of the SGX, SGXNET, and where relevant, simultaneously distributed to the media. Our website also allows both current and potential stakeholders to register for individual email notifications, which are automatically disseminated upon release of company announcements.

We also publish our annual report at the end of each financial year by April of the following year. This is made available on SGXNET as well as our website, and is also distributed to all stakeholders in CD-Rom format, with printed copies available upon request. All past corporate announcements and the Trust's published annual reports can be accessed through the "Investor Centre" section of the HPH Trust corporate website ([http://www.hphtrust.com/investor\\_home.html](http://www.hphtrust.com/investor_home.html)).

Periodically, and particularly in conjunction with the release of financial results, management organises physical briefings for analysts, fund managers, equity stake representatives, unitholders and various other investor groups. For those unable to attend, management may also arrange teleconferences with either small groups or individual investors. During these briefings and teleconferences, management provides updates on the business, as well as the outlook for the Trust and the industry as a whole. The largest of these sessions is the Annual General Meeting ("AGM") held in Singapore each year following the release of our full year results.

## CONFERENCES, BRIEFINGS AND ROADSHOWS

In line with efforts to foster strong relationships and maintain open dialogue with our global investor community, management regularly participates in investor conferences, small group, one-on-one meetings and non-deal roadshows.

In 2015, the Trust met with around 200 analysts and investors from around the world, in both individual dialogues and larger group events such as investor conferences. We also attended roadshows and key investor conferences spanning Hong Kong, Shanghai, Beijing, Singapore, and various cities across Japan, Europe and the U.S. These include Barclays' First Annual Infrastructure Conference, Goldman Sachs' China Conference 2015, HSBC's 7th Annual Asia Investor Forum, Morgan Stanley's Asia Pacific Summit, Deutsche Bank's 6th Annual dbAccess Asia Conference and Bank of America Merrill Lynch's Annual Emerging Markets Corporate Conference.

## RESEARCH COVERAGE

Senior management and the investor relations team have been working closely with research houses since the Trust was listed in 2011. This ensures that investors have easy and timely access to research and analyst reports, which are key to keeping them abreast of the Trust's ongoing operational progress and financial position.

There are currently approximately 10 research houses covering the Trust, including Citi Research, Credit Suisse, DBS Vickers, Deutsche Bank, HSBC, Jefferies, J.P. Morgan, Morgan Stanley, OCBC Investment and UBS.

## SITE VISITS

Management periodically conducts guided tours of the Trust's facilities to provide analysts and interested investors with an in-depth look at our operations. We welcome all interested parties to our ports, and regularly host VIPs, foreign and local dignitaries, and ministry officials on tours of our facilities.

In 2015, notable visitors included Mr. Hector Bautista, Managing Director, Port Authority of Ensenada from Mexico; Mr. Naeem Al Naeem, Port Director General from Saudi Ports Authority; Mr. Donald Tong, JP, Commissioner for Labour from Hong Kong; Mr. Francisco Vega de Lamadrid, Governor of the State of Baja California from Mexico; Mr. Wu Delin, Head of Yantian District Government from Shenzhen, China.



# 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)

### Deputy Chairman and Non-executive Director

Dr. John Edward Wenham MEREDITH, CBE, LLD (Hon.)

### Executive Director

Mr. IP Sing Chi, BA

### Non-executive Director

Mr. Frank John SIXT, MA, LLL

### Independent Non-executive Director and Lead Independent Director

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

### Independent Non-executive Directors

Mr. CHAN Tze Leung, Robert, BSc (Econ), MBA

Mr. Graeme Allan JACK, BCom, CA (ANZ), FHKICPA

Mr. Kevin Anthony WESTLEY, BA, FCA, BBS

Mr. WONG Kwai Lam, BA, PhD

## AUDIT COMMITTEE

Mr. Graeme Allan JACK (Chairman)

Mr. Frank John SIXT

Mrs. SNG Sow-Mei (alias POON Sow Mei)

## REGISTERED OFFICE

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

## COMPANY SECRETARY

Ms. Lynn WAN Tiew Leng

## UNIT REGISTRAR AND UNIT TRANSFER OFFICE

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

## AUDITOR

PricewaterhouseCoopers LLP  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424  
Telephone: (65) 6236 3788  
Fax: (65) 6236 3300

Partner-in-charge: Mr. SOH Kok Leong  
Date of appointment: 23 February 2011

## 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: www.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 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 internal controls, 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 year ended 31 December 2015 in reference to the BTA, the Business Trusts Regulations 2005 ("BTR"), the Code of Corporate Governance 2012 ("Code") and the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual").

HPH Trust has complied throughout the financial year ended 31 December 2015 with all the principles and guidelines of the Code, where applicable.

## BOARD MATTERS

### The Board's Conduct of its Affairs

#### Principle 1

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

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

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

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

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

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



# Corporate Governance Report

The Board held four Board meetings in 2015 with an average Director attendance of approximately 97%.

NAME OF DIRECTOR	ATTENDED/ELIGIBLE TO ATTEND
<b>CHAIRMAN AND NON-EXECUTIVE DIRECTOR</b>	
Mr. Fok Kin Ning, Canning	4/4
<b>DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR</b>	
Dr. John Edward Wenham Meredith	4/4
<b>EXECUTIVE DIRECTOR</b>	
Mr. Ip Sing Chi	4/4
<b>NON-EXECUTIVE DIRECTOR</b>	
Mr. Frank John Sixt	4/4
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>	
Mr. Graeme Allan Jack	4/4
Mr. Chan Tze Leung, Robert	4/4
Prof. Ma Si Hang, Frederick <sup>(1)</sup>	3/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Kevin Anthony Westley	4/4
Mr. Wong Kwai Lam <sup>(2)</sup>	0/0

<sup>(1)</sup> Resigned with effect from 2 December 2015

<sup>(2)</sup> Appointed with effect from 2 December 2015

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

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

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

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

#### **Briefings and updates provided to Directors for the financial year ended 31 December 2015**

At every Audit Committee meeting, the Chief Financial Officer ("CFO"), Mr. Ivor Chow, briefed the Audit Committee 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 and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed entity director. In addition, attendance at external forums and briefing sessions (including delivery of speeches) on relevant topics also counts towards CPD training.

The Directors are required to provide the Trustee-Manager with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2015 is summarised as follows:

NAME OF DIRECTOR	AREAS	
	LEGAL AND REGULATORY	DIRECTORS' ROLES, FUNCTIONS AND DUTIES
<b>CHAIRMAN AND NON-EXECUTIVE DIRECTOR</b>		
Mr. Fok Kin Ning, Canning	✓	✓
<b>DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR</b>		
Dr. John Edward Wenham Meredith	✓	✓
<b>EXECUTIVE DIRECTOR</b>		
Mr. Ip Sing Chi	✓	✓
<b>NON-EXECUTIVE DIRECTOR</b>		
Mr. Frank John Sixt	✓	✓
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>		
Mr. Graeme Allan Jack	✓	✓
Mr. Chan Tze Leung, Robert	✓	✓
Prof. Ma Si Hang, Frederick <sup>(1)</sup>	✓	✓
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	✓	✓
Mr. Kevin Anthony Westley	✓	✓
Mr. Wong Kwai Lam <sup>(2)</sup>	✓	✓

<sup>(1)</sup> Resigned with effect from 2 December 2015

<sup>(2)</sup> Appointed with effect from 2 December 2015

## Board Composition and Guidance

### Principle 2

As at 31 December 2015, the Board comprised nine Directors, of whom five are independent and non-executive.

During the year, Prof. Ma Si Hang, Frederick resigned as an Independent Non-executive Director and Mr. Wong Kwai Lam was appointed as an Independent Non-executive Director with effect from 2 December 2015.

Mr. Wong is an experienced banker who possesses in-depth knowledge and expertise in accounting, banking and finance, both locally and overseas, and he satisfies the independent requirements under the BTR.

The Board is of the view that the qualification, expertise and experience of Mr. Wong would complement the existing Board. It believes that the appointment of Mr. Wong would bring a perspective of significant benefit to the Group.

# Corporate Governance Report

Board appointment has been, and will continue to be, made based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account the following principles:

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

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

## Chairman and CEO

### Principle 3

The role of the Chairman and the Deputy Chairman are separate from that of the CEO. Such division of responsibilities reinforces the independence and accountability of these Directors.

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

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

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

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

# Corporate Governance Report

## Board Membership

### Principle 4

As at 31 December 2015, the Board comprised nine Directors, including the Chairman, the Deputy Chairman, one Executive Director, one Non-executive Director and five Independent Non-executive Directors. Biographical details of the Directors are set out on pages 20 to 24 of the Annual Report and on HPH Trust's corporate website.

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

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

From time to time, new Directors may be identified by the Board for appointment, if necessary, to complement the experience and competency of the existing members of the Board. During the year, Prof. Ma Si Hang, Frederick resigned and Mr. Wong Kwai Lam was appointed as independent non-executive director of the Trustee-Manager, both with effect from 2 December 2015.

The Board does not encourage the appointment of alternate director. No alternate director is appointed to the Board.

## Directors' Independence

A Director is considered to be independent in accordance with the provisions of the BTR if he or she is independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager. The Board has conducted an annual review of the independence of the Independent Directors: Messrs. Chan Tze Leung, Robert, Graeme Allan Jack, Wong Kwai Lam, Kevin Anthony Westley and Mrs. Sng Sow-Mei (alias Poon Sow Mei).

Messrs. Graeme Allan Jack, Chan Tze Leung, Robert and Kevin Anthony Westley, 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. Wong Kwai Lam 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. Wong Kwai Lam 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 committees of Cheung Kong Infrastructure Holdings Limited ("CKI"), which is listed in Hong Kong; ARA Asset Management (Fortune) Limited ("Fortune REIT Manager"), which manages Fortune Real Estate Investment Trust ("Fortune REIT", listed in Singapore and Hong Kong) and ARA Asset Management (Prosperity) Limited ("Prosperity REIT Manager"), which manages Prosperity Real Estate Investment Trust ("Prosperity REIT", 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 officers, members of the management teams, boards of directors or major shareholders or unitholders of CKI or these real estate investment trusts ("REITs");
- (ii) She is not involved in the day-to-day management and operation of CKI or these REITs;
- (iii) She does not own any shares/units of any of CKI and Prosperity REIT, and she is only a minority unitholder of Fortune REIT holding 220,000 units;
- (iv) She exercises independent judgment as a member of the audit committees of the above-mentioned companies/REITs, in particular on interested person transactions and on internal audit control and management;
- (v) the above-mentioned companies/REITs of which she is currently an independent non-executive director are in different businesses from HPH Trust.

