HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

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

(Company registration number: 201100749W)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

General Information

Hutchison Port Holdings Management Pte. Limited

DIRECTORS

Mr. FOK Kin Ning, Canning (Chairman)
Ms. Edith SHIH
Mr. IP Sing Chi
Ms. TSIM Sin Ling, Ruth
Mr. CHAN Tze Leung, Robert
Dr. FONG Chi Wai, Alex (appointed with effect from 11 February 2020)
Mr. Graeme Allan JACK
Mrs. SNG Sow-Mei (alias Poon Sow Mei)
Mr. Kevin Anthony WESTLEY (resigned with effect from 11 February 2020)
Mr. WONG Kwai Lam

COMPANY SECRETARY

Ms. KIM Yi Hwa

REGISTERED OFFICE

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

AUDITOR

PricewaterhouseCoopers LLP

CONTENTS

Directors' Statement

The directors of Hutchison Port Holdings Management Pte. Limited (the "Company") present their statement to the shareholders, together with the audited financial statements of the Company for the year ended 31 December 2019.

In the opinion of the directors,

(a) the financial statements as set out on pages 7 to 23 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, cash flows and changes in equity of the Company for the financial year covered by the financial statements; and

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

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr. Fok Kin Ning, Canning (Chairman)
Ms. Edith Shih
Mr. Ip Sing Chi
Ms. Tsim Sin Ling, Ruth
Mr. Chan Tze Leung, Robert
Mr. Graeme Allan Jack
Mrs. Sng Sow-Mei (alias Poon Sow Mei)
Mr. Kevin Anthony Westley
Mr. Wong Kwai Lam

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50 of Singapore, none of the directors holding office at the end of the year (or during the year) had any interest in shares in, or debentures of, the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Hutchison Telecommunications (Australia) Limited				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	100,000	100,000	5,000,000	5,000,000
Hutchison Telecommunications Hong Kong Holdings Limited				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	–	–	1,202,380	1,202,380

Directors' Statement

Directors' interests in shares or debentures (Continued)

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Hutchison China MediTech Limited ("HCML")				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	Note (2)	–	Note (2)	26,740
Ms. Edith Shih	Note (2)	70,000	Note (2)	–
- American Depositary Shares Note (1)				
Ms. Edith Shih	Note (2)	100,000	Note (2)	–
Mr. Graeme Allan Jack	Note (2)	–	Note (2)	3,000
CK Infrastructure Holdings Limited				
- Number of ordinary shares				
Mr. Kevin Anthony Westley	–	–	4,000	4,000
Hutchison Whampoa International (09) Limited				
- 7.625% Notes due 2019				
Ms. Edith Shih	–	A nominal amount of US$300,000	–	–
Hutchison Whampoa International (11) Limited				
- 4.625% Notes due 2022				
Ms. Edith Shih	A nominal amount of US$250,000	A nominal amount of US$250,000	–	–
CK Hutchison Holdings Limited ("CKHH")				
- Number of ordinary shares				
Mr. Fok Kin Ning, Canning	–	–	5,711,438	5,111,438
Ms. Edith Shih	87,125	52,125	5,062	5,062

Notes

(1) Each representing 0.5 HCML ordinary share at 1 January 2019

(2) On 2 October 2019, CKHH reduced its stake in HCML from 51.1% to 49.9%. Following the reduction of shareholding in HCML, HCML is no longer a subsidiary of CKHH and therefore, HCML ceased to be a related corporation of the Company on 2 October 2019.

Share options

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

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

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

Directors' Statement

Independent auditor

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

On behalf of the directors

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

10 February 2020

Independent Auditor's Report

To the Members of Hutchison Port Holdings Management Pte. Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Hutchison Port Holdings Management Pte. Limited (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance, cash flows and changes in equity of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2019;
- the statement of financial position as at 31 December 2019;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the Members of Hutchison Port Holdings Management Pte. Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

To the Members of Hutchison Port Holdings Management Pte. Limited

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 10 February 2020

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue and other income	3	24,771	24,115
Staff costs		(3,250)	(3,294)
Depreciation		(114)	–
Other operating expenses		(5,452)	(5,533)
Total operating expenses		(8,816)	(8,827)
Operating profit		15,955	15,288
Finance costs	5	(10)	–
Profit before tax	4	15,945	15,288
Tax	6	(2,657)	(2,486)
Profit and total comprehensive income for the year		13,288	12,802
Dividend	7	15,000	15,000

