HUTCHISON PORT HOLDINGS TRUST

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 accounts of the Trust and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014.

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
Prof. Ma Si Hang, Frederick
Mrs. Sng Sow-Mei (alias Poon Sow Mei)
Mr. Kevin Anthony Westley

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 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 31.12.2014	At 1.1.2014	At 31.12.2014	At 1.1.2014
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	-	-	-	-
Prof. Ma Si Hang, Frederick	-	-	-	-
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	-	-	1,000,000	1,000,000
Mr. Kevin Anthony Westley	-	-	250,000	250,000

Directors' interests in units or debentures (Continued)

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2015.

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.

Directors' contractual benefits

No director of the Trustee-Manager has received or become entitled to receive a benefit by reason of any material contract made by the Trust or its subsidiaries with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying accounts and in this report, and except that certain directors receive remuneration as a result of their employment with such subsidiaries.

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

Audit Committee (Continued)

- the statement of financial position and statement of changes in equity of the Trust and the consolidated accounts of the Group for the year ended 31 December 2014 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 accounts 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 internal control systems for the year ended 31 December 2014 covering all material financial, operational and compliance and information technology controls as well as risk management functions, and is satisfied that such systems are effective and adequate.

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	**Ip Sing Chi**
Director	Director

6 February 2015

HUTCHISON PORT HOLDINGS TRUST

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 accounts on pages 1 and 2 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 2014;

(b) the statements of financial position set out on pages 3 and 4 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 2014;

(c) the statements of changes in equity set out on pages 6 and 7 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 2014;

(d) the consolidated statement of cash flows set out on page 5 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 2014; 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 accounts of the Group as at and for the year ended 31 December 2014 for issue.

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

John Edward Wenham Meredith
Director

Ip Sing Chi
Director

6 February 2015

HUTCHISON PORT HOLDINGS TRUST

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
6 February 2015

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF
HUTCHISON PORT HOLDINGS TRUST

Report on the accounts

We have audited the accompanying accounts of Hutchison Port Holdings Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 1 to 56, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Trust as at 31 December 2014, 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 accounts

Hutchison Port Holdings Management Pte. Limited (the "Trustee-Manager") is responsible for the preparation of accounts 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 income statements and statements of financial position and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these accounts 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 accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of accounts 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 accounts.

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 accounts 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 state of affairs of the Group and of the Trust as at 31 December 2014, and of the results, 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, 6 February 2015

HUTCHISON PORT HOLDINGS TRUST
(A business trust constituted under the laws of the Republic of Singapore and managed by Hutchison Port Holdings Management Pte. Limited)

ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2014

HUTCHISON PORT HOLDINGS TRUST

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue and other income	4	12,622,228	12,384,386
Cost of services rendered		(4,814,198)	(4,494,361)
Staff costs		(305,195)	(288,327)
Depreciation and amortisation		(2,805,347)	(2,853,469)
Other operating income		322,126	82,406
Other operating expenses		(859,353)	(898,830)
Total operating expenses		(8,461,967)	(8,452,581)
Operating profit	5	4,160,261	3,931,805
Interest and other finance costs	6	(586,106)	(641,438)
Share of profits less losses after tax of associated companies		17,087	19,385
Share of profits less losses after tax of joint ventures		121,476	101,284
Impairment of goodwill	14(b)	(19,000,000)	-
(Loss)/profit before tax		(15,287,282)	3,411,036
Tax	7	(730,972)	(409,071)
(Loss)/profit for the year		(16,018,254)	3,001,965
Allocated as: Profit attributable to non-controlling interests		(1,173,701)	(1,327,181)
(Loss)/profit attributable to unitholders of HPH Trust	9	(17,191,955)	1,674,784
		HK cents	HK cents
(Loss)/earnings per unit attributable to unitholders of HPH Trust	9	(197.36)	19.23

HUTCHISON PORT HOLDINGS TRUST

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$'000	2013 HK$'000
Comprehensive income:		
(Loss)/profit for the year	(16,018,254)	3,001,965
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	(14,202)	258,993
Items that may be reclassified subsequently to profit or loss:		
Investments		
Valuation (losses)/gains taken to reserves	(33,583)	12,284
Currency translation differences	(71,159)	85,322
Total comprehensive (loss)/income for the year	(16,137,198)	3,358,564
Allocated as: Attributable to non-controlling interests	(1,143,812)	(1,362,750)
Attributable to unitholders of HPH Trust	(17,281,010)	1,995,814

Note:

Items shown within other comprehensive income have no tax effect.

HUTCHISON PORT HOLDINGS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Fixed assets	10	25,040,000	28,123,057
Projects under development	11	2,331,967	1,847,826
Leasehold land and land use rights	12	42,554,823	44,579,430
Railway usage rights	13	15,002	15,941
Customer relationships	14(a)	7,172,802	7,507,008
Goodwill	14(b)	22,629,044	42,500,443
Associated companies	15	154,408	150,814
Joint ventures	16	4,150,299	2,515,878
Investments	17	798,388	832,038
Deferred tax assets	18	12,868	12,929
		104,859,601	128,085,364
Current assets			
Cash and cash equivalents	19	7,798,806	5,818,662
Trade and other receivables	20	3,318,249	3,101,331
Inventories		133,759	160,664
		11,250,814	9,080,657
Current liabilities			
Trade and other payables	21	6,940,993	6,582,175
Bank loans	22	8,190,242	10,799,156
Current tax liabilities		487,092	238,177
		15,618,327	17,619,508
Net current liabilities		(4,367,513)	(8,538,851)
Total assets less current liabilities		100,492,088	119,546,513
Non-current liabilities			
Bank loans	22	25,491,172	22,999,370
Pension obligations	23	144,079	115,582
Deferred tax liabilities	18	11,442,991	12,179,387
Other non-current liabilities		19,651	20,507
		37,097,893	35,314,846
Net assets		63,394,195	84,231,667
EQUITY			
Units in issue	24	68,553,839	68,553,839
Reserves		(24,237,451)	(3,384,890)
Net assets attributable to unitholders of HPH Trust		44,316,388	65,168,949
Non-controlling interests		19,077,807	19,062,718
Total equity		63,394,195	84,231,667