# Corporate Governance Report

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 Wong Kwai Lam, notwithstanding that he is currently an independent non-executive director of Prosperity REIT Manager, the Directors noted that this role should not interfere with his ability to exercise independent judgement in the interest of unitholders of HPH Trust for the following reasons:

- (i) Mr. Wong does not have any relationship with the chief executive officer, members of the management team, board of directors or major shareholders/unitholders of Prosperity REIT;
- (ii) He does not hold an executive role in Prosperity REIT and is not involved in the day-to-day management and operation of it;
- (iii) He does not own units in Prosperity REIT;
- (iv) Prosperity REIT is in a different business 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 of Mrs. Sng Sow-Mei's (alias Poon Sow Mei) or Mr. Wong Kwai Lam'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. Wong Kwai Lam are independent from management and business relationships with the Trustee-Manager or independent from the substantial shareholder of the Trustee-Manager, as the case may be, and the Board is satisfied that these Directors' independent judgment and ability to act with regard to the interests of all the unitholders of HPH Trust as a whole will not be interfered with, despite the relationships, and are therefore both Independent Directors.

As (i) Mrs. Sng Sow-Mei (alias Poon Sow Mei) is also a director of CKI, the Fortune REIT Manager and the Prosperity REIT Manager and (ii) Mr. Wong Kwai Lam is also a director of the Prosperity REIT Manager, they will not participate in any discussions of the Board in relation to any transactions with (a) (in relation to Mrs. Sng Sow-Mei (alias Poon Sow Mei)) CKI, Fortune REIT and Prosperity REIT, (b) (in relation to Mr. Wong Kwai Lam) Prosperity REIT, or (c) (in relation to both of them) any matters that might give rise to a conflict of interests with the above mentioned entities and shall abstain from voting on any such proposals at any meeting of the Board.

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

## Board Performance

### Principle 5

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

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

## Access to Information

### Principle 6

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

# Corporate Governance Report

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 Articles of Association of the Trustee-Manager, the Trust Deed of HPH Trust and the SGX-ST Listing Manual, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

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

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

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

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

#### Principle 7

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

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

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

### Level and Mix of Remuneration

#### Principle 8

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

# Corporate Governance Report

## Disclosure on Remuneration

### Principle 9

The table below disclosed (a) the remuneration of the CEO and (b) in bands of S\$250,000, the remuneration of the top five key management personnel (other than the CEO) for the financial year ended 31 December 2015:

KEY MANAGEMENT PERSONNEL	SALARY (%)	VARIABLE (%)	BENEFITS (%)	TOTAL (%)
S\$1,750,001 TO S\$2,000,000				
<b>Mr. Yim Lui Fai, Gerry</b> Chief Executive Officer Managing Director, HIT	28%	69%	3%	100% <sup>1</sup>
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				
<b>Mr. Lam Hing Man, Patrick</b> Managing Director, YICT	43%	50%	7%	100% <sup>2</sup>
S\$750,001 TO S\$1,000,000				
<b>Mr. Ivor Chow</b> Chief Financial Officer and Investor Relations Officer Executive Director, HIT	49%	46%	5%	100% <sup>2</sup>
<b>Mr. Ying Tze Man, Kenneth</b> Managing Director, COSCO-HIT	52%	45%	3%	100% <sup>2</sup>
S\$500,001 TO S\$750,000				
<b>Ms. Lee Tung Wan, Diana</b> Deputy Chief Financial Officer Finance and Legal Director and Company Secretary, YICT	53%	42%	5%	100% <sup>2</sup>
<b>Mr. Tang Hin Kee, Edward</b> Operations Director General Manager - Operations, HIT	45%	49%	6%	100% <sup>2</sup>

#### Notes:

- <sup>1</sup> The total remuneration paid to the CEO was S\$1,966,000, 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)
- <sup>2</sup> Most of the aggregate compensation of the relevant key management personnel was paid by the relevant operating subsidiaries of the Group (i.e. HIT to Mr. Ivor Chow in relation to his role as Executive Director of HIT; Mr. Tang Hin Kee, Edward in relation to his role as General Manager – Operations of HIT; YICT to Mr. Lam Hing Man, Patrick in relation to his role as Managing Director of YICT and Ms. Lee Tung Wan, Diana in relation to her role as Finance and Legal Director and Company Secretary of YICT; and COSCO-HIT to Mr. Ying Tze Man, Kenneth 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 2015, the total remuneration paid to the above key executives (excluding the CEO) was S\$3,839,000
- <sup>3</sup> 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 2015 average HK\$/S\$ exchange rate. Therefore, the remuneration set out in the table above are subject to currency exchange rates fluctuations

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

There is no employee of the Trustee-Manager and the Group who is an immediate family member of the Directors or the CEO and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2015.

# Corporate Governance Report

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 2015 are set out on pages 110 and 111 of the Annual Report.

## ACCOUNTABILITY AND AUDIT

### Accountability

#### Principle 10

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

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

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

### Risk Management and Internal Controls

#### Principle 11

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

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

On behalf of the Board, the Audit Committee reviews regularly 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 business strategies, budgets and plans, 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 Group's internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Director.



# Corporate Governance Report

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

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

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

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

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

## Review of Risk Management and Internal Controls Systems

The Trustee-Manager regularly reviews the business and operational activities of HPH Trust to identify areas of significant business risk as well as take appropriate measures to control and mitigate these risks. The Trustee-Manager reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board.

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

The Board, through the Audit Committee, has conducted a review of the adequacy and effectiveness of the Group's internal controls systems for the financial year ended 31 December 2015 covering all financial, operational, compliance and information technology controls as well as risk management functions. Based on such reviews and the work performed by the internal and external auditors, the Board, with the concurrence of the Audit Committee is of the opinion that the Group's internal control and risk management systems addressing material financial, operational, compliance and information technology risks is adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2015. 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 Hutchison Port Holdings Limited ("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 59 and 60 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

The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director who possess 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 Mr. Frank John Sixt and Mrs. Sng Sow-Mei (alias Poon Sow Mei) as members.

The Audit Committee held four meetings in 2015 with 100% attendance.

NAME OF MEMBER	ATTENDED/ELIGIBLE TO ATTEND
Mr. Graeme Allan Jack (Chairman)	4/4
Mr. Frank John Sixt	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4

In 2015, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the Code.

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

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

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

# Corporate Governance Report

During 2015, the Audit Committee reviewed the volume and nature of non-audit services provided by the external auditor and received the requisite information from the external auditor evidencing the latter's independence. Based on the information, the Audit Committee is satisfied that the non-audit services provided by the external auditor will not prejudice the independence and objectivity of the external auditor.

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

EXTERNAL AUDITOR FEES FOR FY2015	HK\$'000	% OF TOTAL FEES
Total Audit Fees	14,461	89%
Total Non-Audit Fees	1,751	11%
Total Fees Paid	16,212	100%

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

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

## Internal Audit

### Principle 13

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

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

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

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

## Legal and Regulatory

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

# Corporate Governance Report

## UNITHOLDER RIGHTS AND RESPONSIBILITIES

### Unitholder Rights

#### Principle 14

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

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

### Communication with Unitholders

#### Principle 15

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

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

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

### Conduct of Unitholder Meetings

#### Principle 16

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

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

All Directors attended the Annual General Meeting of the unitholders held on 27 April 2015 other than Mr Frank John Sixt 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.

# Corporate Governance Report

Voting at all general meetings are conducted by way of poll. 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](mailto:ir@hphtrust.com).

## DEALING IN SECURITIES

The Trustee-Manager has adopted its own internal code of conduct to provide guidance to all officers of the Trustee-Manager with regard to dealings in units of HPH Trust ("Code of Conduct") in compliance with Rule 1207(19) of the SGX-ST Listing Manual. Pursuant to the Code 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 Code of Conduct in their securities transactions throughout 2015. 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 Code of Conduct.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

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

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance responsibility and focuses on initiatives related to its stakeholders, its employees, the environment, its operating practices and the community. Details of the HPH Trust's initiatives are set out on pages 34 to 43 of the Annual Report.

## STATEMENT OF POLICIES AND PRACTICES

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

- (a) The trust property of HPH Trust is properly accounted for and trust property is kept distinct from the property of the Trustee-Manager held in its own capacity. Different bank accounts are maintained for the Trustee-Manager in its capacity as trustee-manager of HPH Trust and the Trustee-Manager in its own capacity, and regular internal reviews are carried out to ascertain that all trust property has been fully accounted for.

# Corporate Governance Report

- (b) The Management provides regular updates to the Board and the Audit Committee about potential projects that it is looking into on behalf of HPH Trust and the Board and the Audit Committee ensure that all such projects are within the permitted business scope under the Trust Deed. Prior to the carrying out of any significant business transaction, the Board, the Audit Committee and/or the Management will have careful regard to the provisions of the Trust Deed and when in doubt seek advice from professional advisers.
- (c) The Trustee-Manager is not involved in any other businesses other than managing HPH Trust. All potential conflicts, if arising, will be identified by the Board and the Management and reviewed. In addition, the majority of the Board are Independent Directors of the Trustee-Manager who do not have management or business relationships with the Trustee-Manager and are independent from any substantial shareholder of the Trustee-Manager and are therefore able to examine independently and objectively, any potential conflicts between the interest of the Trustee-Manager in its own capacity and the interests of all unitholders of HPH Trust. In respect of matters in which a Director has an interest, direct or indirect, such interested Director will abstain from participating in the review and approval process with regard to the matter. There is (i) the Non-Compete Agreement pursuant to which HPH has undertaken not to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau and HPH Trust has undertaken not to invest in, develop, operate and manage deep-water container ports in any part of the world outside of the Guangdong Province, Hong Kong and Macau, save that HPH may pursue any investment opportunity (including undertaking greenfield port development) declined by HPH Trust; and (ii) the ROFR Agreement pursuant to which (aa) a right of first refusal has been granted by HPH to HPH Trust to acquire a port development project or a developed port falling within the investment mandate of HPH Trust and owned by HPH or its subsidiaries and (bb) a right of first refusal has been granted by the Trustee-Manager as the trustee-manager of HPH Trust to HPH to acquire a port development project or a developed port of HPH Trust, both on terms and conditions contained in the ROFR Agreement. The Trustee-Manager maintains a register of all opportunities/transactions arising from the implementation of the Non-Compete Agreement and the ROFR Agreement. Also, the Trustee-Manager incorporates in its internal audit plan, a review of the implementation of the Non-Compete Agreement and the ROFR Agreement and the Audit Committee reviews the internal audit reports at least twice a year to ascertain that the terms of the Non-Compete Agreement and the ROFR Agreement have been complied with.
- (d) The Management identifies interested person transactions in relation to HPH Trust. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by HPH Trust and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into. The Trustee-Manager incorporates into its internal audit plan a review of all interested person transactions entered into by HPH Trust. The Audit Committee reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with and conducts an annual review of all such transactions to determine if such transactions have been conducted on normal commercial terms and will not be prejudicial to the interests of HPH Trust and the unitholders. In addition, all such interested person transactions conducted and any contract entered into by the Trustee-Manager on behalf of HPH Trust with a related party of the Trustee-Manager or HPH Trust, shall comply with and be in accordance with all applicable requirements of the SGX-ST Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.
- (e) The expenses payable to the Trustee-Manager in its capacity as the trustee-manager of HPH Trust out of the Trust property are appropriate and in accordance with the Trust Deed, and regular internal reviews are carried out to ensure such expenses payable are in order. Fees and expenses paid to the Trustee-Manager out of HPH Trust property for the financial year ended 31 December 2015 are disclosed in note 29(i)(f) of the Accounts, on page 111 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.