Statement of Financial Position

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Fixed assets	9	–	–
Right-of-use assets	8	399	–
		399	–
Current assets			
Cash and cash equivalents	10	8,739	9,988
Trade and other receivables	11	12,818	12,423
		21,557	22,411
Current liabilities			
Trade and other payables	12	4,407	3,710
Lease liabilities	13	169	–
Current tax liabilities		2,638	2,481
		7,214	6,191
Net current assets		14,343	16,220
Total assets less current liabilities		14,742	16,220
Non-current liability			
Lease liabilities	13	234	–
Net assets		14,508	16,220
EQUITY			
Share capital	14	100	100
Retained profits		14,408	16,120
Total equity		14,508	16,220

Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Net cash generated from operations	15(a)	16,371	15,774
Interest and other finance costs paid	15(b)	(10)	–
Tax paid		(2,500)	(2,555)
Net cash from operating activities		13,861	13,219
Financing activities			
Dividend paid	7	(15,000)	(15,000)
Principal elements of lease payments	15(b)	(110)	–
Cash used in financing activities		(15,110)	(15,000)
Net changes in cash and cash equivalents		(1,249)	(1,781)
Cash and cash equivalents at beginning of the year		9,988	11,769
Cash and cash equivalents at end of the year		8,739	9,988

Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Retained profits HK$'000	Total HK$'000
2019			
Balance at 1 January 2019	100	16,120	16,220
Profit and total comprehensive income for the year	–	13,288	13,288
Transactions with owners:			
Dividend (Note 7)	–	(15,000)	(15,000)
Balance at 31 December 2019	100	14,408	14,508
2018			
Balance at 1 January 2018	100	18,318	18,418
Profit and total comprehensive income for the year	–	12,802	12,802
Transactions with owners:			
Dividend (Note 7)	–	(15,000)	(15,000)
Balance at 31 December 2018	100	16,120	16,220

Notes to the Financial Statements

1 General information

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

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

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

2 Significant accounting policies

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

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

Adoption of standards and amendments to existing standards

The Company has adopted all of the new and revised standards, amendments and interpretations issued by the Accounting Standards Council that are relevant to the Company's operations and mandatory for annual period beginning 1 January 2019. The changes in accounting policies and the effects of changes in accounting policies are summarised below.

FRS 116 Leases

FRS 116 specifies how an entity will recognise, measure, present and disclose leases. The new standard provides a single, on balance sheet lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the balance sheet, as the distinction between operating and finance leases is removed. Under FRS 116, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Lessors continue to classify leases as operating or finance leases with FRS 116's approach to lessor accounting which is substantially unchanged from its predecessor FRS 17.

(a) Changes in accounting policies

Lease

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

(i) Assets leased to the Company

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Financial Statements

2 Significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

FRS 116 Leases (Continued)

(a) Changes in accounting policies (Continued)

Lease (Continued)

(i) Assets leased to the Company (Continued)

Assets leased to the Company and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Company, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of the respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

(ii) Assets leased out by the Company

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Income received under operating leases net of any incentives provided to the leasing company are credited to the income statement on a straight-line basis over the lease periods.

Notes to the Financial Statements

2 Significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

FRS 116 Leases (Continued)

(b) Effect of changes in accounting policies

In accordance with the transition provisions of FRS 116, the Company has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs, and under which comparative figures are not restated.

For leases previously classified as operating leases, the Company has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained profits at the date of initial application.

The Company applied the following practical expedients on transition to FRS 116 for those leases which were previously classified as operating leases under FRS 17.

- applying the recognition exemption for short-term lease

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made previously when applying FRS 17 and INT FRS 104 Determining whether an Arrangement contains a Lease.

The adoption of FRS 116 has not resulted in any material impact to the carrying value of balance sheet as at 1 January 2019.