HUTCHISON PORT HOLDINGS TRUST

STATEMENT OF FINANCIAL POSITION OF HUTCHISON PORT HOLDINGS TRUST AT 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	25	60,893,189	63,719,174
Current assets			
Cash and cash equivalents	19	2,133	1,762
Trade and other receivables	20	1,587	1,867
		3,720	3,629
Current liability			
Trade and other payables	21	39,142	63,216
Net current liabilities		(35,422)	(59,587)
Total assets less current liabilities/Net assets		60,857,767	63,659,587
EQUITY			
Units in issue	24	68,553,839	68,553,839
Reserves		(7,696,072)	(4,894,252)
Total equity		60,857,767	63,659,587

HUTCHISON PORT HOLDINGS TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Cash generated from operations	26	6,668,862	6,210,419
Interest and other finance costs paid		(510,964)	(475,818)
Tax paid		(760,821)	(579,993)
Net cash from operating activities		5,397,077	5,154,608
Investing activities			
Acquisition of subsidiary companies		-	(3,868,054)
Purchase of fixed assets and additions to projects under development		(1,106,035)	(705,796)
Proceeds on disposal of fixed assets and investment		6,093	11,549
Dividends received from investments		56,738	65,728
Dividends received from associated companies and joint ventures		141,733	143,992
Interest received		85,694	58,444
Proceeds on disposal of subsidiary companies	27	2,411,342	-
Net cash from/(used in) investing activities		1,595,565	(4,294,137)
Financing activities			
Drawdown of bank loans		10,800,000	32,080,000
Repayment of bank loans		(10,972,700)	(27,432,769)
Upfront debt transaction costs and facilities fees of bank loans		(7,800)	(148,400)
Capital contribution from non-controlling interests		-	119,419
Repayment of loan by a joint venture		3,200	3,050
Distributions to unitholders of HPH Trust		(3,571,551)	(3,996,922)
Dividends to non-controlling interests		(1,263,647)	(1,835,027)
Net cash used in financing activities		(5,012,498)	(1,210,649)
Net changes in cash and cash equivalents		1,980,144	(350,178)
Cash and cash equivalents at beginning of the year		5,818,662	6,168,840
Cash and cash equivalents at end of the year		7,798,806	5,818,662

HUTCHISON PORT HOLDINGS TRUST

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	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
Group								
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
Comprehensive income:								
Loss for the year	-	-	-	-	(17,191,955)	(17,191,955)	1,173,701	(16,018,254)
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 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
At 1 January 2013	68,539,835	42,217	8,241	(224,386)	(1,209,854)	67,156,053	18,351,069	85,507,122
Comprehensive income:								
Profit for the year	-	-	-	-	1,674,784	1,674,784	1,327,181	3,001,965
Remeasurement of defined benefit plans	-	-		258,993	-	258,993	-	258,993
Investments:								
Valuation gains taken to reserves	-	-	12,284	-	-	12,284	-	12,284
Currency translation differences	-	49,753	-	-	-	49,753	35,569	85,322
Total comprehensive income	-	49,753	12,284	258,993	1,674,784	1,995,814	1,362,750	3,358,564
Transactions with owners:								
Issuance of units	14,004	-	-	-	-	14,004	-	14,004
Equity contribution from non-controlling interests	-	-	-	-	-	-	119,419	119,419
Distributions	-	-	-	-	(3,996,922)	(3,996,922)	-	(3,996,922)
Dividends	-	-	-	-	-	-	(770,520)	(770,520)
At 31 December 2013	68,553,839	91,970	20,525	34,607	(3,531,992)	65,168,949	19,062,718	84,231,667

HUTCHISON PORT HOLDINGS TRUST

STATEMENT OF CHANGES IN EQUITY OF HUTCHISON PORT HOLDINGS TRUST FOR THE YEAR ENDED 31 DECEMBER 2014

	Units in issue HK$'000	Accumulated losses HK$'000	Attributable to unitholders HK$'000
Trust			
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
At 1 January 2013	68,539,835	(3,544,923)	64,994,912
Profit and total comprehensive income for the year	-	2,647,593	2,647,593
Transaction with owners:			
Issuance of units	14,004	-	14,004
Distributions	-	(3,996,922)	(3,996,922)
At 31 December 2013	68,553,839	(4,894,252)	63,659,587

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

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

2 Basis of preparation and significant accounting policies

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

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

At 31 December 2014, HPH Trust and its subsidiary companies (the "Group") recorded net current liabilities of HK$4.4 billion, mainly resulting from an unsecured bank loan of HK$7.8 billion which will mature in August 2015. Management is confident to complete the refinancing arrangement before the expiry of the 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 accounts have been prepared on a going concern basis.

The preparation of accounts in conformity with HKFRS requires management to exercise its judgement 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 judgement or complexity, or areas where assumptions and estimates are significant to the accounts, are disclosed in Note 3.

2 Basis of preparation and significant accounting policies (Continued)

Adoption of amendments to existing standards

On 1 January 2014, the Group has adopted the following amendments which are relevant to the Group's operations and mandatory for annual period beginning 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011)	Investment Entities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the above amendments has no material effect on the results and financial position of the Group.