# Corporate Governance Report

## INTERESTED PERSON TRANSACTIONS

The aggregate of transactions entered into with interested persons of HPH Trust during the financial year ended 31 December 2015 pursuant to Rule 907 of the SGX-ST Listing Manual are as follows:

NAME OF INTERESTED PERSON	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	2015 HK\$'000	2015 HK\$'000
CK Hutchison Holdings Limited and its subsidiaries and its associates	334,544	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<sup>2</sup> of HPH Trust, either still subsisting at the end of the financial year ended 31 December 2015, 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<sup>1</sup>;
- (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

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

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

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# Report of the Trustee-Manager

The directors of Hutchison Port Holdings Management Pte. Limited, the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust" or the "Trust" and the trustee-manager of HPH Trust, the "Trustee-Manager") present their report to the unitholders of the Trust together with the audited financial statements of the Trust and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

## DIRECTORS

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

Mr. Fok Kin Ning, Canning (Chairman)  
 Dr. John Edward Wenham Meredith  
 Mr. Ip Sing Chi  
 Mr. Frank John Sixt  
 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 (appointed with effect from 2 December 2015)

Prof. Ma Si Hang, Frederick was a director of the Trustee-Manager during the year up to his resignation which took effect from 2 December 2015.

## 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 31.12.2015	At 1.1.2015	At 31.12.2015	At 1.1.2015
Number of units held by:				
Mr. Fok Kin Ning, Canning	-	-	601,000	601,000
Dr. John Edward Wenham Meredith	-	-	-	-
Mr. Ip Sing Chi	-	-	-	-
Mr. Frank John Sixt	-	-	20,000	20,000
Mr. Chan Tze Leung, Robert	-	-	400,000	400,000
Mr. Graeme Allan Jack	-	-	-	-
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	-	-	1,000,000	1,000,000
Mr. Kevin Anthony Westley	-	-	250,000	250,000
Mr. Wong Kwai Lam <sup>(1)</sup>	-	N.A.	-	N.A.
Prof. Ma Si Hang, Frederick <sup>(2)</sup>	N.A.	-	N.A.	-

(1) Denotes unitholding at the date of appointment (2 December 2015) and end of the year

(2) Resigned with effect from 2 December 2015

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2016.

# Report of the Trustee-Manager

## OPTIONS

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

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

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

## AUDIT COMMITTEE

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

Mr. Graeme Allan Jack (Chairman)  
Mrs. Sng Sow-Mei (alias Poon Sow Mei)  
Mr. Frank John Sixt

Mr. Graeme Allan Jack and Mrs. Sng Sow-Mei (alias Poon Sow Mei) are independent and are non-executive directors. Mr. Frank John Sixt is a non-executive director with the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Trust.

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 2015 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.

## BOARD OPINION ON THE ADEQUACY OF INTERNAL CONTROLS

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's systems of internal controls covering financial, operational, compliance and information technology controls, and risk management for the year ended 31 December 2015, and is of the opinion that the Group's internal control and risk management systems addressing material financial, operational, compliance and information technology risks is adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2015. 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.

# Report of the Trustee-Manager

## 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

**John Edward Wenham Meredith**  
Director

**Ip Sing Chi**  
Director

2 February 2016

# Statement by the Trustee-Manager

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

- (a) the consolidated income statement and consolidated statement of comprehensive income set out in the financial statements on pages 69 and 70 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 2015;
- (b) the statements of financial position set out on pages 71 and 72 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 2015;
- (c) the statements of changes in equity set out on pages 74 and 75 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 2015;
- (d) the consolidated statement of cash flows set out on page 73 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 2015; and
- (e) 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 2015 for issue.

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

**John Edward Wenham Meredith**  
Director

**Ip Sing Chi**  
Director

2 February 2016

# 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  
2 February 2016

# Independent Auditor's Report

TO THE UNITHOLDERS OF  
HUTCHISON PORT HOLDINGS TRUST

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hutchison Port Holdings Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 69 to 118, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Trust as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity of the Group, the statement of changes in equity of the Trust, and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

## TRUSTEE-MANAGER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Hutchison Port Holdings Management Pte. Limited (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 Singapore Business Trusts Act (the "Act") and Hong Kong Financial Reporting Standards, 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee-Manager, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements of the Group and the statement of financial position and the statement of changes in equity of the Trust are properly drawn up in accordance with the provisions of the Act and Hong Kong Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Trust as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Trust for the financial year ended on that date.

## 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.

**PricewaterhouseCoopers LLP**

*Public Accountants and Chartered Accountants*  
Singapore, 2 February 2016

# Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue and other income	4	12,612,781	12,622,228
Cost of services rendered		(4,575,062)	(4,814,198)
Staff costs		(306,588)	(305,195)
Depreciation and amortisation		(2,821,195)	(2,805,347)
Other operating income		232,049	322,126
Other operating expenses		(789,294)	(859,353)
Total operating expenses		(8,260,090)	(8,461,967)
Operating profit	5	4,352,691	4,160,261
Interest and other finance costs	6	(624,202)	(586,106)
Share of profits less losses after tax of associated companies		22,379	17,087
Share of profits less losses after tax of joint ventures		118,662	121,476
Impairment of goodwill	14(b)	-	(19,000,000)
Profit/(loss) before tax		3,869,530	(15,287,282)
Tax	7	(824,894)	(730,972)
Profit/(loss) for the year		3,044,636	(16,018,254)
Allocated as: Profit attributable to non-controlling interests		(1,299,737)	(1,173,701)
Profit/(loss) attributable to unitholders of HPH Trust	9	1,744,899	(17,191,955)
Earnings/(loss) per unit attributable to unitholders of HPH Trust	9	HK cents 20.03	HK cents (197.36)

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the year	3,044,636	(16,018,254)
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	(39,442)	(14,202)
Items that may be reclassified subsequently to profit or loss:		
Investments		
Valuation losses taken to reserves	(27,609)	(33,583)
Currency translation differences	(153,807)	(71,159)
Total other comprehensive loss	(220,858)	(118,944)
Total comprehensive income/(loss) for the year	2,823,778	(16,137,198)
Allocated as:		
Attributable to non-controlling interests	(1,229,832)	(1,143,812)
Attributable to unitholders of HPH Trust	1,593,946	(17,281,010)

Note:

Items shown within other comprehensive loss have no tax effect.



# Consolidated Statement of Financial Position

AT 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	10	24,480,774	25,040,000
Projects under development	11	2,966,246	2,331,967
Leasehold land and land use rights	12	41,269,830	42,554,823
Railway usage rights	13	13,859	15,002
Customer relationships	14(a)	6,838,596	7,172,802
Goodwill	14(b)	22,629,044	22,629,044
Associated companies	15	161,307	154,408
Joint ventures	16	3,898,495	4,150,299
Other non-current assets	17	1,272,025	798,388
Deferred tax assets	18	12,695	12,868
		<u>103,542,871</u>	<u>104,859,601</u>
<b>Current assets</b>			
Cash and cash equivalents	19	6,840,810	7,798,806
Trade and other receivables	20	3,723,445	3,318,249
Inventories		123,469	133,759
		<u>10,687,724</u>	<u>11,250,814</u>
<b>Current liabilities</b>			
Trade and other payables	21	7,294,967	6,940,993
Bank and other debts	22	8,911,165	8,190,242
Current tax liabilities		312,738	487,092
		<u>16,518,870</u>	<u>15,618,327</u>
<b>Net current liabilities</b>		<u>(5,831,146)</u>	<u>(4,367,513)</u>
<b>Total assets less current liabilities</b>		<u>97,711,725</u>	<u>100,492,088</u>
<b>Non-current liabilities</b>			
Bank and other debts	22	24,082,292	25,491,172
Pension obligations	23	200,269	144,079
Deferred tax liabilities	18	11,204,694	11,442,991
Other non-current liabilities	24	56,863	19,651
		<u>35,544,118</u>	<u>37,097,893</u>
<b>Net assets</b>		<u>62,167,607</u>	<u>63,394,195</u>
<b>EQUITY</b>			
Units in issue	25	68,553,839	68,553,839
Reserves		(25,953,724)	(24,237,451)
<b>Net assets attributable to unitholders of HPH Trust</b>		<u>42,600,115</u>	<u>44,316,388</u>
Non-controlling interests		<u>19,567,492</u>	<u>19,077,807</u>
<b>Total equity</b>		<u>62,167,607</u>	<u>63,394,195</u>

# Statement of Financial Position of Hutchison Port Holdings Trust

AT 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investment in a subsidiary	26	57,561,334	60,893,189
<b>Current assets</b>			
Cash and cash equivalents	19	3,723	2,133
Trade and other receivables	20	1,291	1,587
		5,014	3,720
<b>Current liability</b>			
Trade and other payables	21	52,329	39,142
<b>Net current liabilities</b>			
		(47,315)	(35,422)
<b>Total assets less current liabilities/Net assets</b>		57,514,019	60,857,767
<b>EQUITY</b>			
Units in issue	25	68,553,839	68,553,839
Reserves		(11,039,820)	(7,696,072)
<b>Total equity</b>		57,514,019	60,857,767

