HUTCHISONPORTS

Hutchison Port Holdings Trust is a business trust
constituted on 25 February 2011 under the laws of the Republic of Singapore
and managed by Hutchison Port Holdings Management Pte. Limited.

HUTCHISON PORT HOLDINGS TRUST ("HPH Trust") UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

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Footnote:

(a) The listing manual issued by the Singapore Exchange Securities Trading Limited ("Listing Manual").

1(a)(i) Consolidated income statement for the third quarter and nine months ended 30 September 2018

	Group					
	01/07/2018 to 30/09/2018	**01/07/2017 to 30/09/2017**	**Favorable/ (Unfavorable)**	**01/01/2018 to 30/09/2018**	**01/01/2017 to 30/09/2017**	**Favorable/ (Unfavorable)**
	HK$'M	HK$'M	%	HK$'M	HK$'M	%
Revenue and other income	3,026.6	3,221.9	(6.1)	8,483.2	8,694.2	(2.4)
Cost of services rendered	(1,016.9)	(1,101.7)	7.7	(3,015.5)	(3,020.4)	0.2
Staff costs	(71.3)	(70.3)	(1.4)	(221.3)	(217.6)	(1.7)
Depreciation and amortisation	(763.9)	(762.2)	(0.2)	(2,307.5)	(2,233.8)	(3.3)
Other operating income[(a)]	17.5	3.5	400.0	121.5	10.5	1,057.1
Other operating expenses	(139.7)	(136.7)	(2.2)	(408.5)	(414.5)	1.4
Total operating expenses	(1,974.3)	(2,067.4)	4.5	(5,831.3)	(5,875.8)	0.8
Operating profit	1,052.3	1,154.5	(8.9)	2,651.9	2,818.4	(5.9)
Interest and other finance costs	(270.4)	(238.3)	(13.5)	(751.4)	(642.2)	(17.0)
Share of profits less losses after tax of associated companies	(21.6)	(24.3)	11.1	(77.9)	(78.4)	0.6
Share of profits less losses after tax of joint ventures	8.0	18.3	(56.3)	28.9	57.1	(49.4)
Profit before tax	768.3	910.2	(15.6)	1,851.5	2,154.9	(14.1)
Tax[(b)]	(127.9)	(231.7)	44.8	(316.9)	(538.8)	41.2
Profit for the period	640.4	678.5	(5.6)	1,534.6	1,616.1	(5.0)
Allocated as:						
Profit attributable to non-controlling interests	(400.9)	(408.1)	(1.8)	(979.7)	(909.7)	7.7
Profit attributable to unitholders of HPH Trust	239.5	270.4	(11.4)	554.9	706.4	(21.4)
	HK cents	**HK cents**		**HK cents**	**HK cents**	
Earnings per unit attributable to unitholders of HPH Trust	2.75	3.10	(11.4)	6.37	8.11	(21.4)

Footnotes:

(a) Other operating income was HK$121.5 million for the period ended 30 September 2018 compared to HK$10.5 million for the period ended 30 September 2017. The increase was mainly due to timing difference on dividend income from River Ports Economic Benefits for 2017 and 2018 and YICT's receipt of government award and subsidies.

(b) Tax was HK$316.9 million for the period ended 30 September 2018 compared to HK$538.8 million for the period ended 30 September 2017. The decrease was mainly due to lower profit and timing difference on tax savings realised by YICT Phase III upon qualifying as "High and New Technology Enterprise" in fourth quarter of 2017, which allows a preferential corporate income tax rate for 3 years with effect from 1 January 2017. Moreover, YICT's West Port Phase II berth #5 and #6 were put into operation in January 2018 and started enjoying preferential corporate income tax treatment.

1(a)(ii) Consolidated statement of comprehensive income for the third quarter and nine months ended 30 September 2018