The amount by which each financial statement line item is affected by the application of FRS 116 as compared to FRS 17 (previously in effect) is as follows:

Statement of comprehensive income (extract)

	For the year ended 31 December 2019		
	Before adoption of FRS 116	Effects of adoption of FRS 116	As reported
	HK$'000	HK$'000	HK$'000
Depreciation	–	114	114
Other operating expenses	5,572	(120)	5,452
Finance costs	–	10	10
Profit for the year	13,292	(4)	13,288

Notes to the Financial Statements

2 Significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

FRS 116 Leases (Continued)

(b) Effect of changes in accounting policies (Continued)

Statement of financial position (extract)

	At 31 December 2019		
	Before adoption of FRS 116 HK$'000	Effects of adoption of FRS 116 HK$'000	As reported HK$'000
Non-current assets			
Right-of-use assets	–	399	399
Current liabilities			
Lease liabilities	–	169	169
Non-current liability			
Lease liabilities	–	234	234
Equity			
Retained profits	14,412	(4)	14,408

Statement of Cash Flows (extract)

	For the year ended 31 December 2019		
	Before adoption of FRS 116 HK$'000	Effects of adoption of FRS 116 HK$'000	As reported HK$'000
Operating activities			
Net cash generated from operations	16,251	120	16,371
Interest and other finance costs paid	–	(10)	(10)
Financing activities			
Principal elements of lease payments	–	(110)	(110)

Notes to the Financial Statements

2 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 Company but not yet effective and have not been early adopted by the Company:

Amendments to FRS 103[(1)]	Business combinations
Amendments to FRS 1 (Revised) and FRS 8[(1)]	Definition of Materiality
Amendments to FRS 39, FRS 7 and FRS 109[(1)]	Interest Rate Benchmark Reform
Amendments to FRS 110 and FRS 28[(2)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2020
(2) New effective date to be determined

The Company is assessing the full impact of these new or revised FRS. Certain of them may give rise to change in presentation, disclosure and measurements of certain items in the financial statements but they are not expected to have material impact to the Company.

(a) Fixed assets

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

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

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

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

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

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

(b) Asset impairment

Impairment of financial assets

The Company applies the 'expected credit loss' ("ECL") model to assess impairment of financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts (if applicable). The impairment methodology to be applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by FRS 109, which requires lifetime expected losses for amounts due from customers to be recognised from initial recognition of the trade receivables.

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

Notes to the Financial Statements

2 Significant accounting policies (Continued)

(b) Asset impairment (Continued)

Impairment of other assets

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

(c) Trade and other receivables

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

(d) Cash and cash equivalents

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

(e) Trade and other payables

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

(f) Provisions

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

(g) Foreign exchange

(i) Functional and presentation currency

The financial statements are presented in Hong Kong dollar whereas the functional currency of the Company is in United States dollar. Any exchange differences arising from translation are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

(ii) Transactions and balances

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of reporting period. Exchange differences are included in the determination of profit or loss.

(h) Current tax

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

Notes to the Financial Statements

2 Significant accounting policies (Continued)

(i) Leases (Prior to 1 January 2019)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Income received under operating leases net of any incentives provided to the leasing company are credited to the income statement on a straight-line basis over the lease periods.

(j) Revenue recognition

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

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

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

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

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

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

3 Revenue and other income

	2019 HK$'000	2018 HK$'000
Revenue		
Management and service fee income	24,618	23,988
Other income		
Interest income	153	127
	24,771	24,115

4 Profit before tax

Profit before tax is stated after charging the following:

	2019 HK$'000	2018 HK$'000
Depreciation of right-of-use assets	114	–
Expense relating to short-term leases	59	–
Operating lease rentals on office premise	–	179
Staff costs	3,250	3,294
Directors' fees	4,758	4,758

Notes to the Financial Statements

5 Finance costs

	2019 HK$'000	2018 HK$'000
Interest and finance charges paid/payable for lease liabilities	10	–

6 Tax

	2019 HK$'000	2018 HK$'000
Current tax:		
Current tax on profits for the year	2,626	2,481
Underprovision in prior year	31	5
	2,657	2,486

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

	2019 HK$'000	2018 HK$'000
Profit before tax	15,945	15,288
Tax calculated at Singapore standard rate of income tax of 17% (2018: 17%)	2,711	2,599
Tax exemption	(205)	(205)
Expenses not deductible for tax purposes	146	109
Income not subject to tax	(26)	(22)
Underprovision in prior year	31	5
	2,657	2,486

7 Dividend

	2019 HK$'000	2018 HK$'000
Interim dividend paid of HK$1.5 (2018: HK$1.5) per share	15,000	15,000

8 Right-of-use assets

During the year, the Company entered into a new lease agreement for office premises. For the new lease, the Company is required to make fixed monthly payments and the Company has recognised HK$513,000 of right-of-use assets and lease liabilities at inception of the lease.

The total cash outflow for the lease in 2019 was HK$179,000.