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Operating activities</b>			
Cash generated from operations	27	6,778,485	6,668,862
Interest and other finance costs paid		(568,071)	(510,964)
Tax paid		(1,225,703)	(760,821)
<b>Net cash from operating activities</b>		<b>4,984,711</b>	<b>5,397,077</b>
<b>Investing activities</b>			
Purchase of fixed assets, projects under development, leasehold land and land use rights		(2,041,991)	(1,106,035)
Proceeds on disposal of fixed assets		13,101	6,093
Dividends received from investments		35,635	56,738
Dividends received from associated companies and joint ventures		137,705	141,733
Interest received		73,091	85,694
Repayment of loans by joint ventures		241,800	3,200
Proceeds on cessation of economic benefits of an investment	17	347,232	-
Proceeds on disposal of subsidiary companies		-	2,411,342
<b>Net cash (used in)/from investing activities</b>		<b>(1,193,427)</b>	<b>1,598,765</b>
<b>Financing activities</b>			
New borrowings		14,013,324	10,800,000
Repayment of borrowings		(14,642,400)	(10,972,700)
Upfront debt transaction costs and facilities fees of borrowings		(69,838)	(7,800)
Capital contribution from non-controlling interests		345,300	-
Distributions to unitholders of HPH Trust		(3,310,219)	(3,571,551)
Dividends to non-controlling interests		(1,085,447)	(1,263,647)
<b>Net cash used in financing activities</b>		<b>(4,749,280)</b>	<b>(5,015,698)</b>
Net changes in cash and cash equivalents		(957,996)	1,980,144
Cash and cash equivalents at beginning of the year		7,798,806	5,818,662
Cash and cash equivalents at end of the year		<b>6,840,810</b>	<b>7,798,806</b>

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

## Group

	Units in issue HK\$'000	Exchange and other reserves HK\$'000	Revaluation reserve HK\$'000	Pension reserve HK\$'000	Accumulated losses HK\$'000	Attributable to unitholders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2015	68,553,839	50,735	(13,058)	20,405	(24,295,533)	44,316,388	19,077,807	63,394,195
Profit for the year	-	-	-	-	1,744,899	1,744,899	1,299,737	3,044,636
Other comprehensive loss:								
Remeasurement of defined benefits plans	-	-	-	(39,442)	-	(39,442)	-	(39,442)
Investments:								
Valuation losses taken to reserves	-	-	(27,609)	-	-	(27,609)	-	(27,609)
Currency translation differences	-	(83,902)	-	-	-	(83,902)	(69,905)	(153,807)
Transferred to/(from) reserves	-	3	-	-	(3)	-	-	-
Total other comprehensive loss	-	(83,899)	(27,609)	(39,442)	(3)	(150,953)	(69,905)	(220,858)
Total comprehensive (loss)/income	-	(83,899)	(27,609)	(39,442)	1,744,896	1,593,946	1,229,832	2,823,778
Transactions with owners:								
Equity contribution from non-controlling interests	-	-	-	-	-	-	345,300	345,300
Distributions	-	-	-	-	(3,310,219)	(3,310,219)	-	(3,310,219)
Dividends	-	-	-	-	-	-	(1,085,447)	(1,085,447)
At 31 December 2015	68,553,839	(33,164)	(40,667)	(19,037)	(25,860,856)	42,600,115	19,567,492	62,167,607
At 1 January 2014	68,553,839	91,970	20,525	34,607	(3,531,992)	65,168,949	19,062,718	84,231,667
(Loss)/profit for the year	-	-	-	-	(17,191,955)	(17,191,955)	1,173,701	(16,018,254)
Other comprehensive loss:								
Remeasurement of defined benefits plans	-	-	-	(14,202)	-	(14,202)	-	(14,202)
Investments:								
Valuation losses taken to reserves	-	-	(33,583)	-	-	(33,583)	-	(33,583)
Currency translation differences	-	(41,270)	-	-	-	(41,270)	(29,889)	(71,159)
Transferred to/(from) reserves	-	35	-	-	(35)	-	-	-
Total other comprehensive loss	-	(41,235)	(33,583)	(14,202)	(35)	(89,055)	(29,889)	(118,944)
Total comprehensive (loss)/income	-	(41,235)	(33,583)	(14,202)	(17,191,990)	(17,281,010)	1,143,812	(16,137,198)
Transactions with owners:								
Equity contribution from non-controlling interests	-	-	-	-	-	-	123,624	123,624
Distributions	-	-	-	-	(3,571,551)	(3,571,551)	-	(3,571,551)
Dividends	-	-	-	-	-	-	(1,252,347)	(1,252,347)
At 31 December 2014	68,553,839	50,735	(13,058)	20,405	(24,295,533)	44,316,388	19,077,807	63,394,195

# Statement of Changes in Equity of Hutchison Port Holdings Trust

FOR THE YEAR ENDED 31 DECEMBER 2015

Trust	Units in issue HK\$'000	Accumulated losses HK\$'000	Attributable to unitholders HK\$'000
At 1 January 2015	68,553,839	(7,696,072)	60,857,767
Loss and total comprehensive loss for the year	-	(33,529)	(33,529)
Transaction with owners:			
Distributions	-	(3,310,219)	(3,310,219)
At 31 December 2015	68,553,839	(11,039,820)	57,514,019
At 1 January 2014	68,553,839	(4,894,252)	63,659,587
Profit and total comprehensive income for the year	-	769,731	769,731
Transaction with owners:			
Distributions	-	(3,571,551)	(3,571,551)
At 31 December 2014	68,553,839	(7,696,072)	60,857,767

# Notes to the Financial Statements

## 1 GENERAL INFORMATION

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

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

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

At 31 December 2015, HPH Trust and its subsidiary companies (the “Group”) recorded net current liabilities of HK\$5.8 billion, mainly resulting from unsecured bank loans of US\$0.9 billion (approximately to HK\$7.0 billion) and HK\$1.6 billion, which will mature in September 2016 and November 2016 respectively. Management is confident to complete the refinancing arrangement before the expiry of these existing loans. Based on the Group’s history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

### Adoption of amendments to existing standards

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for annual period beginning 1 January 2015. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results or financial position.

# Notes to the Financial Statements

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Standards and amendments which are not yet effective

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

Amendments to HKAS 27 <sup>(1)</sup>	Equity Method in Separate Financial Statements
Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>(1)</sup>	Improvements to HKFRSs
Amendments to HKAS 1 <sup>(1)</sup>	Presentation of Financials Statements: Disclosure Initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 <sup>(1)</sup>	Investment Entities: Applying the Consolidation Exception
HKFRS 15 <sup>(2)</sup>	Revenue from Contracts with Customers
HKFRS 9 (2014) <sup>(2)</sup>	Financial Instruments
Amendments to HKFRS 10 and HKAS 28 <sup>(3)</sup>	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture

(1) Effective for annual periods beginning 1 January 2016

(2) Effective for annual periods beginning 1 January 2018

(3) New effective date to be determined

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations.

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

# Notes to the Financial Statements

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation

The consolidated financial statements of the Group for the year ended 31 December 2015 include all its direct and indirect subsidiary companies and also incorporate the interest in associated companies and joint ventures on the basis set out in Notes 2(c) and 2(d) below. Results of subsidiary companies, associated companies and joint ventures acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2015 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 in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. In the unconsolidated financial statements of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

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

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

### (c) Associated companies

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

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

### (d) Joint ventures

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

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



# Notes to the Financial Statements

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Fixed assets

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

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

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

In prior years, depreciation of container handling equipment was calculated to write-off their cost on a straight line basis over their estimated useful lives of 10 - 35 years. With effect from 1 August 2015, depreciation of container handling equipment is calculated to write-off their cost over their estimated useful lives of 10 - 30 years. This represents a change in accounting estimate and is accounted for prospectively. As a result of this change, the net book value of fixed assets as at 31 December 2015 and the profit before tax for the year ended 31 December 2015 have been decreased by approximately HK\$32,000,000.

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

### (f) Projects under development

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

### (g) Leasehold land and land use rights

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

### (h) Customer relationships

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

# Notes to the Financial Statements

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Goodwill

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

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

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

### (j) Railway usage rights

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

### (k) Current and deferred tax

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

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

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

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

### (l) Investments

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

# Notes to the Financial Statements

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Loans and receivables

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

### (n) Trade and other receivables

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

### (o) Inventories

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

### (p) Cash and cash equivalents

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

### (q) Borrowings and borrowing costs

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

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

### (r) Trade and other payables

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

### (s) Provisions

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

# Notes to the Financial Statements

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Asset impairment

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

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

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

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

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

### (v) Pension plans

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

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

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

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

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

# Notes to the Financial Statements

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Foreign exchange

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

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

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

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

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

All other exchange differences are recognised in the income statement.

### (x) Distributions to the Trust's unitholders

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

### (y) Operating leases

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

### (z) Revenue and other income recognition

Revenue is recognised:

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

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

# Notes to the Financial Statements

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Long lived assets

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

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

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

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

### (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.

# Notes to the Financial Statements

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Goodwill (Continued)

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

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

### (c) Customer relationships

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

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

### (d) Depreciation

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

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

### (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.

# Notes to the Financial Statements

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (f) Pension costs

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

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

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

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

### (g) Tax

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

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



# Notes to the Financial Statements

## 4 REVENUE AND OTHER INCOME AND SEGMENT INFORMATION

### (a) Revenue and other income

	2015 HK\$'000	2014 HK\$'000
Revenue		
Rendering of port and related services	12,227,776	12,166,759
Rendering of transportation and logistics solutions	237,806	273,577
Management and service fee income	57,751	59,777
System development and support fees	22,434	30,856
Others	1,594	3,582
	12,547,361	12,534,551
Other income		
Interest income	65,420	87,677
	12,612,781	12,622,228

### (b) Segment information

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

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

Disclosures by geographical location are shown below:

	Revenue and other income		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	5,093,308	5,327,303	29,403,256	30,132,371
Mainland China	7,519,473	7,294,925	74,139,615	74,727,230
	12,612,781	12,622,228	103,542,871	104,859,601