Standards and amendments which are not yet effective

At the date of authorisation of the accounts, 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:

Annual Improvements to HKFRSs 2010 – 2012 Cycle(1)	Improvements to HKFRSs
Annual Improvements to HKFRSs 2011 – 2013 Cycle(1)	Improvements to HKFRSs
Amendments to HKAS 19(2011)(1)	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 27(2)	Equity Method in Separate Financial Statements
Annual Improvements to HKFRSs 2012 – 2014 Cycle(2)	Improvements to HKFRSs
Amendments to HKFRS 10 and HKAS 28(2)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture
Amendments to HKAS 1(2)	Presentation of Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28(2)	Investment Entities
HKFRS 15(3)	Revenue from Contracts with Customers
HKFRS 9(2014)(4)	Financial Instruments

(1) Effective for annual periods beginning 1 July 2014

(2) Effective for annual periods beginning 1 January 2016

(3) Effective for annual periods beginning 1 January 2017

(4) Effective for annual periods beginning 1 January 2018

2 Basis of preparation and significant accounting policies (Continued)

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.

(a) Basis of consolidation

The consolidated accounts of the Group for the year ended 31 December 2014 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 2014 or up to the dates of disposal as the case may be. The acquisition of subsidiary companies is accounted for using the purchase method.

2 Basis of preparation and significant accounting policies (Continued)

(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 accounts 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 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 associate 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 associates are incorporated in these accounts 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 accounts 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.

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 terminal equipment	10 - 35 years
Barges	15 years
Motor vehicles	5 years
Computer equipment	5 years
Other fixed assets	5 - 25 years

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

(f) Projects under development

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

(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.

(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.

2 Basis of preparation and significant accounting policies (Continued)

(i) Goodwill (Continued)

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 accounts. 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.

(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.

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.

(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.

2 Basis of preparation and significant accounting policies (Continued)

(t) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually. 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.

(u) 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. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

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.

(v) Foreign exchange

The consolidated accounts 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.

2 Basis of preparation and significant accounting policies (Continued)

(v) Foreign exchange (Continued)

The accounts 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 associate 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 associates 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.

(w) 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.

(x) 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.

2 Basis of preparation and significant accounting policies (Continued)

(y) 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.

3 Critical accounting estimates and judgement

Note 2 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts 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 accounts. 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 accounts.

(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 changes in 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.

3 Critical accounting estimates and judgement (Continued)

(a) Long lived assets (Continued)

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

(b) Goodwill

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

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

3 Critical accounting estimates and judgement (Continued)

(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 judgement is 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.

3 Critical accounting estimates and judgement (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. All actuarial gains and losses are recognised in full, in the year in which they occur, in the consolidated statement of comprehensive income.

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 accounts 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. Judgement is 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 judgement is 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 accounts. 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 judgement 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 consolidated income statement.

4 Revenue and other income and segment information

(a) Revenue and other income

	2014 HK$'000	2013 HK$'000
Revenue		
Rendering of port and related services	12,166,759	11,997,758
Rendering of transportation and logistics solutions	273,577	235,626
Management and service fee income	59,777	65,507
System development and support fees	30,856	24,964
Others	3,582	2,471
	12,534,551	12,326,326
Other income		
Interest income	87,677	58,060
	12,622,228	12,384,386

(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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Hong Kong	5,327,303	5,590,010	30,132,371	52,448,187
Mainland China	7,294,925	6,794,376	74,727,230	75,637,177
	12,622,228	12,384,386	104,859,601	128,085,364

HUTCHISON PORT HOLDINGS TRUST

NOTES TO THE ACCOUNTS

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2014 HK$'000	2013 HK$'000
Crediting		
Dividend income from the River Ports Economic Benefits (Note 17)	47,410	48,671
Net exchange gain	-	2,807
Net gain on disposal of fixed assets	1,926	-
Charging		
Auditor's remuneration		
- audit services	14,521	14,166
- non-audit services	502	477
Amortisation		
- leasehold land and land use rights	1,270,832	1,287,083
- railway usage rights	568	571
- customer relationships	334,206	334,206
Depreciation of fixed assets	1,199,741	1,231,609
Net loss on disposal of fixed assets	-	14,961
Operating lease rentals		
- office premises and port facilities	66,496	65,469
Staff costs included in cost of services rendered	1,301,366	1,152,151
Net exchange loss	61,462	-

6 Interest and other finance costs

	2014 HK$'000	2013 HK$'000
Interest and other finance costs on:		
Bank loans and overdrafts	517,901	484,558
Loans from non-controlling interests	1,519	1,518
Other finance costs	66,686	155,362
	586,106	641,438

7 Tax

	2014 HK$'000	2013 HK$'000
Current tax	1,001,289	607,121
Deferred tax (Note 18)	(270,317)	(198,050)
	730,972	409,071

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:

	2014 HK$'000	2013 HK$'000
(Loss)/profit before tax excluding share of profits less losses after tax of joint ventures and associated companies and impairment of goodwill (Note)	3,574,155	3,290,367
Tax calculated at weighted average tax rate of 24.0% (2013: 24.8%)	858,176	814,580
Tax exemption in the PRC	(216,066)	(564,711)
Income not subject to tax	(54,386)	(12,500)
Expenses not deductible for tax purposes	63,295	60,762
Withholding tax on unremitted earnings	113,124	122,805
Utilisation of previously unrecognised tax losses	(11,003)	(13,016)
(Over)/under provision in prior year	(25,461)	748
Tax losses not recognised	3,403	741
Others	(110)	(338)
Total tax	730,972	409,071

Note:

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

8 Distributions

	2014 HK$'000	2013 HK$'000
For the period from 1 July 2012 to 31 December 2012		
Distribution of 27.19 HK cents per unit	-	2,367,947
For the period from 1 January 2013 to 30 June 2013		
Distribution of 18.70 HK cents per unit	-	1,628,975
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	-
	3,571,551	3,996,922

On 6 February 2015, the Board of Directors of the Trustee-Manager recommended the distribution of 22.30 HK cents per unit for the financial result from 1 July 2014 to 31 December 2014 (2013: 22.30 HK cents per unit) amounting to HK$1,942.6 million (2013: HK$1,942.6 million) and payable on 27 March 2015. This distribution is not reflected in these accounts and will be recognised in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

9 (Loss)/earnings per unit

The calculation of (loss)/earnings per unit is based on loss attributable to unitholders of HPH Trust of HK$17,191,955,000 for the year ended 31 December 2014 (2013: HK$1,674,784,000) and on 8,711,101,022 units in issue (2013: 8,710,597,787 units in issue), which is the weighted average number of units for the year ended 31 December 2014.