	Group					
	01/07/2018 to 30/09/2018	**01/07/2017 to 30/09/2017**	**Favorable/ (Unfavorable)**	**01/01/2018 to 30/09/2018**	**01/01/2017 to 30/09/2017**	**Favorable/ (Unfavorable)**
	HK$'M	HK$'M	%	HK$'M	HK$'M	%
Profit for the period	640.4	678.5	(5.6)	1,534.6	1,616.1	(5.0)
Other comprehensive (loss)/income[(a)]:						
Items that may be reclassified subsequently to profit or loss:						
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts						
Gains recognised directly in reserves	24.8	-	N/A	55.9	-	N/A
Costs of hedging						
Changes in fair value of currency basis spread	8.2	-	N/A	(9.6)	-	N/A
Share of other comprehensive loss of associated companies	(33.6)	-	N/A	(22.8)	-	N/A
Share of other comprehensive loss of joint ventures	(2.1)	-	N/A	(0.6)	-	N/A
Investments						
Valuation losses taken to reserves	(27.0)	(2.0)	(1,250.0)	(30.7)	(7.0)	(338.6)
Currency translation differences	(253.9)	189.4	(234.1)	(193.2)	268.4	(172.0)
Total other comprehensive (loss)/income for the period	(283.6)	187.4	(251.3)	(201.0)	261.4	(176.9)
Total comprehensive income for the period	356.8	865.9	(58.8)	1,333.6	1,877.5	(29.0)
Allocated as:						
Attributable to non-controlling interests	(271.4)	(493.8)	(45.0)	(876.4)	(1,031.4)	(15.0)
Attributable to unitholders of HPH Trust	85.4	372.1	(77.0)	457.2	846.1	(46.0)

Footnote:

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

1(b)(i) Statement of financial position as at 30 September 2018

	Group	
	30/09/2018	31/12/2017
	HK$'M	HK$'M
ASSETS		
Non-current assets		
Fixed assets	24,784.5	24,626.4
Projects under development	725.2	1,970.2
Leasehold land and land use rights	38,696.4	39,724.2
Railway usage rights	11.7	12.7
Customer relationships	5,919.5	6,170.2
Goodwill	22,629.0	22,629.0
Associated companies	989.9	754.2
Joint ventures	3,700.2	3,835.9
Other non-current assets	713.9	739.3
Deferred tax assets	19.2	22.7
Total non-current assets	98,189.5	100,484.8
Current assets		
Cash and bank balances[(a)]	5,241.4	6,768.1
Trade and other receivables	2,952.0	3,446.2
Inventories	120.5	109.7
Total current assets	8,313.9	10,324.0
Current liabilities		
Trade and other payables[(b)]	5,402.4	6,741.6
Bank and other debts	3,806.0	4,241.2
Current tax liabilities	230.1	409.6
Total current liabilities	9,438.5	11,392.4
Net current liabilities[(c)]	(1,124.6)	(1,068.4)
Total assets less current liabilities	97,064.9	99,416.4
Non-current liabilities		
Bank and other debts	27,833.0	28,248.9
Pension obligations	92.2	80.6
Deferred tax liabilities	10,354.9	10,635.1
Other non-current liabilities	168.3	129.9
Total non-current liabilities	38,448.4	39,094.5
Net assets	58,616.5	60,321.9
EQUITY		
Units in issue	68,553.8	68,553.8
Reserves	(29,512.2)	(28,260.3)
Net assets attributable to unitholders of HPH Trust	39,041.6	40,293.5
Non-controlling interests	19,574.9	20,028.4
Total equity	58,616.5	60,321.9

Footnotes:

(a) Cash and bank balances were HK$5,241.4 million as at 30 September 2018 which consisted of HK$5,199.4 million cash and cash equivalents and HK$42.0 million restricted deposit.

(b) Trade and other payables were HK$5,402.4 million as at 30 September 2018 compared to HK$6,741.6 million as at 31 December 2017. The decrease was mainly due to the settlement of agency fee following the finalisation of tariff negotiation and prior year's accrued capital expenditure.

(c) Net current liabilities were HK$1,124.6 million as at 30 September 2018 which mainly comprises of US$0.3 billion (approximately HK$2.3 billion) 4-year term loan facility and YICT's bank loan of HK$1.0 billion, both expiring in April 2019.

1(b)(i) Statement of financial position as at 30 September 2018 (Continued)

	Trust	
	30/09/2018	**31/12/2017**
	HK$'M	HK$'M
ASSETS		
Non-current asset		
Investment in a subsidiary company	50,602.3	52,351.4
Total non-current asset	50,602.3	52,351.4
Current assets		
Cash and bank balances	3.8	3.0
Trade and other receivables	1.3	1.4
Total current assets	5.1	4.4
Current liability		
Trade and other payables	11.4	30.3
Total current liability	11.4	30.3
Net current liabilities	(6.3)	(25.9)
Total assets less current liabilities	50,596.0	52,325.5
Net assets	50,596.0	52,325.5
EQUITY		
Units in issue	68,553.8	68,553.8
Reserves	(17,957.8)	(16,228.3)
Total equity	50,596.0	52,325.5

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities as at 30 September 2018