# Notes to the Financial Statements

## 5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2015 HK\$'000	2014 HK\$'000
<u>Crediting</u>		
Dividend income from River Ports Economic Benefits (Note 17)	19,605	47,410
Net exchange gain	3,305	-
Net gain on disposal of fixed assets	-	1,926
Net gain on disposal of subsidiary companies	-	243,777
Gain on cessation of economic benefits of an investment	155,532	-
<u>Charging</u>		
Auditor's remuneration		
- audit services	14,461	14,521
- non-audit services	1,751	502
Amortisation		
- leasehold land and land use rights	1,265,546	1,270,832
- railway usage rights	557	568
- customer relationships	334,206	334,206
Depreciation of fixed assets	1,220,886	1,199,741
Net loss on disposal of fixed assets	2,733	-
Operating lease rentals		
- office premises and port facilities	54,057	66,496
Staff costs included in cost of services rendered	1,314,636	1,301,366
Net exchange loss	-	61,462

## 6 INTEREST AND OTHER FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Bank loans and overdrafts	464,582	517,901
Guaranteed notes	103,480	-
Loans from non-controlling interests	1,519	1,519
Other finance costs	54,621	66,686
Fair value loss on interest rate swaps	38,784	-
Less: fair value adjustment to bank and other debts under fair value hedge	(38,784)	-
	624,202	586,106

## 7 TAX

	2015 HK\$'000	2014 HK\$'000
Current tax	1,062,983	1,001,289
Deferred tax (Note 18)	(238,089)	(270,317)
	824,894	730,972

# Notes to the Financial Statements

## 7 TAX (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax excluding share of profits less losses after tax of joint ventures and associated companies and impairment of goodwill (Note)	3,728,489	3,574,155
Tax calculated at weighted average tax rate of 24.4% (2014: 24.0%)	908,360	858,176
Tax exemption in the PRC	(242,104)	(216,066)
Income not subject to tax	(29,694)	(54,386)
Expenses not deductible for tax purposes	57,855	63,295
Withholding tax on unremitted earnings	121,888	113,124
Utilisation of previously unrecognised tax losses	(623)	(11,003)
Under/(over) provision in prior year	6,229	(25,461)
Tax losses not recognised	1,745	3,403
Others	1,238	(110)
Total tax	824,894	730,972

Note:

A one-off, non-cash goodwill impairment loss of HK\$19.0 billion was recognised in 2014.

## 8 DISTRIBUTIONS

	2015 HK\$'000	2014 HK\$'000
For the period from 1 July 2013 to 31 December 2013		
Distribution of 22.30 HK cents per unit	-	1,942,576
For the period from 1 January 2014 to 30 June 2014		
Distribution of 18.70 HK cents per unit	-	1,628,975
For the period from 1 July 2014 to 31 December 2014		
Distribution of 22.30 HK cents per unit	1,942,576	-
For the period from 1 January 2015 to 30 June 2015		
Distribution of 15.70 HK cents per unit	1,367,643	-
	3,310,219	3,571,551

On 2 February 2016, the Board of Directors of the Trustee-Manager recommended the distribution of 18.70 HK cents per unit for the financial result from 1 July 2015 to 31 December 2015 (2014: 22.30 HK cents per unit) amounting to HK\$1,629.0 million (2014: HK\$1,942.6 million) and payable on 24 March 2016. This distribution is not reflected in these financial statements and will be recognised in equity as an appropriation of retained profits in the financial year ending 31 December 2016.

## 9 EARNINGS/(LOSS) PER UNIT

The calculation of earnings/(loss) per unit is based on profit attributable to unitholders of HPH Trust of HK\$1,744,899,000 for the year ended 31 December 2015 (2014: loss attributable to unitholders of HPH Trust of HK\$17,191,955,000) and on 8,711,101,022 units in issue (2014: 8,711,101,022 units in issue), which is the weighted average number of units for the year ended 31 December 2015.

Diluted earnings/(loss) per unit is the same as the basic earnings/(loss) per unit for the years ended 31 December 2015 and 2014.

# Notes to the Financial Statements

## 10 FIXED ASSETS

Group	Properties HK\$'000	Container handling equipment HK\$'000	Barges HK\$'000	Others assets HK\$'000	Total HK\$'000
<b>2015</b>					
Opening net book amount	16,881,119	7,783,412	26,473	348,996	25,040,000
Additions	22,015	129,411	17,892	3,222	172,540
Transfer from projects under development (Note 11)	156,842	222,553	-	172,229	551,624
Depreciation	(568,087)	(580,978)	(7,016)	(64,805)	(1,220,886)
Disposals	(179)	(10,698)	(3,360)	(1,597)	(15,834)
Currency translation differences	(35,097)	(7,992)	-	(3,581)	(46,670)
Closing net book amount	16,456,613	7,535,708	33,989	454,464	24,480,774
<b>At 31 December 2015</b>					
Cost	19,132,511	10,316,454	52,737	741,657	30,243,359
Accumulated depreciation	(2,675,898)	(2,780,746)	(18,748)	(287,193)	(5,762,585)
Net book amount	16,456,613	7,535,708	33,989	454,464	24,480,774
<b>2014</b>					
Opening net book amount	19,290,008	8,446,880	25,352	360,817	28,123,057
Additions	59,089	158,120	6,404	1,945	225,558
Transfer from projects under development (Note 11)	34,177	283,954	-	83,179	401,310
Disposal of subsidiary companies	(1,918,801)	(525,470)	-	(36,993)	(2,481,264)
Depreciation	(563,714)	(571,419)	(5,283)	(59,325)	(1,199,741)
Disposals	(9)	(3,568)	-	(216)	(3,793)
Currency translation differences	(19,631)	(5,085)	-	(411)	(25,127)
Closing net book amount	16,881,119	7,783,412	26,473	348,996	25,040,000
<b>At 31 December 2014</b>					
Cost	19,000,276	9,968,715	39,970	597,179	29,606,140
Accumulated depreciation	(2,119,157)	(2,185,303)	(13,497)	(248,183)	(4,566,140)
Net book amount	16,881,119	7,783,412	26,473	348,996	25,040,000
<b>At 1 January 2014</b>					
Cost	20,908,184	10,089,822	35,188	559,933	31,593,127
Accumulated depreciation	(1,618,176)	(1,642,942)	(9,836)	(199,116)	(3,470,070)
Net book amount	19,290,008	8,446,880	25,352	360,817	28,123,057

# Notes to the Financial Statements

## 11 PROJECTS UNDER DEVELOPMENT

Group	2015 HK\$'000	2014 HK\$'000
At beginning of the year	2,331,967	1,847,826
Additions	1,252,333	918,932
Transfer to fixed assets (Note 10)	(551,624)	(401,310)
Currency translation differences	(66,430)	(33,481)
At end of the year	2,966,246	2,331,967

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

## 12 LEASEHOLD LAND AND LAND USE RIGHTS

Group	2015 HK\$'000	2014 HK\$'000
<b>Net book value</b>		
At beginning of the year	42,554,823	44,579,430
Additions	-	127,394
Disposal of subsidiary companies	-	(869,721)
Disposals	-	(374)
Amortisation	(1,265,546)	(1,270,832)
Currency translation differences	(19,447)	(11,074)
At end of the year	41,269,830	42,554,823
Cost	47,294,114	47,319,055
Accumulated amortisation	(6,024,284)	(4,764,232)
	41,269,830	42,554,823

## 13 RAILWAY USAGE RIGHTS

Group	2015 HK\$'000	2014 HK\$'000
<b>Net book value</b>		
At beginning of the year	15,002	15,941
Amortisation	(557)	(568)
Currency translation differences	(586)	(371)
At end of the year	13,859	15,002
Cost	16,561	17,575
Accumulated amortisation	(2,702)	(2,573)
	13,859	15,002

# Notes to the Financial Statements

## 14 INTANGIBLE ASSETS

### (a) Customer relationships

Group	2015 HK\$'000	2014 HK\$'000
Net book value		
At beginning of the year	7,172,802	7,507,008
Amortisation	(334,206)	(334,206)
At end of the year	6,838,596	7,172,802
Cost	8,440,000	8,440,000
Accumulated amortisation	(1,601,404)	(1,267,198)
At end of the year	6,838,596	7,172,802

### (b) Goodwill

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

Group	2015 HK\$'000	2014 HK\$'000
Hong Kong	1,666,002	1,666,002
Mainland China	20,963,042	20,963,042
	22,629,044	22,629,044
Group	2015 HK\$'000	2014 HK\$'000
At beginning of the year	22,629,044	42,500,443
Disposal of subsidiary companies	-	(871,399)
Impairment of goodwill (accumulated: HK\$19.0 billion)	-	(19,000,000)
At end of the year	22,629,044	22,629,044

Management performed an impairment assessment as at 31 December 2015 based on value-in-use calculations and considered that no further impairment of goodwill is required. As in prior years, the impairment methodology assumed terminal values and discount rates of 2% - 3% and 8% - 10% per annum, respectively. Terminal values are determined by considering both internal and external factors relating to the port operation and discount rates reflect specific risks relating to the relevant business.

The assumptions regarding the growth rates in revenue and cost of services rendered used in the current year's assessment of the Hong Kong CGU were comparable to last year. For illustration purposes, a hypothetical 0.5% decrease in the revenue growth rate, a 0.5% increase in costs of services rendered and a 0.5% increase in the discount rate, with all other variables and assumptions held constant, would decrease the recoverable amount of the Hong Kong CGU, by HK\$3.2 billion, HK\$1.9 billion and HK\$1.7 billion, respectively.

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

# Notes to the Financial Statements

## 15 ASSOCIATED COMPANIES

Group	2015 HK\$'000	2014 HK\$'000
Share of net assets	161,307	154,408

Details of the principal associated company at 31 December 2015 and 2014 are as follows:

Name	Place of establishment	Principal activities	Interest held
Shenzhen Yantian Tugboat Company Ltd.	PRC	Provision of tugboat services in the PRC	23.84%

There is no associated company as at 31 December 2015, 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.

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

	2015 HK\$'000	2014 HK\$'000
Revenue	265,966	260,620
Net profit for the year	72,963	54,420

	2015 HK\$'000	2014 HK\$'000
Total assets	530,746	552,803
Total liabilities	43,421	74,560

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

	2015 HK\$'000	2014 HK\$'000
Share of revenue	81,271	79,658
Share of results	22,379	17,087

# Notes to the Financial Statements

## 16 JOINT VENTURES

Group	2015 HK\$'000	2014 HK\$'000
Share of net assets	3,586,045	3,596,049
Loans to joint ventures	312,450	554,250
	3,898,495	4,150,299

A loan of HK\$300,000,000 to a joint venture (2014: HK\$540,000,000) is interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 5.0% per annum (2014: HIBOR plus 5.0% per annum). Another loan to a joint venture of HK\$12,450,000 (2014: HK\$14,250,000) is interest free. Both of the loans to joint ventures are unsecured and not expected to be repayable within one year. The carrying amount of the loans to joint ventures approximates its fair value.