Diluted (loss)/earnings per unit is the same as the basic (loss)/earnings per unit for the years ended 31 December 2014 and 2013.

10 Fixed assets

Group	Properties HK$'000	Container handling equipment HK$'000	Barges HK$'000	Other assets HK$'000	Total HK$'000
2014					
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 (Note 27)	(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
At 31 December 2014					
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
2013					
Opening net book amount	17,774,591	8,107,310	21,255	344,720	26,247,876
Acquisition of subsidiary companies	1,974,734	522,783	-	26,027	2,523,544
Additions	35,690	168,428	8,853	21,009	233,980
Transfer from projects under development (Note 11)	78,140	225,442	-	35,345	338,927
Depreciation	(600,000)	(561,577)	(3,937)	(66,095)	(1,231,609)
Disposals	(13)	(22,532)	(819)	(744)	(24,108)
Currency translation differences	26,866	7,026	-	555	34,447
Closing net book amount	19,290,008	8,446,880	25,352	360,817	28,123,057
At 31 December 2013					
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

11 Projects under development

Group	2014 HK$'000	2013 HK$'000
At beginning of the year	1,847,826	1,315,394
Additions	918,932	836,644
Transfer to fixed assets (Note 10)	(401,310)	(338,927)
Currency translation differences	(33,481)	34,715
At end of the year	2,331,967	1,847,826

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	2014 HK$'000	2013 HK$'000
Net book value		
At beginning of the year	44,579,430	44,958,859
Additions	127,394	-
Acquisition of subsidiary companies	-	896,372
Disposal of subsidiary companies (Note 27)	(869,721)	-
Disposals	(374)	(1,833)
Amortisation	(1,270,832)	(1,287,083)
Currency translation differences	(11,074)	13,115
At end of the year	42,554,823	44,579,430

13 Railway usage rights

Group	2014 HK$'000	2013 HK$'000
Net book value		
At beginning of the year	15,941	16,004
Amortisation	(568)	(571)
Currency translation differences	(371)	508
At end of the year	15,002	15,941

14 Intangible assets

(a) Customer relationships

Group	2014 HK$'000	2013 HK$'000
Net book value		
At beginning of the year	7,507,008	7,841,214
Amortisation	(334,206)	(334,206)
At end of the year	7,172,802	7,507,008

14 Intangible assets (Continued)

(b) Goodwill

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

	2014 HK$'000	2013 HK$'000
Hong Kong	1,666,002	21,537,401
Mainland China	20,963,042	20,963,042
	22,629,044	42,500,443

Group	2014 HK$'000	2013 HK$'000
At beginning of the year	42,500,443	41,629,044
Acquisition of subsidiary companies	-	871,399
Disposal of subsidiary companies (Note 27)	(871,399)	-
Impairment of goodwill (accumulated:HK$19.0 billion)	(19,000,000)	-
At end of the year	22,629,044	42,500,443

In the fourth quarter of 2014, an impairment assessment was undertaken in respect of the Group's goodwill. Management reviewed the latest market developments and the business plan and considers the Hong Kong operation to be adversely impacted by the uncertainties in the global economy and demand, and challenging labour cost pressure. As a result, the assumptions regarding growth rate in revenue and cost of services rendered used in the current year's assessment of the Hong Kong cash-generating unit ("CGU") have been reduced by approximately 1% and increased by approximately 3% to 7%, respectively, as compared to last year. 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. Based on the assessment, a non-cash goodwill impairment loss of HK$19.0 billion was recognised against the goodwill allocated to the CGU in Hong Kong.

For illustration purposes, a hypothetical 0.5% decrease in revenue growth rate, a 0.5% increase in cost of services rendered, and a 0.5% increase in the discount rate used in the value-in-use calculations, with all other variables and assumptions held constant, would decrease the recoverable amount of the Hong Kong CGU, by HK$3.2 billion, HK$2.0 billion and HK$1.8 billion, respectively. Actual results in the future may differ materially from the sensitivity analysis due to developments in the global markets and changes in economic conditions which may cause fluctuations in growth and market interest rates to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

15 Associated companies

Group	2014 HK$'000	2013 HK$'000
Share of net assets	154,408	150,814

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

Name	Place of establishment	Principal activities	Interest held
Shenzhen Yantian Tugboat Company Ltd.[1]	PRC	Provision of tugboat services in the PRC	23.84%

1 Audited by PricewaterhouseCoopers network firm

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

	2014 HK$'000	2013 HK$'000
Revenue	260,620	259,376
Net profit for the year	54,420	63,535

	2014 HK$'000	2013 HK$'000
Total assets	552,803	568,894
Total liabilities	74,560	99,640

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

	2014 HK$'000	2013 HK$'000
Share of revenue	79,658	79,762
Share of results	17,087	19,385

16 Joint ventures

Group	2014 HK$'000	2013 HK$'000
Share of net assets	3,596,049	2,498,428
Loans to joint ventures	554,250	17,450
	4,150,299	2,515,878

A loan of HK$540,000,000 to a joint venture (2013: Nil) is interest bearing at Hong Kong Interbank Offered Rate plus 5.00%. Another loan to a joint venture of HK$14,250,000 (2013: $17,450,000) 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 2014 are as follows:

Name	Place of establishment	Principal activities	Interest held
COSCO-HIT Terminals (Hong Kong) Limited[1]	Hong Kong	Development and operation of a container terminal	50.00%
Asia Container Terminals Holdings Limited[1]	Hong Kong	Development and operation of a container terminal	40.00%
Beijing Leading Edge Container Services Co. Limited[1]	PRC	Provision of logistic services	50.00%
Mercury Sky Group Limited[2]	British Virgin Islands	Investment holding	50.00%
Shenzhen Leading Edge Port Services Co. Limited[1]	PRC	Provision of port agency services	49.00%
Yantian Port International Information Co. Limited[1]	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

16 Joint ventures (Continued)

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

	2014 HK$'000	2013 HK$'000
Revenue	1,564,122	1,008,117
Net profit for the year	250,062	202,566

	2014 HK$'000	2013 HK$'000
Non-current assets	9,010,449	6,564,529
Current assets	1,837,877	1,319,169
Total assets	10,848,326	7,883,698
Non-current liabilities	1,705,680	2,204,808
Current liabilities	2,951,806	794,706
Total liabilities	4,657,486	2,999,514

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

	2014 HK$'000	2013 HK$'000
Share of revenue	732,346	502,425
Share of results	121,476	101,284

17 Investments

Group	2014 HK$'000	2013 HK$'000
Listed equity security	58,388	57,038
River Ports Economic Benefits (Note)	740,000	775,000
	798,388	832,038

Note:

The River Ports Economic Benefits represent the economic interest and benefits of the river ports in Nanhai, Jiangmen and Zhuhai Jiuzhou, 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.

18 Deferred tax

Group	2014 HK$'000	2013 HK$'000
Deferred tax assets	(12,868)	(12,929)
Deferred tax liabilities	11,442,991	12,179,387
Net deferred tax liabilities	11,430,123	12,166,458

18 Deferred tax (Continued)

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
2014						
At 1 January 2014	(22,021)	715,130	11,288,489	185,254	(394)	12,166,458
Disposal of subsidiary companies (Note 27)	-	(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
2013						
At 1 January 2013	(13,922)	534,632	11,236,948	134,269	(325)	11,891,602
Acquisition of subsidiary companies	-	143,850	329,202	-	(52)	473,000
Tax (credited)/charged to income statement	(8,099)	36,648	(277,594)	50,985	10	(198,050)
Other temporary differences	-	-	(67)	-	(27)	(94)
At 31 December 2013	(22,021)	715,130	11,288,489	185,254	(394)	12,166,458

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$406,915,000 at 31 December 2014 (2013: HK$456,336,000) to carry forward against future taxable income. Of these, HK$405,765,000 (2013: HK$445,117,000) can be carried forward indefinitely. The remaining HK$1,150,000 (2013: HK$11,219,000) expires in the following years:

	2014 HK$'000	2013 HK$'000
In the first year	-	3,674
In the second year	-	-
In the third year	-	-
In the fourth year	-	7,545
In the fifth year	1,150	-
	1,150	11,219

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.

19 Cash and cash equivalents

Group	2014 HK$'000	2013 HK$'000
Cash at bank and on hand	325,743	232,063
Short-term bank deposits	7,473,063	5,586,599
	7,798,806	5,818,662

Trust	2014 HK$'000	2013 HK$'000
Cash at bank and on hand	2,133	1,762

Cash and cash equivalents are denominated in the following currencies:

Group	2014 Percentage	2013 Percentage
Hong Kong dollar	60%	36%
Renminbi	26%	45%
United States dollar	14%	19%
	100%	100%

Trust	2014 Percentage	2013 Percentage
Hong Kong dollar	49%	38%
United States dollar	30%	20%
Singapore dollar	21%	42%
	100%	100%

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.

20 Trade and other receivables

Group	2014 HK$'000	2013 HK$'000
Trade receivables	2,566,241	2,514,553
Less : Provision for impairment of receivables	(11,967)	(14,553)
	2,554,274	2,500,000
Other receivables and prepayments	460,705	332,597
Amounts due from related companies (Note a)	32,498	40,117
Amounts due from joint ventures (Note a)	262,827	217,316
Amounts due from associated companies (Note a)	7,945	11,301
	3,318,249	3,101,331

Trust	2014 HK$'000	2013 HK$'000
Other receivables and prepayments	1,587	1,837
Amount due from a related company (Note a)	-	30
	1,587	1,867

Trade and other receivables are denominated in the following currencies:

Group	2014 Percentage	2013 Percentage
Hong Kong dollar	68%	73%
Renminbi	24%	18%
United States dollar	8%	9%
	100%	100%

Trust	2014 Percentage	2013 Percentage
Hong Kong dollar	46%	50%
Singapore dollar	54%	50%
	100%	100%

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

20 Trade and other receivables (Continued)

Notes:

(a) The amounts due from related companies, associated companies and joint ventures of the Group and of the Trust are unsecured, interest free and have no fixed terms of repayment.

(b) At 31 December 2014, trade receivables of the Group amounting to HK$1,057,471,000 (2013: HK$1,238,284,000) 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:

	2014 HK$'000	2013 HK$'000
Up to 2 months	594,113	745,066
2 to 3 months	218,820	341,225
Over 3 months	244,538	151,993
	1,057,471	1,238,284

(c) At 31 December 2014, trade receivables of the Group amounting to HK$11,967,000 (2013: HK$14,553,000) 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:

	2014 HK$'000	2013 HK$'000
At beginning of the year	14,553	14,843
Provision for impairment	1,908	6,824
Write back of provision for impairment	(4,033)	(6,096)
Receivables written off as uncollectible	(37)	(1,018)
Disposal of subsidiary companies	(319)	-
Currency translation differences	(105)	-
At end of the year	11,967	14,553

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

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

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

21 Trade and other payables

Group	2014 HK$'000	2013 HK$'000
Trade payables, other payables and accruals	6,684,492	6,113,405
Loans from non-controlling interests (Note a)	165,442	378,551
Amounts due to related companies (Note b)	91,059	90,219
	6,940,993	6,582,175

Trust	2014 HK$'000	2013 HK$'000
Trade payables, other payables and accruals	22,969	19,516
Amounts due to:		
- a related company (Note b)	12,527	11,837
- a subsidiary company (Note b)	3,646	31,863
	39,142	63,216

Trade and other payables are denominated in the following currencies:

Group	2014 Percentage	2013 Percentage
Hong Kong dollar	79%	76%
Renminbi	19%	22%
United States dollar	2%	2%
	100%	100%

Trust	2014 Percentage	2013 Percentage
Hong Kong dollar	15%	54%
United States dollar	32%	19%
Singapore dollar	53%	27%
	100%	100%

At 31 December 2014, 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 (2013: HK$30,380,000) which bears interest at Hong Kong Dollar Prime Rate (2013: bears interest at 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.