Group	Current portion HK$'M	Non-current portion HK$'M	Total HK$'M
Unsecured bank loans	3,800.0	20,193.3	23,993.3
Secured bank loan	9.1	59.3	68.4
Guaranteed notes	-	7,800.0	7,800.0
Total principal amount of bank and other debts	3,809.1	28,052.6	31,861.7
Unamortised loan facilities fees and discounts related to debts	(3.1)	(138.5)	(141.6)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	-	(81.1)	(81.1)
	3,806.0	27,833.0	31,639.0

Aggregate amount of the Group's borrowings and debt securities as at 31 December 2017

Group	Current portion HK$'M	Non-current portion HK$'M	Total HK$'M
Unsecured bank loans	340.0	20,583.4	20,923.4
Secured bank loan	7.1	69.0	76.1
Guaranteed notes	3,900.0	7,800.0	11,700.0
Total principal amount of bank and other debts	4,247.1	28,452.4	32,699.5
Unamortised loan facilities fees and discounts related to debts	(1.9)	(148.2)	(150.1)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	(4.0)	(55.3)	(59.3)
	4,241.2	28,248.9	32,490.1

Details of any collateral at HPH Trust

Bank loan of HK$68.4 million (31 December 2017: HK$76.1 million) is secured by a charge over certain assets of subsidiary companies.

1(c) Consolidated statement of cash flows for the third quarter and nine months ended 30 September 2018

	Group			
	01/07/2018 to 30/09/2018	01/07/2017 to 30/09/2017	01/01/2018 to 30/09/2018	01/01/2017 to 30/09/2017
	HK$'M	HK$'M	HK$'M	HK$'M
Operating activities				
Cash generated from operations	1,359.3	2,028.8	4,230.5	5,376.2
Interest and other finance costs paid	(250.8)	(198.0)	(727.3)	(576.7)
Tax paid[(a)]	(182.0)	(125.0)	(772.9)	(490.9)
Net cash from operating activities	926.5	1,705.8	2,730.3	4,308.6
Investing activities				
Purchase of an associated company[(b)]	-	(672.8)	-	(672.8)
Loan to an associated company	(40.1)	(235.0)	(40.1)	(235.0)
Purchase of fixed assets, projects under development, leasehold land and land use rights	(165.5)	(156.2)	(563.3)	(618.2)
Proceeds on disposal of fixed assets	13.9	0.3	15.0	0.4
Dividends received from investments	5.7	1.1	7.8	8.2
Dividends received from associated companies and joint ventures	32.0	39.8	64.0	92.8
Interest received	20.6	17.9	72.7	47.7
Repayment of loan by a joint venture	-	-	100.0	-
Net cash used in investing activities	(133.4)	(1,004.9)	(343.9)	(1,376.9)
Financing activities				
New borrowings[(c)]	-	7,836.8	3,870.8	11,736.8
Repayment of borrowings[(c)]	(2.2)	(7,801.2)	(4,734.7)	(11,873.5)
Upfront debt transaction costs and facilities fees of borrowings	-	-	-	(29.3)
Distributions to unitholders of HPH Trust	(742.2)	(827.6)	(1,709.1)	(2,273.6)
Dividends to non-controlling interests	(1,340.1)	(756.8)	(1,340.1)	(756.8)
Net cash used in financing activities	(2,084.5)	(1,548.8)	(3,913.1)	(3,196.4)
Net changes in cash and cash equivalents	(1,291.4)	(847.9)	(1,526.7)	(264.7)
Cash and cash equivalents at beginning of the period	6,490.8	7,541.1	6,726.1	6,957.9
Cash and cash equivalents at end of the period	5,199.4	6,693.2	5,199.4	6,693.2

Footnotes:

(a) Tax paid was HK$772.9 million for the period ended 30 September 2018 whereas it was HK$490.9 million for the period ended 30 September 2017. The increase was mainly due to the timing difference of YICT's 2017 profits tax.

(b) It represented the deferred cash consideration to acquire 41.3% effective interest in HICT at the end of 2016.

(c) The Group drew down a new bank loan of US$500 million in March 2018 to redeem US$500 million guaranteed notes expiring in March 2018.