Details of principal joint ventures at 31 December 2015 and 2014 are as follows:

Name	Place of establishment	Principal activities	Interest held
COSCO-HIT Terminals (Hong Kong) Limited <sup>(1)</sup>	Hong Kong	Development and operation of a container terminal	50.00%
Asia Container Terminals Limited <sup>(1)</sup>	Hong Kong	Development and operation of a container terminal	40.00%
Beijing Leading Edge Container Services Co., Limited <sup>(1)</sup>	PRC	Provision of logistic services	50.00%
Mercury Sky Group Limited <sup>(2)</sup>	British Virgin Islands	Investment holding	50.00%
Shenzhen Leading Edge Port Services Co., Limited <sup>(1)</sup>	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 2015, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

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



# Notes to the Financial Statements

## 16 JOINT VENTURES (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Revenue	1,682,791	1,564,122
Net profit for the year	246,878	250,062
	2015 HK\$'000	2014 HK\$'000
Non-current assets	9,142,524	9,010,449
Current assets	1,828,455	1,837,877
Total assets	10,970,979	10,848,326
Non-current liabilities	3,705,370	1,705,680
Current liabilities	771,680	2,951,806
Total liabilities	4,477,050	4,657,486

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

	2015 HK\$'000	2014 HK\$'000
Share of revenue	783,230	732,346
Share of results	118,662	121,476

## 17 OTHER NON-CURRENT ASSETS

Group	2015 HK\$'000	2014 HK\$'000
Investments		
Listed equity security	60,413	58,388
River Ports Economic Benefits (Note)	518,600	740,000
Prepayment for fixed assets, leasehold land and land use rights	652,547	-
Other receivables	40,465	-
	1,272,025	798,388

Note:

The River Ports Economic Benefits represent the economic interest and benefits of the river ports in Nanhai, Jiangmen and Zhuhai Jiuzhou, 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 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 a related company and any of its subsidiaries.

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

# Notes to the Financial Statements

## 18 DEFERRED TAX

Group	2015 HK\$'000	2014 HK\$'000
Deferred tax assets	(12,695)	(12,868)
Deferred tax liabilities	11,204,694	11,442,991
Net deferred tax liabilities	11,191,999	11,430,123

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

	Unused tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Fair value adjustments arising from acquisitions HK\$'000	Withholding tax on unremitted earnings HK\$'000	Others HK\$'000	Total HK\$'000
<b>2015</b>						
At 1 January 2015	(17,612)	583,169	10,674,440	190,438	(312)	11,430,123
Tax (credited)/charged to income statement	(544)	17,187	(287,424)	32,693	(1)	(238,089)
Other temporary differences	-	17	(67)	(173)	188	(35)
At 31 December 2015	(18,156)	600,373	10,386,949	222,958	(125)	11,191,999
<b>2014</b>						
At 1 January 2014	(22,021)	715,130	11,288,489	185,254	(394)	12,166,458
Disposal of subsidiary companies	-	(147,010)	(318,916)	-	52	(465,874)
Tax charged/(credited) to income statement	4,409	15,049	(295,066)	5,184	107	(270,317)
Other temporary differences	-	-	(67)	-	(77)	(144)
At 31 December 2014	(17,612)	583,169	10,674,440	190,438	(312)	11,430,123

Notes:

- (a) The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority.
- (b) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profit is probable. The Group has unrecognised tax losses of HK\$410,613,000 at 31 December 2015 (2014: HK\$406,915,000) to carry forward against future taxable income. Of these, HK\$405,489,000 (2014: HK\$405,765,000) can be carried forward indefinitely. The remaining HK\$5,124,000 (2014: HK\$1,150,000) expires in the following years:

	2015 HK\$'000	2014 HK\$'000
In the first year	-	-
In the second year	-	-
In the third year	-	-
In the fourth year	1,150	-
In the fifth year	3,974	1,150
	5,124	1,150

# Notes to the Financial Statements

## 18 DEFERRED TAX (CONTINUED)

Notes (Continued):

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

## 19 CASH AND CASH EQUIVALENTS

<b>Group</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Cash at bank and on hand	472,085	325,743
Short-term bank deposits	6,368,725	7,473,063
	<u>6,840,810</u>	<u>7,798,806</u>

<b>Trust</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Cash at bank and on hand	<u>3,723</u>	<u>2,133</u>

Cash and cash equivalents are denominated in the following currencies:

<b>Group</b>	<b>2015</b> <b>Percentage</b>	<b>2014</b> <b>Percentage</b>
Hong Kong dollar	60%	60%
Renminbi	14%	26%
United States dollar	26%	14%
	<u>100%</u>	<u>100%</u>

<b>Trust</b>	<b>2015</b> <b>Percentage</b>	<b>2014</b> <b>Percentage</b>
Hong Kong dollar	72%	49%
United States dollar	3%	30%
Singapore dollar	25%	21%
	<u>100%</u>	<u>100%</u>

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

# Notes to the Financial Statements

## 20 TRADE AND OTHER RECEIVABLES

<b>Group</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Trade receivables	3,066,699	2,566,241
Less : Provision for impairment of receivables	(14,961)	(11,967)
	3,051,738	2,554,274
Other receivables and prepayments	436,938	460,705
Amounts due from related companies (Note a)	35,237	32,498
Amounts due from joint ventures (Note a)	191,994	262,827
Amounts due from associated companies (Note a)	7,538	7,945
	3,723,445	3,318,249

<b>Trust</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Other receivables and prepayments	1,291	1,587

Trade and other receivables are denominated in the following currencies:

<b>Group</b>	<b>2015</b> <b>Percentage</b>	<b>2014</b> <b>Percentage</b>
Hong Kong dollar	59%	68%
Renminbi	28%	24%
United States dollar	13%	8%
	100%	100%

<b>Trust</b>	<b>2015</b> <b>Percentage</b>	<b>2014</b> <b>Percentage</b>
Hong Kong dollar	-	46%
Singapore dollar	68%	54%
United States dollar	32%	-
	100%	100%

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

# Notes to the Financial Statements

## 20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) The amounts due from related companies, associated companies and joint ventures of the Group are unsecured, interest free and have no fixed terms of repayment.
- (b) At 31 December 2015, trade receivables of the Group amounting to HK\$1,391,857,000 (2014: HK\$1,057,471,000) 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:

	2015 HK\$'000	2014 HK\$'000
Up to 2 months	654,644	594,113
2 to 3 months	213,446	218,820
Over 3 months	523,767	244,538
	1,391,857	1,057,471

- (c) At 31 December 2015, trade receivables of the Group amounting to HK\$14,961,000 (2014: HK\$11,967,000) were impaired and provided for. The impaired receivables are balances in dispute with customers. The Group does not hold any collateral over these balances.

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

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	11,967	14,553
Provision for impairment	3,899	1,908
Write back of provision for impairment	(561)	(4,033)
Receivables written off as uncollectible	(173)	(37)
Disposal of subsidiary companies	-	(319)
Currency translation differences	(171)	(105)
	14,961	11,967

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

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

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

# Notes to the Financial Statements

## 21 TRADE AND OTHER PAYABLES

<b>Group</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Trade payables, other payables and accruals	7,049,124	6,684,492
Loans from non-controlling interests (Note a)	161,942	165,442
Amounts due to related companies (Note b)	83,901	91,059
	<u>7,294,967</u>	<u>6,940,993</u>

<b>Trust</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Trade payables, other payables and accruals	21,713	22,969
Amounts due to:		
- a related company (Note b)	12,502	12,527
- a subsidiary company (Note b)	18,114	3,646
	<u>52,329</u>	<u>39,142</u>

Trade and other payables are denominated in the following currencies:

<b>Group</b>	<b>2015</b> <b>Percentage</b>	<b>2014</b> <b>Percentage</b>
Hong Kong dollar	80%	79%
Renminbi	18%	19%
United States dollar	2%	2%
	<u>100%</u>	<u>100%</u>

<b>Trust</b>	<b>2015</b> <b>Percentage</b>	<b>2014</b> <b>Percentage</b>
Hong Kong dollar	35%	15%
United States dollar	24%	32%
Singapore dollar	41%	53%
	<u>100%</u>	<u>100%</u>

At 31 December 2015, the carrying amounts of trade and other payables of the Group and of the Trust approximate their fair values.

Notes:

- (a) The loans from non-controlling interests of the Group are unsecured, interest free except for an amount of HK\$30,380,000 (2014: HK\$30,380,000) which bears interest at Hong Kong Dollar Prime Rate (2014: Hong Kong Dollar Prime Rate) and has no fixed terms of repayment.
- (b) Amounts due to related companies and a subsidiary company of the Group and 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	8,819,200	16,420,000	25,239,200
Secured bank loans	108,000	-	108,000
Guaranteed notes	-	7,800,000	7,800,000
Total principal amount of bank and other debts	8,927,200	24,220,000	33,147,200
Unamortised loan facilities fees and discounts related to debts	(16,035)	(98,924)	(114,959)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	-	(38,784)	(38,784)
At 31 December 2015	8,911,165	24,082,292	32,993,457
Unsecured bank loans	8,067,700	25,559,200	33,626,900
Secured bank loans	127,500	-	127,500
Total principal amount of bank and other debts	8,195,200	25,559,200	33,754,400
Unamortised loan facilities fees and discounts related to debts	(4,958)	(68,028)	(72,986)
At 31 December 2014	8,190,242	25,491,172	33,681,414

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 July 2016 to April 2019 (2014: repayable from July 2015 to April 2019).

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

The effective interest rate of the Group's bank and other debts at 31 December 2015 is 1.6% per annum (2014: 1.6% per annum).

Bank and other debts are denominated in the following currencies:

Group	2015 Percentage	2014 Percentage
Hong Kong dollar	13%	17%
United States dollar	87%	83%
	100%	100%

At 31 December 2015, leasehold land and land use rights of the Group totalling HK\$237,136,000 (2014: HK\$240,739,000) were pledged as security for a bank loan.