22 Bank loans

Group	Current portion HK$'000	Non-current portion HK$'000	Total HK$'000
Unsecured bank loans	8,067,700	25,559,200	33,626,900
Secured bank loans	127,500	-	127,500
Total principal amount of bank loans	8,195,200	25,559,200	33,754,400
Unamortised loan facilities fees	(4,958)	(68,028)	(72,986)
At 31 December 2014	8,190,242	25,491,172	33,681,414
Unsecured bank loans	10,827,700	22,966,900	33,794,600
Secured bank loans	5,120	130,560	135,680
Total principal amount of bank loans	10,832,820	23,097,460	33,930,280
Unamortised loan facilities fees	(33,664)	(98,090)	(131,754)
At 31 December 2013	10,799,156	22,999,370	33,798,526

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 are fully repayable from July 2015 to April 2019 (2013: repayable from March 2014 to September 2018).

The effective interest rate of the Group's bank loans at 31 December 2014 is 1.6% per annum (2013: 1.4% per annum).

Bank loans are denominated in the following currencies:

	2014 Percentage	2013 Percentage
Hong Kong dollar	17%	17%
United States dollar	83%	83%
	100%	100%

At 31 December 2014, assets of the Group totalling HK$240,739,000 (31 December 2013: HK$244,342,000) were pledged as security for a bank loan.

23 Pension obligations

Group	2014 HK$'000	2013 HK$'000
Defined benefit plans		
Pension obligations	144,079	115,582

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 2014 using the projected unit credit method to account for the pension accounting costs in accordance with HKAS 19 (2011) "Employee Benefits".

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

	2014 HK$'000	2013 HK$'000
Present value of defined benefit obligations	1,300,081	1,192,342
Fair value of plan assets	(1,156,002)	(1,076,760)
Net defined benefit liabilities	144,079	115,582

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
2014			
At 1 January	1,192,342	(1,076,760)	115,582
Net charge/(credit) to the income statement			
Current service cost	47,459	856	48,315
Interest cost/(income)	18,819	(17,209)	1,610
	66,278	(16,353)	49,925
Net charge/(credit) to other comprehensive income			
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
Other			
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

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
2013			
At 1 January	1,316,795	(969,280)	347,515
Net charge/(credit) to the income statement			
Current service cost	55,078	444	55,522
Interest cost/(income)	5,902	(4,343)	1,559
	60,980	(3,899)	57,081
Net credit to other comprehensive income			
Remeasurements loss/(gain):			
Actuarial loss/(gain) arising from:			
Experience adjustment	13,627	-	13,627
Financial assumptions	(127,540)	-	(127,540)
Demographic assumptions	(14,655)	-	(14,655)
Return on plan assets excluding interest income	-	(130,425)	(130,425)
	(128,568)	(130,425)	(258,993)
Other			
Contributions paid by the employer	-	(30,021)	(30,021)
Contributions paid by the employee	7,590	(7,590)	-
Benefits paid	(67,236)	67,236	-
Net transfer	2,781	(2,781)	-
At 31 December	1,192,342	(1,076,760)	115,582

The principal actuarial assumptions used for accounting purposes are as follows:

	2014 Percentage	2013 Percentage
Discount rate	1.50 – 1.90	1.50 – 2.10
Future salary increases	4.00	4.00
Interest credited on plan accounts	5.00 – 6.00	5.00 – 6.00

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

Fair value of the plan assets is analysed as follows:

	2014 HK$'000	2013 HK$'000
Equity instruments	809,202	742,966
Debt instruments	316,752	286,599
Cash and others	30,048	47,197
At 31 December	1,156,002	1,076,762

	2014 Percentage	2013 Percentage
Equity Instruments		
Conglomerates and manufacturing	5%	7%
Construction and materials	2%	2%
Consumer markets	8%	9%
Energy and utilities	4%	5%
Financial institutions and units trust	20%	20%
Health and care	6%	5%
Insurance	4%	4%
Real estate	4%	5%
Information technology	11%	7%
Others	6%	5%
	70%	69%
Debt instruments		
Government (other than US)	8%	10%
Financial institutions	4%	5%
US Treasury	6%	4%
Others	9%	8%
	27%	27%
Cash and others	3%	4%
	100%	100%

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

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

	2014 Percentage	2013 Percentage
Aaa/AAA	24%	26%
Aa1/AA+	12%	15%
Aa2/AA	2%	2%
Aa3/AA-	5%	3%
A1/A+	8%	3%
A2/A	6%	11%
A3/A-	7%	5%
Baa1/BBB+	2%	4%
Baa2/BBB	7%	9%
Other lower grade	7%	7%
No investment grade	20%	15%
	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 2013 and 2014. 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 31 July 2013 reported a funding level of 119% 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%. 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 2014, this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year ended 31 December 2014, forfeited contributions totalling HK$885,000 (2013: HK$1,254,000) were used to reduce the level of contributions of the year ended 31 December 2014 and no forfeited contribution was available at 31 December 2014 (2013: Nil) to reduce future year's contributions.

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

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

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

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.

Expected contributions to the defined benefit plans for the year ending 31 December 2015 are HK$37,931,000.