1(d)(i) Statement of changes in equity for the period ended 30 September 2018

Group

	Units in issue	Exchange and other reserves	Revaluation reserve	Hedging reserve	Costs of hedging reserve	Pension reserve	Accumulated losses	**Attributable to unitholders**	Non-controlling interests	**Total**
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	**HK$'M**	HK$'M	**HK$'M**
At 1 July 2018	68,553.8	26.2	(58.2)	49.5	(37.4)	141.2	(28,976.7)	**39,698.4**	19,677.6	**59,376.0**
Profit for the quarter	-	-	-	-	-	-	239.5	**239.5**	400.9	**640.4**
Other comprehensive (loss)/income:										
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Gains recognised directly in reserves	-	-	-	24.8	-	-	-	**24.8**	-	**24.8**
Costs of hedging										
Changes in fair value of currency basis spread	-	-	-	-	8.2	-	-	**8.2**	-	**8.2**
Share of other comprehensive loss of associated companies	-	(21.7)	-	-	-	-	-	**(21.7)**	(11.9)	**(33.6)**
Share of other comprehensive loss of joint ventures	-	(2.1)	-	-	-	-	-	**(2.1)**	-	**(2.1)**
Investments:										
Valuation losses taken to reserves	-	-	(27.0)	-	-	-	-	**(27.0)**	-	**(27.0)**
Currency translation differences	-	(136.3)	-	-	-	-	-	**(136.3)**	(117.6)	**(253.9)**
Total other comprehensive (loss)/income	-	(160.1)	(27.0)	24.8	8.2	-	-	**(154.1)**	(129.5)	**(283.6)**
Total comprehensive (loss)/ income	-	(160.1)	(27.0)	24.8	8.2	-	239.5	**85.4**	271.4	**356.8**
Transaction with owners:										
Distributions	-	-	-	-	-	-	(742.2)	**(742.2)**	-	(742.2)
Dividends	-	-	-	-	-	-	-	**-**	(374.1)	(374.1)
At 30 September 2018	68,553.8	(133.9)	(85.2)	74.3	(29.2)	141.2	(29,479.4)	**39,041.6**	19,574.9	**58,616.5**
At 31 December 2017	68,553.8	(19.6)	(55.5)	(1.2)	-	141.2	(28,325.2)	**40,293.5**	20,028.4	**60,321.9**
Adjustment on adoption of HKFRS 9	-	-	-	19.6	(19.6)	-	-	**-**	-	**-**
At 1 January 2018	68,553.8	(19.6)	(55.5)	18.4	(19.6)	141.2	(28,325.2)	**40,293.5**	20,028.4	**60,321.9**
Profit for the period	-	-	-	-	-	-	554.9	**554.9**	979.7	**1,534.6**
Other comprehensive (loss)/income:										
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Gains recognised directly in reserves	-	-	-	55.9	-	-	-	**55.9**	-	**55.9**
Costs of hedging										
Changes in fair value of currency basis spread	-	-	-	-	(9.6)	-	-	**(9.6)**	-	**(9.6)**
Share of other comprehensive loss of associated companies	-	(15.0)	-	-	-	-	-	**(15.0)**	(7.8)	**(22.8)**
Share of other comprehensive (loss)/income of joint ventures	-	(1.6)	1.0	-	-	-	-	**(0.6)**	-	**(0.6)**
Investments:										
Valuation losses taken to reserves	-	-	(30.7)	-	-	-	-	**(30.7)**	-	**(30.7)**
Currency translation differences	-	(97.7)	-	-	-	-	-	**(97.7)**	(95.5)	**(193.2)**
Total other comprehensive (loss)/income	-	(114.3)	(29.7)	55.9	(9.6)	-	-	**(97.7)**	(103.3)	**(201.0)**
Total comprehensive (loss)/income	-	(114.3)	(29.7)	55.9	(9.6)	-	554.9	**457.2**	876.4	**1,333.6**
Transaction with owners:										
Distributions	-	-	-	-	-	-	(1,709.1)	**(1,709.1)**	-	**(1,709.1)**
Dividends	-	-	-	-	-	-	-	**-**	(1,329.9)	**(1,329.9)**
At 30 September 2018	68,553.8	(133.9)	(85.2)	74.3	(29.2)	141.2	(29,479.4)	**39,041.6**	19,574.9	**58,616.5**

1(d)(i) Statement of changes in equity for the period ended 30 September 2018 (Continued)