# Notes to the Financial Statements

## 23 PENSION OBLIGATIONS

Group	2015 HK\$'000	2014 HK\$'000
Defined benefit plans		
Pension obligations	200,269	144,079

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 2015 and 31 December 2014 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:

	2015 Percentage	2014 Percentage
Discount rate	1.20 - 1.50	1.50 - 1.90
Future salary increases	4.00	4.00
Interest credited on plan accounts	5.00 - 6.00	5.00 - 6.00

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

	2015 HK\$'000	2014 HK\$'000
Present value of defined benefit obligations	1,368,791	1,300,081
Fair value of plan assets	(1,168,522)	(1,156,002)
Net defined benefit liabilities	200,269	144,079



# Notes to the Financial Statements

## 23 PENSION OBLIGATIONS (CONTINUED)

### (a) Defined benefit plans (continued)

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

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

# 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
<b>2014</b>			
At 1 January	1,192,342	(1,076,760)	115,582
<b>Net charge/(credit) to the income statement</b>			
Current service cost	47,459	856	48,315
Interest cost/(income)	18,819	(17,209)	1,610
	66,278	(16,353)	49,925
<b>Net charge/(credit) to other comprehensive income</b>			
Remeasurements loss:			
Actuarial loss arising from:			
Experience adjustment	59,399	-	59,399
Financial assumptions	5,572	-	5,572
Return on plan assets excluding interest income	-	(50,769)	(50,769)
	64,971	(50,769)	14,202
<b>Other</b>			
Contributions paid by the employer	-	(35,630)	(35,630)
Contributions paid by the employee	8,714	(8,714)	-
Benefits paid	(41,401)	41,401	-
Net transfer	9,177	(9,177)	-
At 31 December	1,300,081	(1,156,002)	144,079

# Notes to the Financial Statements

## 23 PENSION OBLIGATIONS (CONTINUED)

### (a) Defined benefit plans (Continued)

Fair value of the plan assets is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Equity instruments	811,092	809,202
Debt instruments	326,842	316,752
Cash and others	30,588	30,048
At 31 December	1,168,522	1,156,002
	2015 Percentage	2014 Percentage
Equity Instruments		
Conglomerates and manufacturing	6%	5%
Construction and materials	2%	2%
Consumer markets	6%	8%
Energy and utilities	4%	4%
Financial institutions and units trust	20%	20%
Health and care	6%	6%
Insurance	5%	4%
Real estate	4%	4%
Information technology	11%	11%
Others	5%	6%
	69%	70%
Debt instruments		
Government (other than US)	10%	8%
Financial institutions	3%	4%
US Treasury	6%	6%
Others	9%	9%
	28%	27%
Cash and others	3%	3%
	100%	100%

# Notes to the Financial Statements

## 23 PENSION OBLIGATIONS (CONTINUED)

### (a) Defined benefit plans (Continued)

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

	2015 Percentage	2014 Percentage
Aaa/AAA	24%	24%
Aa1/AA+	12%	12%
Aa2/AA	2%	2%
Aa3/AA-	5%	5%
A1/A+	8%	8%
A2/A	6%	6%
A3/A-	7%	7%
Baa1/BBB+	2%	2%
Baa2/BBB	7%	7%
Other lower grade	7%	7%
No investment grade	20%	20%
	100%	100%

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

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed at 31 December 2014 and 2015. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the pension plans of the Group to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the major defined benefit plans of the Group are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 1 August 2015 reported a funding level of 127% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4% per annum. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. At 31 December 2015, this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year ended 31 December 2015, forfeited contributions totalling HK\$729,000 (2014: HK\$885,000) were used to reduce the level of contributions of the year ended 31 December 2015 and no forfeited contribution was available at 31 December 2015 (2014: Nil) to reduce future year's contributions.

# Notes to the Financial Statements

## 23 PENSION OBLIGATIONS (CONTINUED)

### (a) Defined benefit plans (Continued)

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

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

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

Expected contributions to the defined benefit plans for the year ending 31 December 2016 are HK\$39,029,000.

The weighted average duration of the defined benefit obligation is 7.9 years as at 31 December 2015 (2014: 8.2 years).

### (b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$69,464,000 (2014: HK\$67,938,000).

## 24 OTHER NON-CURRENT LIABILITIES

Group	2015 HK\$'000	2014 HK\$'000
Fair value hedges		
Interest rate swaps	38,784	-
Others	18,079	19,651
	<u>56,863</u>	<u>19,651</u>

## 25 UNITS IN ISSUE

Group and Trust	Number of units	HK\$'000
At 1 January 2014, 31 December 2014 and 31 December 2015	8,711,101,022	68,553,839

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

# Notes to the Financial Statements

## 26 INVESTMENT IN A SUBSIDIARY

Trust	2015 HK\$'000	2014 HK\$'000
Investment cost	10,000	10,000
Capital contribution	57,551,334	60,883,189
	<u>57,561,334</u>	<u>60,893,189</u>

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

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

## 27 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	Note	2015 HK\$'000	2014 HK\$'000
Operating profit		4,352,691	4,160,261
Depreciation and amortisation		2,821,195	2,805,347
Net gain on disposal of subsidiary companies		-	(243,777)
Gain on cessation of economic benefits of an investment	17	(155,532)	-
Net loss/(gain) on disposal of fixed assets		2,733	(1,926)
Dividend income		(23,727)	(50,718)
Interest income		(65,420)	(87,677)
Operating profit before working capital changes		<u>6,931,940</u>	<u>6,581,510</u>
Decrease in inventories		10,290	8,308
Increase in trade and other receivables		(496,271)	(174,990)
Decrease/(increase) in amounts due from related companies, associated companies and joint ventures		71,239	(43,157)
Increase in trade and other payables		244,539	286,496
Increase in pension obligations		16,748	10,695
Cash generated from operations		<u>6,778,485</u>	<u>6,668,862</u>

# Notes to the Financial Statements

## 28 COMMITMENTS

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

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for	645,143	99,256
Authorised but not contracted for (Note)	1,606,629	2,176,952
	2,251,772	2,276,208

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

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for	-	-
Authorised but not contracted for	89,007	137,700

Note:

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

(b) At 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises and port facilities as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	23,796	31,574
Between two to five years	16,842	29,715
More than five years	-	155
	40,638	61,444

(c) At 31 December 2015, the Group had future aggregate minimum lease receivable under non-cancellable operating leases for office premises and port facilities as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	6,326	13,767
Between two to five years	33,570	4,480
	39,896	18,247

# Notes to the Financial Statements

## 29 RELATED PARTIES TRANSACTIONS

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

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

	2015 HK\$'000	2014 HK\$'000
Income:		
Container handling fees received from joint ventures and related companies (Note a)	35,464	61,117
Management and service fee received from joint ventures and related companies (Note b)	77,946	82,197
Transportation management services fee income from a joint venture and related companies (Note c)	29,461	47,691
Sales of fixed assets and parts to a related company (Note d)	-	652
Expenses:		
Container handling charges paid to joint ventures, associated companies and a related company (Note e)	1,022,289	989,079
Operating lease rentals on premises paid to joint ventures and related companies (Note e)	12,470	20,437
Trustee-Manager management fees (Note f)		
Base fee	22,613	22,167
Divestment fee	-	12,178
Global support services fees to a related company (Note g)	135,680	131,228
Information technology ("IT") support and maintenance service fees paid to an associated company and related companies (Note h)	45,239	47,360
Telecommunication charges paid to related companies (Note i)	5,308	5,933
Security guards service fees paid to a related company (Note j)	12,964	12,207
Purchases of fixed assets from related companies (Note k)	3,828	45,247



# Notes to the Financial Statements

## 29 RELATED PARTIES TRANSACTIONS (CONTINUED)

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

Notes:

- (a) Container handling fees received from joint ventures and related companies were charged at terms pursuant to the relevant agreements.
- (b) Management and service fee received from joint ventures and related companies were charged at terms mutually agreed.
- (c) Revenue from a joint venture and related companies for the provision of transportation management services was charged at prices and terms mutually agreed.
- (d) Sales of fixed assets and parts to a related company was charged at prices and terms mutually agreed.
- (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 2015 is payable in cash. As the December 2015 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.

Divestment fee was related to the disposal of 60% shareholdings in Asia Container Terminals Holdings Limited by HPH Trust in March 2014. It was calculated based on 0.5% of 60% of the enterprise value (as defined in the Trust Deed) of such divestment.

- (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 an associated company and related companies were charged at prices and terms mutually agreed.
- (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.
- (k) Acquisition of fixed assets from related companies were charged at prices and terms mutually agreed.

### (ii) Key management compensation

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

	2015 HK\$'000	2014 HK\$'000
Salaries and employee benefits	30,951	30,450

# Notes to the Financial Statements

## 30 FINANCIAL RISK AND CAPITAL MANAGEMENT

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.

### (a) Cash management and funding

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

### (b) Capital management

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

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

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

At 31 December 2015, total equity amounted to HK\$62,167,607,000 (2014: HK\$63,394,195,000), and consolidated net debt of the Group was HK\$26,306,390,000 (2014: HK\$25,955,594,000).

### (c) Credit exposure

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

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

### (d) Interest rate exposure

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

The impact of a hypothetical 5 basis points increase in market interest rate at the end of the reporting period would reduce the Group's profit and unitholders' equity by HK\$13,570,000 (2014: HK\$12,994,000).

# Notes to the Financial Statements

## 30 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (e) Foreign currency exposure

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

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

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

	Hypothetical increase/ (decrease) in profit	
	2015 HK\$'000	2014 HK\$'000
Renminbi	16,667	54,152
United States dollar	(1,340,450)	(1,341,835)
Singapore dollar	91	(979)
	<u>(1,323,692)</u>	<u>(1,288,662)</u>

# 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	Undiscounted cash flows HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000
<b>2015</b>				
Trade and other payables	7,294,967	7,294,967	7,294,967	-
Bank and other debts, and other non-current liabilities	33,050,320	33,181,705	8,947,044	24,234,661
	40,345,287	40,476,672	16,242,011	24,234,661
<b>2014</b>				
Trade and other payables	6,940,993	6,940,993	6,940,993	-
Bank and other debts, and other non-current liabilities	33,701,065	33,754,400	8,195,200	25,559,200
	40,642,058	40,695,393	15,136,193	25,559,200

The table for the Group above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$590,146,000 (2014: HK\$514,511,000) in "within 1 year" maturity band, HK\$924,239,000 (2014: HK\$777,499,000) in "within 2 to 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	Undiscounted cash flows HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000
<b>2015</b>				
Trade and other payables	52,329	52,329	52,329	-
<b>2014</b>				
Trade and other payables	39,142	39,142	39,142	-

# Notes to the Financial Statements

## 30 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (g) Fair value estimation

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

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

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

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

	Note	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2015					
Listed equity security	17	60,413	-	-	60,413
River Ports Economic Benefits	17	-	-	518,600	518,600
Fair value hedges on interest rate swaps	24	-	(38,784)	-	(38,784)
		60,413	(38,784)	518,600	540,229
At 31 December 2014					
Listed equity security	17	58,388	-	-	58,388
River Ports Economic Benefits	17	-	-	740,000	740,000
		58,388	-	740,000	798,388

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

During the years ended 31 December 2015 and 2014, there were no transfers between the Level 1, Level 2 and Level 3 fair value measurements.