The weighted average duration of the defined benefit obligation is 8.2 years as at 31 December 2014.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$67,938,000 (2013: HK$61,977,000).

24 Units in issue

Group and Trust	Number of units	HK$'000
At 1 January 2013	8,708,888,000	68,539,835
Units issued on 25 March 2013 (Note)	2,213,022	14,004
At 31 December 2014 and 31 December 2013	8,711,101,022	68,553,839

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

Note:

On 25 March 2013, 2,213,022 units at US$0.8152 per unit were issued to the Trustee-Manager as the payment of performance fee for the year ended 31 December 2012, according to the trust deed dated 25 February 2011 constituting HPH Trust.

25 Investment in a subsidiary

Trust	2014 HK$'000	2013 HK$'000
Investment cost	10,000	10,000
Capital contribution	60,883,189	63,709,174
	60,893,189	63,719,174

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.

HUTCHISON PORT HOLDINGS TRUST

NOTES TO THE ACCOUNTS

26 Reconciliation of operating profit to cash generated from operations

	Note	2014 HK$'000	2013 HK$'000
Operating profit		4,160,261	3,931,805
Depreciation and amortisation		2,805,347	2,853,469
Net gain from the disposal of subsidiary companies	27	(243,777)	-
Net (gain)/loss on disposal of fixed assets		(1,926)	14,961
Dividend income		(50,718)	(52,351)
Interest income		(87,677)	(58,060)
Performance fee settled in form of units		-	14,004
Operating profit before working capital changes		6,581,510	6,703,828
Decrease/(increase) in inventories		8,308	(7,949)
Increase in trade and other receivables		(174,990)	(35,352)
(Increase)/decrease in amounts due from related companies, associated companies and joint ventures		(43,157)	33,138
Increase/(decrease) in trade and other payables		286,496	(513,906)
Increase in pension obligations		10,695	30,660
Cash generated from operations		6,668,862	6,210,419

27 Disposal of subsidiary companies

On 13 March 2014, the Group entered into a strategic partnership with COSCO Pacific Limited and China Shipping Terminal Development (Hong Kong) Company Limited through their investment of 40% and 20%, respectively, of effective equity and loan interests in Asia Container Terminals ("ACT") for an aggregate consideration of HK$2,472 million. Subsequent to the transaction, the Group's interest in ACT decreased from 100% to 40%. Management considers the Group has joint control over ACT and accordingly, the Group's retained interest in ACT is accounted for as a joint venture.

	HK$'000
Net assets disposed	
Fixed assets	2,481,264
Leasehold land	869,721
Goodwill	871,399
Cash and cash equivalents	60,658
Trade and other receivables	43,699
Inventories	18,594
Trade and other payables	(20,571)
Deferred tax liabilities	(465,874)
	3,858,890
Net gain from the disposal of subsidiary companies (Note)	243,777
Divestment cost and professional fees	17,333
	4,120,000
Less : 40% retained interest accounted for as a joint venture	(1,648,000)
	2,472,000
Represented by	
Cash received	2,472,000
Analysis of net cash inflow in respect of disposal of subsidiary companies	
Cash consideration	2,472,000
Cash and cash equivalents disposed of	(60,658)
	2,411,342

Note:

Reported under other operating income in the consolidated income statement.

28 Commitments

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

	2014 HK$'000	2013 HK$'000
Contracted but not provided for	99,256	154,851
Authorised but not contracted for (Note)	2,176,952	1,840,097
	2,276,208	1,994,948

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

	2014 HK$'000	2013 HK$'000
Authorised but not contracted for	137,700	29,428

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 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises and port facilities as follows:

	2014 HK$'000	2013 HK$'000
Within one year	31,574	36,715
Between two to five years	29,715	39,173
More than five years	155	-
	61,444	75,888

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

	2014 HK$'000	2013 HK$'000
Income:		
Container handling fees received from joint ventures and related companies (Note a)	61,117	82,329
Management and service fee received from joint ventures and related companies (Note b)	82,197	81,767
Transportation management services fee income from a joint venture and related companies (Note c)	47,691	41,586
Sales of fixed assets and parts to a related company (Note d)	652	4,000
Expenses:		
Container handling charges paid to joint ventures, associated companies and a related company (Note e)	989,079	486,802
Operating lease rentals on premises paid to joint ventures and related companies (Note e)	20,437	20,533
Trustee-Manager management fees (Note f)		
Base fee	22,167	21,188
Divestment fee	12,178	-
Performance fee	-	14,004
Acquisition fee	-	38,681
Global support services fees to a related company (Note g)	131,228	127,132
Information technology ("IT") support and maintenance service fees paid to an associated company and related companies (Note h)	47,360	36,474
Telecommunication charges paid to related companies (Note i)	5,933	5,790
Security guards service fees paid to a related company (Note j)	12,207	12,398
Purchases of fixed assets from a related company (Note k)	45,247	-

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 2014 is payable in cash. As the December 2014 figure for the Hong Kong Composite Consumer Price Index is yet to be published as at the date of preparation of these accounts, 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.

The Trustee-Manager is entitled to performance fee when the distribution per unit ("DPU") for a particular year satisfies the criteria set in the Trust Deed. Performance fee paid in 2013 was related to DPU for the financial year ended 2012 which was only determined after the board of the Trustee-Manager approved HPH Trust's financial accounts for the financial year ended 2012 on 1 February 2013. For the financial year ended 31 December 2013, any performance fee payable will be accounted for in the subsequent financial period upon finalisation of the DPU of HPH Trust at the board meeting of the Trustee-Manager.

Acquisition fee was related to the acquisition of the entire issued share capital of Asia Container Terminals Holdings Limited in March 2013. It was calculated based on 1% of the enterprise value (as defined in the Trust Deed) of such investments.

29 Related parties transactions (Continued)

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

Notes (Continued):

(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 a related company 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:

	2014 HK$'000	2013 HK$'000
Salaries and employee benefits	30,450	25,923

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 accounts. 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.