Group

	Units in issue	Exchange and other reserves	Revaluation reserve	Hedging reserve	Costs of hedging reserve	Pension reserve	Accumulated losses	**Attributable to unitholders**	Non-controlling interests	**Total**
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	**HK$'M**	HK$'M	**HK$'M**
At 1 July 2017	68,553.8	(140.0)	(52.0)	-	-	(79.3)	(28,005.8)	**40,276.7**	19,449.0	**59,725.7**
Profit for the quarter	-	-	-	-	-	-	270.4	**270.4**	408.1	**678.5**
Other comprehensive income/(loss):										
Investments:										
Valuation losses taken to reserves	-	-	(2.0)	-	-	-	-	**(2.0)**	-	**(2.0)**
Currency translation differences	-	103.7	-	-	-	-	-	**103.7**	85.7	**189.4**
Total other comprehensive income/(loss)	-	103.7	(2.0)	-	-	-	-	**101.7**	85.7	**187.4**
Total comprehensive income/(loss)	-	103.7	(2.0)	-	-	-	270.4	**372.1**	493.8	**865.9**
Transaction with owners:										
Distributions	-	-	-	-	-	-	(827.6)	**(827.6)**	**-**	**(827.6)**
At 30 September 2017	68,553.8	(36.3)	(54.0)	-	-	(79.3)	(28,563.0)	**39,821.2**	19,942.8	**59,764.0**
At 1 January 2017	68,553.8	(183.0)	(47.0)	-	-	(79.3)	(26,995.8)	**41,248.7**	19,433.2	**60,681.9**
Profit for the period	-	-	-	-	-	-	706.4	**706.4**	909.7	**1,616.1**
Other comprehensive income/(loss):										
Investments:										
Valuation losses taken to reserves	-	-	(7.0)	-	-	-	-	**(7.0)**	-	**(7.0)**
Currency translation differences	-	146.7	-	-	-	-	-	**146.7**	121.7	**268.4**
Total other comprehensive income/(loss)	-	146.7	(7.0)	-	-	-	-	**139.7**	121.7	**261.4**
Total comprehensive income/(loss)	-	146.7	(7.0)	-	-	-	706.4	**846.1**	1,031.4	**1,877.5**
Transaction with owners:										
Distributions	-	-	-	-	-	-	(2,273.6)	**(2,273.6)**	-	**(2,273.6)**
Dividends	-	-	-	-	-	-	-	**-**	(521.8)	**(521.8)**
At 30 September 2017	68,553.8	(36.3)	(54.0)	-	-	(79.3)	(28,563.0)	**39,821.2**	19,942.8	**59,764.0**

1(d)(i) Statements of changes in equity for the period ended 30 September 2018 (Continued)

Trust

	Units in issue HK$'M	Accumulated losses HK$'M	Attributable to unitholders HK$'M
At 1 July 2018	68,553.8	(17,210.2)	**51,343.6**
Loss and total comprehensive loss for the quarter	-	(5.4)	**(5.4)**
Transaction with owners:			
Distributions	-	(742.2)	**(742.2)**
At 30 September 2018	68,553.8	(17,957.8)	**50,596.0**
At 1 January 2018	68,553.8	(16,228.3)	**52,325.5**
Loss and total comprehensive loss for the period	-	(20.4)	**(20.4)**
Transaction with owners:			
Distributions	-	(1,709.1)	**(1,709.1)**
At 30 September 2018	68,553.8	(17,957.8)	**50,596.0**
At 1 July 2017	68,553.8	(15,386.2)	**53,167.6**
Loss and total comprehensive loss for the quarter	-	(6.9)	**(6.9)**
Transaction with owners:			
Distributions	-	(827.6)	**(827.6)**
At 30 September 2017	68,553.8	(16,220.7)	**52,333.1**
At 1 January 2017	68,553.8	(13,924.8)	**54,629.0**
Loss and total comprehensive loss for the period	-	(22.3)	**(22.3)**
Transaction with owners:			
Distributions	-	(2,273.6)	**(2,273.6)**
At 30 September 2017	68,553.8	(16,220.7)	**52,333.1**

1(d)(ii) Details of any changes in units for the period ended 30 September 2018

	Group			
	01/07/2018 to 30/09/2018	**01/07/2017 to 30/09/2017**	**01/01/2018 to 30/09/2018**	**01/01/2017 to 30/09/2017**
At beginning and at end of the period	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The financial information set out in Item 1 and 6 of this announcement was extracted from the Condensed Interim Financial Statements which have been reviewed in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter).

The review report on the Condensed Interim Financial Statements dated 26 October 2018 issued by PricewaterhouseCoopers LLP is enclosed in Appendix 1.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation used in the preparation of the Condensed Interim Financial Statements for the current period are consistent with those specified in the audited financial statements of HPH Trust and its subsidiary companies (the "Group") for the year ended 31 December 2017 except for the adoption of the standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2018. The effects of the adoption of these new standards and amendments are detailed in item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2018, the Group adopted the new standards and amendments issued by the HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2018. The changes in accounting policies and the effects of changes in accounting policies are summarised below.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Continued)**

(a) HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

(i) Changes in accounting policies

Investments

Investments (other than investments in subsidiary companies, associated companies or joint ventures) are non-derivative equity financial investments which are measured at fair value. Management is eligible to make an irrevocable election, on an instrument-by-instrument basis, on equity investments other than those held for trading, to present changes in fair value through profit or loss or fair value through other comprehensive income ("FVOCI"). The Group has elected to measure as FVOCI, to which any fair value gains or losses accumulated in the revaluation reserve account will no longer be reclassified to profit or loss following the derecognition of such investment. Dividends from investments continued to be recognised as other operating income in the income statement when the right to receive payment is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Loans and receivables

Loans and receivables are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. At the end of the reporting period subsequent to initial recognition, loans and receivables are subsequently measured at amortised cost less impairment. Interest income using the effective interest method is recognised in the income statement.