At 31 December 2015, the fair value of bank and other debts (note 22) was HK\$32,989.3 million. The carrying amounts of the remaining financial assets and financial liabilities approximate their fair values.

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

	2015 HK\$'000	2014 HK\$'000
At 1 January	740,000	775,000
Valuation losses taken to reserves	(29,700)	(35,000)
Derecognition	(191,700)	-
At 31 December	518,600	740,000

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

# 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 2015 and 2014 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital <sup>(3)</sup>	Interest held	
				2015	2014
HPHT Limited <sup>(1)</sup>	Hong Kong	Investment holding	HK\$10,000,000	100%	100%
Giantfield Resources Limited <sup>(2)</sup>	British Virgin Islands	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Classic Outlook Investments Limited <sup>(2)</sup>	British Virgin Islands	Investment holding	100,000 ordinary shares of US\$0.1 each	100%	100%
HIT Investments Limited <sup>(2)</sup>	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 <sup>(2)</sup>	British Virgin Islands	Investment holding	1 ordinary share of US\$1	100%	100%
Hongkong International Terminals Limited <sup>(1)</sup>	Hong Kong	Development and operation of container terminals	HK\$20	100%	100%
Yantian International Container Terminals Limited <sup>(1)</sup>	PRC	Development and operation of container terminals	HK\$2,400,000,000	56.41%	56.41%
Yantian International Container Terminals (Phase III) Limited <sup>(1)</sup>	PRC	Development and operation of container terminals	HK\$6,056,960,000	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 2015 and 2014 are as follows (Continued):

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital <sup>(3)</sup>	Interest held	
				2015	2014
Shenzhen Pingyan Multimodal Company Limited <sup>(1)</sup>	PRC	Provision of various transportation services	RMB150,000,000	51.64%	51.64%
Shenzhen Yantian West Port Terminals Limited <sup>(1)</sup>	PRC	Development and operation of container terminals	2015: RMB2,343,300,000 2014: RMB1,546,778,891	51.64%	51.64%
Hutchison Ports Yantian Limited <sup>(1)</sup>	Hong Kong	Investment holding	HK\$10,000,000	79.45%	79.45%
Wattrus Limited <sup>(1)</sup>	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 <sup>(1)</sup>	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 <sup>(2)</sup>	British Virgin Islands	Investment holding	200 ordinary shares of US\$1 each	100%	100%
Birrong Limited <sup>(2)</sup>	British Virgin Islands	Investment holding	10,000 ordinary shares of US\$1 each	100%	100%
Hutchison Shenzhen East Investments Limited <sup>(2)</sup>	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

(3) Unless otherwise stated, the particulars of issued share capital of the subsidiary companies are the same for 2015 and 2014

### Appointment of auditors

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

# Notes to the Financial Statements

## 31 LIST OF SUBSIDIARY COMPANIES OF THE GROUP (CONTINUED)

### (b) Material non-controlling interests

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

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

#### Summarised statement of financial position

	2015 HK\$'000	2014 HK\$'000
Non-current assets	72,293,227	69,335,193
Current assets	5,333,588	5,588,612
Total assets	77,626,815	74,923,805
Non-current liabilities	10,130,892	13,212,836
Current liabilities	5,574,694	4,118,998
Total liabilities	15,705,586	17,331,834

#### Summarised income statement

	2015 HK\$'000	2014 HK\$'000
Revenue and other income	7,348,339	7,081,795
Net profit for the year	2,818,515	2,545,345

#### Summarised statement of cash flows

	2015 HK\$'000	2014 HK\$'000
Net change in cash and cash equivalents	(702,464)	432,580

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

## 32 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 69 to 118 were approved by the Board of Directors of the Trustee-Manager for issue on 2 February 2016.



# Statistics of Unitholdings

AS AT 1 MARCH 2016

There were 8,711,101,022 units (voting rights: 1 vote per unit) in issue as at 1 March 2016. There is only one class of units in HPH Trust.

## DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	12	0.03	276	0.00
100 - 1,000	3,312	9.45	3,227,746	0.04
1,001 - 10,000	20,020	57.13	101,768,401	1.17
10,001 - 1,000,000	11,626	33.18	604,020,887	6.93
1,000,001 AND ABOVE	73	0.21	8,002,083,712	91.86
<b>TOTAL</b>	<b>35,043</b>	<b>100.00</b>	<b>8,711,101,022</b>	<b>100.00</b>

## SUBSTANTIAL UNITHOLDERS

Based on Register of Substantial Unitholders as at 1 March 2016

Unitholders	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
1. CK Hutchison Holdings Limited <sup>(1)</sup>	-	-	2,619,246,222	30.07
2. Hutchison Port Group Holdings Limited	2,406,227,022	27.62	-	-
3. CK Hutchison Global Investments Limited <sup>(2)</sup>	-	-	2,406,227,022	27.62
4. PortCapital Limited	905,364,000	10.39	-	-
5. PSA International Pte Ltd <sup>(3)</sup>	-	-	905,364,000	10.39
6. Temasek Holdings (Private) Limited <sup>(4)</sup>	-	-	961,541,342	11.04

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 2016

## 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	1,341,653,569	15.40
3	PortCapital Limited	905,364,000	10.39
4	DBS Nominees (Private) Limited	816,985,271	9.38
5	DBSN Services Pte. Ltd.	439,278,370	5.04
6	United Overseas Bank Nominees (Private) Limited	387,876,997	4.45
7	Raffles Nominees (Pte) Limited	372,650,281	4.28
8	HSBC (Singapore) Nominees Pte Ltd	337,492,809	3.87
9	DBS Vickers Securities (Singapore) Pte Ltd	261,391,944	3.00
10	DB Nominees (Singapore) Pte Ltd	165,764,370	1.90
11	BNP Paribas Nominees Singapore Pte Ltd	101,098,754	1.16
12	BNP Paribas Securities Services Singapore Branch	68,459,748	0.79
13	Morgan Stanley Asia (Singapore) Securities Pte Ltd	57,131,489	0.66
14	Bank Of Singapore Nominees Pte. Ltd.	47,059,614	0.54
15	Goh Kia Seng	47,000,000	0.54
16	UOB Kay Hian Private Limited	18,579,724	0.21
17	KGI Fraser Securities Pte. Ltd.	16,081,500	0.18
18	Phillip Securities Pte Ltd	15,849,058	0.18
19	Nomura Singapore Limited	13,239,912	0.15
20	OCBC Securities Private Limited	13,000,659	0.15
<b>TOTAL</b>		<b>7,832,185,091</b>	<b>89.89</b>

## FREE FLOAT

Based on the information made available to the Trustee-Manager, as at 1 March 2016, approximately 58.9% were held in the hands of the public. Accordingly, HPH Trust complied with Rule 723 of the Listing Manual of the SGX-ST.

## ADDITIONAL INFORMATION

	Total Volume ('000)	Highest Price (US\$) (S\$)		Lowest Price (US\$) (S\$)	
Unit performance in financial year 2015	4,480,342	0.740	0.995	0.510	0.725

# Notice of Annual General Meeting

## HUTCHISON PORT HOLDINGS TRUST

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

(Registration No.: 2011001)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the unitholders of Hutchison Port Holdings Trust (“**HPH Trust**” and unitholders of HPH Trust, “**Unitholders**”) will be held at Suntec Singapore International Convention & Exhibition Centre, Summit 2 Meeting Room, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 18 April 2016 at 11:00 a.m. for the following purposes:

### ORDINARY BUSINESS:

1. To receive and adopt the Report of the Trustee-Manager, Statement by the Trustee-Manager and the audited financial statements of HPH Trust for the year ended 31 December 2015 together with the Independent Auditor’s Report thereon. (Resolution 1)

2. To re-appoint PricewaterhouseCoopers LLP as the Auditor of HPH Trust and to authorise the Directors of the Trustee-Manager to fix its remuneration. (Resolution 2)

### SPECIAL BUSINESS:

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

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

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

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

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

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

provided that:

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

# Notice of Annual General Meeting

## HUTCHISON PORT HOLDINGS TRUST

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

(Registration No.: 2011001)

- (4) unless revoked or varied by HPH Trust in a general meeting, such authority shall continue in force until (i) the conclusion of the next Annual General Meeting of the Unitholders or the date by which the next Annual General Meeting of the Unitholders is required by law to be held, whichever is the earlier; or (ii) in the case of Units to be issued pursuant to the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments.

**(Resolution 3)**

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

### LYNN WAN TIEW LENG

Company Secretary  
Singapore, 31 March 2016

#### Explanatory Note:

#### **Resolution 3**

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

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

#### **Notes:**

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

#### **Personal data privacy:**

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

HUTCHISON PORT HOLDINGS TRUST

**HUTCHISON PORT HOLDINGS TRUST**

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

**HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED**

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

**PROXY FORM**

*(Please see notes overleaf before completing this Form)*

I/We, \_\_\_\_\_  
holder of NRIC / Passport Number or Company Registration Number or UEN Number \_\_\_\_\_  
of \_\_\_\_\_  
being a unitholder/unitholders of Hutchison Port Holdings Trust ("HPH Trust"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of whom failing, referred to the above, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the unitholders of HPH Trust ("Meeting") to be held at Suntec Singapore International Convention & Exhibition Centre, Summit 2 Meeting Room, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 18 April 2016 at 11:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of Votes For**	No. of Votes Against**
1	Adoption of the Report of the Trustee-Manager, Statement by the Trustee-Manager and the audited financial statements of HPH Trust for the year ended 31 December 2015 together with the Auditor's Report thereon		
2	Re-appointment of PricewaterhouseCoopers LLP as the Auditor of HPH Trust		
3	Authority to issue new units in HPH Trust		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

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

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

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

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

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 March 2016.

**General:**

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





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