Notes to the Financial Statements

9 Fixed assets

	Furniture and fixtures HK$'000	Computer equipment HK$'000	Total HK$'000
2019			
At 1 January 2019	–	–	–
Depreciation	–	–	–
At 31 December 2019	–	–	–
At 31 December 2019			
Cost	124	34	158
Accumulated depreciation	(124)	(34)	(158)
Net book value	–	–	–
2018			
At 1 January 2018	–	–	–
Depreciation	–	–	–
At 31 December 2018	–	–	–
At 31 December 2018			
Cost	124	34	158
Accumulated depreciation	(124)	(34)	(158)
Net book value	–	–	–
At 1 January 2018			
Cost	124	34	158
Accumulated depreciation	(124)	(34)	(158)
Net book value	–	–	–

10 Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Cash at bank	5,039	1,988
Short-term bank deposits	3,700	8,000
	8,739	9,988

Cash and cash equivalents are denominated in the following currencies:

	2019 Percentage	2018 Percentage
Hong Kong dollar	61%	92%
United States dollar	4%	4%
Singapore dollar	35%	4%
	100%	100%

Notes to the Financial Statements

11 Trade and other receivables

	2019 HK$'000	2018 HK$'000
Trade receivables from HPH Trust	12,810	12,405
Other receivables	8	18
	12,818	12,423

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

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

12 Trade and other payables

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

13 Lease liabilities

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

	2019 HK$'000	2018 HK$'000
Within 1 year	169	–
Within 2 to 5 years	234	–
	403	–

14 Share capital

	Number of shares	HK$
At 31 December 2018 and 2019	10,000,000	100,001

Notes to the Financial Statements

15 Notes to statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations:

	2019 HK$'000	2018 HK$'000
Operating profit	15,955	15,288
Depreciation	114	–
Operating profit before working capital changes	16,069	15,288
Increase in trade and other receivables	(395)	(247)
Increase in trade and other payables	697	733
Net cash generated from operations	16,371	15,774

(b) Reconciliation of liabilities arising from financing activities are as follows:

	Total HK$'000
As at 1 January 2019	–
Increase in lease liabilities from entering into a new lease during the year (note 8)	513
Principal elements of lease payments	(110)
Interest elements of lease payments	(10)
Interest expenses on lease liabilities (note 5)	10
As at 31 December 2019	403

16 Commitments

The Company leases an office premise with lease term of three years. On renewal, the terms of the leases are renegotiated.

The future minimum lease payments under lease not recognised in the financial statements are as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	–	59
Between 2 to 5 years	–	–
	–	59

Reconciliation from lease commitments to lease liabilities

Set out below is a reconciliation of the operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised on 1 January 2019:

	Total HK$'000
Operating lease commitments disclosed at 31 December 2018	59
Less: leases end within 12 months from the date of initial application	(59)
Lease liability recognised at 1 January 2019	–

Notes to the Financial Statements

17 Related parties transactions

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

(i) Income from and expense to related parties

	2019 HK$'000	2018 HK$'000
Income:		
Management fees received from HPH Trust (Note a)		
- Base fee	24,618	23,988
Expense:		
Lease payments (Note b)	179	179

Notes:

(a) Management fees were charged in accordance with the trust deed dated 25 February 2011 and the first supplemental deed dated 28 April 2014 for HPH Trust (collectively, "Trust Deed"). The base fee was charged at a fixed fee of US$2,500,000 (equivalent to approximately HK$19,500,000) per annum which is subject to increase each year from 2012 by such percentage representing the percentage increase in the Hong Kong Composite Consumer Price Index. The base fee for the year ended 31 December 2019 is payable in cash. As the December 2019 figure for the Hong Kong Composite Consumer Price Index is yet to be published as at the date of preparation of these financial statements, the adjustment to the base fee, if required, will be accounted for in the subsequent financial year.

(b) The Company leases office premises from a related company and was charged at terms pursuant to the relevant agreement.

(ii) Key management compensations

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

	2019 HK$'000	2018 HK$'000
Salaries and directors' fees	6,777	6,807

18 Financial risk and capital management

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

(a) Cash management and funding

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

Notes to the Financial Statements

18 Financial risk and capital management (Continued)

(b) Capital management

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

(c) Credit exposure

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

(d) Foreign currency exposure

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

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

19 Approval of the financial statements

The financial statements set out on pages 7 to 23 were approved by the Board of Directors of the Company for issue on 10 February 2020.

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