Impairment of financial assets

HKFRS 9 replaces the 'incurred loss' impairment model in HKAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model will apply to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts (if applicable). The impairment methodology to be applied depends on whether there has been a significant increase in credit risk.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

(i) Changes in accounting policies (Continued)

Impairment of financial assets (Continued)

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

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

Hedge accounting

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

(ii) Effects of changes in accounting policies

The Group has applied the modified retrospective approach, where the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will be recognised as an adjustment to the opening balance of equity at the date of adoption, i.e. as at 1 January 2018.

Classification of investments

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

Classification of loans and receivables

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

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Continued)**

(a) HKFRS 9 Financial Instruments (Continued)

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

Impairment of financial assets

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

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

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

Hedge accounting

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

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

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

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Continued)**

(b) HKFRS 15 Revenue From Contracts With Customers

HKFRS 15 Revenue from Contracts with Customers establishes a framework for determining whether, how much and when revenue is recognised. Under HKFRS 15, revenue is recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied.

(i) Changes in accounting policies

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

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

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

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

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

Revenue is recognised over time:

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

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

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

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Continued)**

(b) HKFRS 15 Revenue From Contracts With Customers (Continued)

(ii) Effects of changes in accounting policies

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

Except for these changes, the accounting policies and methods of computation used in the preparation of the Condensed Interim Financial Statements for the current period are consistent with those specified in the audited financial statements of HPH Trust and its subsidiary companies for the financial year ended 31 December 2017.

6. **Group's earnings per unit ("EPU") and distribution per unit ("DPU") for the period ended 30 September 2018**

	01/07/2018 to 30/09/2018	**01/07/2017 to 30/09/2017**	**01/01/2018 to 30/09/2018**	**01/01/2017 to 30/09/2017**
(i) Weighted average number of units in issue	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022
(ii) Earnings per unit for the period based on the weighted average number of units in issue (HK cents)				
- Basic and diluted	2.75	3.10	6.37	8.11
(iii) Number of units issued at end of the period	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022
(iv) Distribution per unit for the period (HK cents)[a]	-	-	8.52	9.50

Footnote:

(a) HPH Trust will make distribution to unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

7. Net asset value ("NAV") attributable to unitholders per unit based on units issued as at 30 September 2018[a]

	Group		Trust	
	30/09/2018	**31/12/2017**	**30/09/2018**	**31/12/2017**
Net asset value attributable to unitholders per unit (HK$)[a]	4.48	4.63	5.81	6.01

Footnote:

(a) The number of units used for computation of NAV per unit is 8,711,101,022 which is the number of units in issue as at 30 September 2018 (31 December 2017: 8,711,101,022).

8. Review of performance

Consolidated income statement (01/07/2018-30/09/2018 vs 01/07/2017-30/09/2017)

Revenue and other income for the quarter was HK$3,026.6 million, HK$195.3 million or 6.1% below last year. Combined container throughput of HIT[(a)], COSCO-HIT[(b)] and ACT[(c)] (collectively "HPHT Kwai Tsing") decreased by 16.7% as compared to the same quarter in 2017, primarily due to the decrease in transshipment cargoes. The container throughput of YICT[(d)] was comparable to last year, primarily driven by the decrease in empty cargoes, but largely offset by increase in transshipment cargoes. Average revenue per TEU for Hong Kong was above last year, mainly attributed to the effect of retrospective adjustment made to certain liners following finalisation of tariff negotiations included in the quarter last year and decreased transshipment mix. For China, the average revenue per TEU was below last year, primarily attributed to Renminbi ("RMB") depreciation and increased transshipment mix.

Cost of services rendered was HK$1,016.9 million, HK$84.8 million or 7.7% below last year. The decrease was attributed to lower throughput, savings arising from cost saving initiatives and RMB depreciation, but partially offset by general cost inflations, including the increase in external contractors' costs and higher fuel price. Staff costs were HK$71.3 million, HK$1.0 million or 1.4% above last year. Depreciation and amortisation was HK$763.9 million, comparable to last year. Other operating income was HK$17.5 million, HK$14.0 million or 400.0% above last year. The increase was largely due to the timing difference on 2018 dividend income from River Ports Economic Benefits.