30 Financial risk and capital management (Continued)

(b) Capital management (Continued)

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 covenant requirements during the year.

(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 and bank borrowings. 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$12,994,000 (2013: HK$14,113,500).

(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 flow 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 accounts 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.

30 Financial risk and capital management (Continued)

(e) Foreign currency exposure (Continued)

	Hypothetical increase/ (decrease) in profit	
	2014	2013
	HK$'000	HK$'000
Renminbi	54,152	77,248
United States dollar	(1,341,835)	(1,340,585)
Singapore dollar	(979)	67
	(1,288,662)	(1,263,270)

(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 non-derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date on which the Group and the Trust can be required to pay:

Group

	Contractual maturities			
	Carrying amounts HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	Within 2 to 5 years HK$'000
2014				
Trade and other payables	6,940,993	6,940,993	6,940,993	-
Bank loans 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
2013				
Trade and other payables	6,582,175	6,582,175	6,582,175	-
Bank loans and other non-current liabilities	33,819,033	33,930,280	10,832,820	23,097,460
	40,401,208	40,512,455	17,414,995	23,097,460

The table for the Group above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$514,511,000 (2013: HK$397,457,000) in "within 1 year" maturity band, HK$777,499,000 (2013: HK$906,582,000) 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.

30 Financial risk and capital management (Continued)

(f) Liquidity exposure (Continued)

Trust	Contractual maturities			
	Carrying amounts HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	Within 2 to 5 years HK$'000
2014				
Trade and other payables	39,142	39,142	39,142	-
2013				
Trade and other payables	63,216	63,216	63,216	-

(g) Fair value estimation

The financial instruments of the Group that are measured at fair value at 31 December 2014 were the investments. The investments mainly comprise the River Ports Economic Benefits, in which the fair value measurement is classified as Level 3 of the fair value measurement hierarchy (inputs for the assets that are not based on observable market data (i.e. unobservable inputs)) in accordance with the disclosure requirement of HKFRS 7 and HKFRS 13 for financial instruments. Discounted cash flow analysis was used to determine the fair value of the financial instruments.

31 List of subsidiary companies of the Group

(a) Details of principal subsidiary companies of the Group at 31 December 2014 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital	Interest held
HPHT Limited[(1)]	Hong Kong	Investment holding	HK$10,000,000[(3)]	100%
Giantfield Resources Limited[(2)]	British Virgin Islands	Investment holding	2 ordinary shares of US$1 each	100%
Classic Outlook Investments Limited[(2)]	British Virgin Islands	Investment holding	100,000 ordinary shares of US$0.1 each	100%
HIT Investments Limited[(2)]	British Virgin Islands	Investment holding	200 ordinary “A” shares of US$1 each 800 non-voting preferred “B” shares of US$1 each	100%
HIT Holdings Limited[(1)]	Hong Kong	Investment holding	HK$12,500 “A” shares[(3)(4)] HK$60,000 “B” shares[(3)(4)] HK$100 “P” shares[(3)]	100%[(5)]
Pearl Spirit Limited[(2)]	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%
Hongkong International Terminals Limited[(1)]	Hong Kong	Development and operation of container terminals	HK$20[(3)]	100%
Yantian International Container Terminals Limited[(1)]	PRC	Development and operation of container terminals	HK$2,400,000,000	56.41%
Yantian International Container Terminals (Phase III) Limited[(1)]	PRC	Development and operation of container terminals	HK$6,056,960,000	51.64%
Shenzhen Pingyan Multimodal Company Limited[(1)]	PRC	Provision of various transportation services	RMB150,000,000	51.64%
Shenzhen Yantian West Port Terminals Limited[(1)]	PRC	Development and operation of container terminals	RMB1,546,778,891	51.64%

31 List of subsidiary companies of the Group (Continued)

(a) Details of principal subsidiary companies of the Group at 31 December 2014 are as follows (Continued):

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital	Interest held
Hutchison Ports Yantian Limited(1)	Hong Kong	Investment holding	HK$10,000,000(3)	79.45%
Wattrus Limited(1)	British Virgin Islands	Investment holding	32 "A" shares of US$1 each 593 "B" shares of US$1 each	94.88%
Sigma Enterprises Limited(1)	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each 8,424 "B" shares of US$1 each	79.45%
Hutchison Ports Yantian Investments Limited(2)	British Virgin Islands	Investment holding	200 ordinary shares of US$1 each	100%
Birrong Limited(2)	British Virgin Islands	Investment holding	10,000 ordinary shares of US$1 each	100%
Hutchison Shenzhen East Investments Limited(2)	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%

1 Audited by PricewaterhouseCoopers network firms
2 Not required to be audited under the laws of the country of incorporation
3 The Companies Ordinance (Chapter 622 of The Laws of Hong Kong), which came into effect on 3 March 2014, abolishes the concept of par value of Hong Kong incorporated companies. All shares of Hong Kong incorporated companies issued before, on or after 3 March 2014 shall have no par value
4 "A" and "B" shares carry minimal voting right (i.e. one millionth of a vote for each share)
5 100% "P" shares held

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

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

	2014 HK$'000	2013 HK$'000
Non-current assets	69,335,193	70,366,277
Current assets	5,588,612	5,028,314
Total assets	74,923,805	75,394,591
Non-current liabilities	13,212,836	10,809,361
Current liabilities	4,118,998	7,596,311
Total liabilities	17,331,834	18,405,672

Summarised income statement

	2014 HK$'000	2013 HK$'000
Revenue and other income	7,081,795	6,649,999
Net profit for the year	2,545,345	2,837,664

Summarised statement of cash flows

	2014 HK$'000	2013 HK$'000
Net change in cash and cash equivalents	432,580	(672,174)

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

32 Approval of the accounts

The accounts set out on pages 1 to 56 were approved by the Board of Directors of the Trustee-Manager for issue on 6 February 2015.