Other operating expenses were HK$139.7 million, HK$3.0 million or 2.2% above last year.

As a result, total operating profit was HK$1,052.3 million, HK$102.2 million or 8.9% below last year.

Interest and other finance costs were HK$270.4 million, HK$32.1 million or 13.5% above last year, primarily due to higher HIBOR/ LIBOR applied on the bank loans' interest rates.

Footnotes:

(a) *HIT means Terminals 4, 6, 7 and two berths in Terminal 9, located at Kwai Tsing, Hong Kong.*

(b) *COSCO-HIT means Terminal 8 East, located at Kwai Tsing, Hong Kong.*

(c) *ACT means Terminal 8 West, located at Kwai Tsing, Hong Kong.*

(d) *YICT means Yantian International Container Terminals, located at Yantian, Shenzhen, PRC, which comprises Yantian International Container Terminals Phases I & II, Phase III & Phase III Expansion, and Shenzhen Yantian West Port Terminals Phases I & II.*

8. Review of performance (Continued)

Share of profits less losses after tax of associated companies was a loss of HK$21.6 million, HK$2.7 million or 11.1% better than last year, mainly due to improved performance in the tugboat operations of an associated company.

Share of profits less losses after tax of joint ventures was HK$8.0 million, HK$10.3 million or 56.3% below last year mainly due to weaker combined results of COSCO-HIT and ACT resulting from lower throughput handled.

Taxation was HK$127.9 million, HK$103.8 million or 44.8% below last year, mainly due to lower profit and timing difference on tax savings from YICT Phase III as it qualified as "High and New Technology Enterprise" in December 2017 which allows a preferential corporate income tax rate for 3 years with effect from 1 January 2017. Moreover, YICT's West Port Phase II berth #5 and #6 were put into operation in January 2018 and started enjoying preferential corporate income tax treatment.

Overall profit for the quarter was HK$640.4 million, HK$38.1 million or 5.6% below last year. Profit attributable to unitholders of HPH Trust was HK$239.5 million, HK$30.9 million or 11.4% below last year.

<u>Consolidated income statement (01/01/2018-30/09/2018 vs 01/01/2017-30/09/2017)</u>

Revenue and other income for the period was HK$8,483.2 million, HK$211.0 million or 2.4% below last year. Combined container throughput of HPHT Kwai Tsing decreased by 8.0% as compared to the same period in 2017, primarily due to lower transshipment cargoes. Container throughput of YICT increased by 1.1% as compared to the same period in 2017, primarily driven by the growth in transshipment cargoes, but was partially offset by decrease in empty cargoes. Average revenue per TEU for Hong Kong was above last year, mainly attributed to write-back of agency fee provision following the finalisation of tariff negotiation and decreased transshipment mix. Average revenue per TEU for China was below last year mainly due to the increased transshipment mix but partially offset by RMB appreciation.

Cost of services rendered was HK$3,015.5 million, comparable to last year. This was attributed to lower throughput and savings arising from cost saving initiatives, but largely offset by general cost inflations, including the increase in external contractors' costs, higher fuel price and RMB appreciation. Staff costs were HK$221.3 million, HK$3.7 million or 1.7% above last year. Depreciation and amortisation was HK$2,307.5 million, HK$73.7 million or 3.3% above last year mainly due to West Port Phase II being put into full operation in January 2018. Other operating income was HK$121.5 million, HK$111.0 million or 1,057.1% above last year. The increase was largely due to timing difference on 2017 and 2018 dividend income from River Ports Economic Benefits and YICT's receipt of an award in 2018 and government subsidies largely for its railway business deferred from 2017.

8. Review of performance (Continued)

Other operating expenses were HK$408.5 million, HK$6.0 million or 1.4% below last year.

As a result, total operating profit was HK$2,651.9 million, HK$166.5 million or 5.9% below last year.

Interest and other finance costs were HK$751.4 million, HK$109.2 million or 17.0% above last year, primarily due to higher HIBOR/ LIBOR applied on the bank loans' interest rates.

Share of profits less losses after tax of associated companies was a loss of HK$77.9 million, HK$0.5 million or 0.6% better than last year.

Share of profits less losses after tax of joint ventures was HK$28.9 million, HK$28.2 million or 49.4% lower than last year mainly due to weaker combined results of COSCO-HIT and ACT resulting from lower throughput handled.

Taxation was HK$316.9 million, HK$221.9 million or 41.2% below last year, primarily due to lower profit and timing difference on tax savings from YICT Phase III as it qualified as "High and New Technology Enterprise" in December 2017 which allows a preferential corporate income tax rate for 3 years with effect from 1 January 2017. Moreover, YICT's West Port Phase II berth #5 and #6 were put into operation in January 2018 and started enjoying preferential corporate income tax treatment.

Overall, profit was HK$1,534.6 million, HK$81.5 million or 5.0% below last year. Profit attributable to unitholders of HPH Trust was HK$554.9 million, HK$151.5 million or 21.4% below last year.

<u>Material changes in statement of financial position and consolidated statement of cash flows</u>

Please refer to footnotes of 1(b)(i) and 1(c).

9. Where a forecast, or a prospect statement, has been previously disclosed to unitholders, any variance between it and the actual results.

No forecast statement for the financial year 2018 has been disclosed.

10. Commentary on the significant trends of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting quarter and the next 12 months.

Global trade prospects for 2018 and beyond face mounting uncertainty, particularly in consequence of escalating trade tensions and disputes between the United States and both China and the European Union and uncertainty over economic and interest policies that fuel global market volatilities.

Whilst it is expected that the current trade disputes, especially that between the United States and China and the consequential measures arising out of it, will adversely impact the overall performance of HPH Trust, the severity and timing of the impact on HPH Trust's business in the near term cannot be readily quantified except as these events unfold.

From an industrial standpoint, the effects from consolidation of ownership within the shipping industry should start to stabilise but the deployment of mega vessels intended to promote fleet and capacity optimisation to drive cost efficiencies will continue; and greater focus will be placed on security in light of recent cyber attacks and threats of cyber attacks on companies generally.

Against this backdrop, the Trustee-Manager has adopted a more conservative outlook regarding expected cargo volume for the fourth quarter of 2018 and prospectively for 2019, particularly in light of the geopolitical headwinds and evolving trade policies, and will continue to adhere to strict financial discipline to safeguard the assets of HPH Trust.

That said, HPH Trust has continued to position its business to support and complement the changing structural requirements of the container shipping industry through its exemplary mega vessel handling capabilities at YICT, its ongoing investment in modernising its equipment and facilities and its possession of a strategic transshipment hub in Hong Kong.

11. Distribution

(a) Current financial period

Any distribution recommended for the current financial quarter?

No distribution has been recommended for the current financial quarter.

(b) Corresponding period of the immediately preceding financial period

Any distribution declared for the previous corresponding quarter? No

(c) Date Payable

Not applicable

(d) Books closure date

Not applicable

12. If no distribution has been declared/recommended, a statement to that effect

No distribution has been declared/recommended for the current financial quarter.

HPH Trust will make distribution to unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

13. General mandate from unitholders for interested person transaction ("IPT")

No IPT general mandate has been obtained.

14. Negative confirmation by the Board

The Board of Directors of Hutchison Port Holdings Management Pte. Limited (as the Trustee-Manager) has confirmed that, to the best of its knowledge, nothing has come to its attention which may render these interim financial results of the Group for the period ended 30 September 2018 to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Trustee-Manager confirms that it has procured the undertakings from its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

BY ORDER OF THE BOARD
HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED
(COMPANY REGISTRATION NO. 201100749W)
AS TRUSTEE-MANAGER OF HPH TRUST

Mr Lai Kuan Loong Victor
Ms Kim Yi Hwa
Joint Company Secretaries
26 October 2018

The Directors
Hutchison Port Holdings Management Pte Limited
(in its capacity as Trustee-Manager of Hutchison Port Holdings Trust)
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

Dear Sirs

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS OF HUTCHISON PORT HOLDINGS TRUST

We have reviewed the accompanying condensed interim financial statements of Hutchison Port Holdings Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 1 to 27, which comprise the condensed consolidated statement of financial position of the Group, the condensed statement of financial position of the Trust as at 30 September 2018, and the related condensed consolidated income statement of the Group, the condensed consolidated statement of comprehensive income of the Group, the condensed consolidated statement of changes in equity of the Group, the condensed statement of changes in equity of the Trust, and the condensed consolidated statement of cash flows of the Group for the periods from 1 January 2018 to 30 September 2018 and 1 July 2018 to 30 September 2018, and other explanatory notes (collectively the "Condensed Interim Financial Statements"). The management of Hutchison Port Holdings Management Pte. Limited, the Trustee-Manager of the Trust, is responsible for the preparation and presentation of these Condensed Interim Financial Statements in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these Condensed Interim Financial Statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 26 October 2018

PricewaterhouseCoopers LLP, 7 Straits View Marina One, East Tower Level 12, Singapore 018936
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