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

HUTCHISON PORT HOLDINGS TRUST ("HPH Trust") UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018

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Footnote:

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

1(a)(i) Consolidated income statement for the second quarter and half year ended 30 June 2018

	Group					
	01/04/2018 to 30/06/2018	**01/04/2017 to 30/06/2017**	**Favorable/ (Unfavorable)**	**01/01/2018 to 30/06/2018**	**01/01/2017 to 30/06/2017**	**Favorable/ (Unfavorable)**
	HK$'M	HK$'M	%	HK$'M	HK$'M	%
Revenue and other income	2,789.3	2,894.3	(3.6)	5,456.6	5,472.3	(0.3)
Cost of services rendered	(1,006.4)	(1,000.2)	(0.6)	(1,998.6)	(1,918.7)	(4.2)
Staff costs	(72.9)	(72.3)	(0.8)	(150.0)	(147.3)	(1.8)
Depreciation and amortisation	(767.3)	(735.7)	(4.3)	(1,543.6)	(1,471.6)	(4.9)
Other operating income[(a)]	50.1	4.5	1,013.3	104.0	7.0	1,385.7
Other operating expenses	(156.1)	(135.7)	(15.0)	(268.8)	(277.8)	3.2
Total operating expenses	(1,952.6)	(1,939.4)	(0.7)	(3,857.0)	(3,808.4)	(1.3)
Operating profit	836.7	954.9	(12.4)	1,599.6	1,663.9	(3.9)
Interest and other finance costs	(252.0)	(209.8)	(20.1)	(481.0)	(403.9)	(19.1)
Share of profits less losses after tax of associated companies	(22.4)	(24.9)	10.0	(56.3)	(54.1)	(4.1)
Share of profits less losses after tax of joint ventures	12.4	21.8	(43.1)	20.9	38.8	(46.1)
Profit before tax	574.7	742.0	(22.5)	1,083.2	1,244.7	(13.0)
Tax[(b)]	(101.8)	(180.3)	43.5	(189.0)	(307.1)	38.5
Profit for the period	472.9	561.7	(15.8)	894.2	937.6	(4.6)
Allocated as:						
Profit attributable to non-controlling interests	(302.9)	(292.6)	3.5	(578.8)	(501.6)	15.4
Profit attributable to unitholders of HPH Trust	170.0	269.1	(36.8)	315.4	436.0	(27.7)
Earnings per unit attributable to unitholders of HPH Trust	**HK cents** 1.95	**HK cents** 3.09	(36.8)	**HK cents** 3.62	**HK cents** 5.01	(27.7)

Footnotes:

(a) Other operating income was HK$104.0 million for the period ended 30 June 2018 compared to HK$7.0 million for the period ended 30 June 2017. The increase was mainly due to the dividends from River Ports Economic Benefits deferred from 2017, exchange gain arising on revaluation of YICT's net Renminbi denominated monetary assets and YICT's receipt of government award and subsidies.

(b) Tax was HK$189.0 million for the period ended 30 June 2018 compared to HK$307.1 million for the period ended 30 June 2017. The decrease was mainly due to lower profit and timing difference on tax savings realised by YICT Phase III upon qualifying as "High and New Technology Enterprise" in fourth quarter of 2017, which allows a preferential corporate income tax rate for 3 years with effect from 1 January 2017. Moreover, YICT's West Port Phase II berth #5 and #6 were put into operation in January 2018 and started enjoying preferential corporate income tax treatment.

1(a)(ii) Consolidated statement of comprehensive income for the second quarter and half year ended 30 June 2018

	Group					
	01/04/2018 to 30/06/2018	01/04/2017 to 30/06/2017	Favorable/ (Unfavorable)	01/01/2018 to 30/06/2018	01/01/2017 to 30/06/2017	Favorable/ (Unfavorable)
	HK$'M	HK$'M	%	HK$'M	HK$'M	%
Profit for the period	472.9	561.7	(15.8)	894.2	937.6	(4.6)
Other comprehensive (loss)/income[(a)]:						
Items that may be reclassified subsequently to profit or loss:						
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts						
Gains recognised directly in reserves	30.7	-	N/A	31.1	-	N/A
Costs of hedging						
Changes in fair value of currency basis spread	(24.4)	-	N/A	(17.8)	-	N/A
Share of other comprehensive (loss)/income of associated companies	(14.7)	-	N/A	10.8	-	N/A
Share of other comprehensive (loss)/income of joint ventures	(0.9)	-	N/A	1.5	-	N/A
Investments						
Valuation losses taken to reserves	(3.0)	(5.7)	47.4	(3.7)	(5.0)	26.0
Currency translation differences	(119.8)	37.7	(417.8)	60.7	79.0	(23.2)
Total other comprehensive (loss)/income for the period	(132.1)	32.0	(512.8)	82.6	74.0	11.6
Total comprehensive income for the period	340.8	593.7	(42.6)	976.8	1,011.6	(3.4)
Allocated as:						
Attributable to non-controlling interests	(241.7)	(309.8)	(22.0)	(605.0)	(537.6)	12.5
Attributable to unitholders of HPH Trust	99.1	283.9	(65.1)	371.8	474.0	(21.6)

Footnote:

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

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

	Group	
	30/06/2018	**31/12/2017**
	HK$'M	HK$'M
ASSETS		
Non-current assets		
Fixed assets	24,932.2	24,626.4
Projects under development	1,096.1	1,970.2
Leasehold land and land use rights	39,102.2	39,724.2
Railway usage rights	12.6	12.7
Customer relationships	6,003.1	6,170.2
Goodwill	22,629.0	22,629.0
Associated companies	711.0	754.2
Joint ventures	3,694.3	3,835.9
Other non-current assets	715.4	739.3
Deferred tax assets	19.2	22.7
Total non-current assets	98,915.1	100,484.8
Current assets		
Cash and bank balances[(a)]	6,532.8	6,768.1
Trade and other receivables	3,781.7	3,446.2
Inventories	126.7	109.7
Total current assets	10,441.2	10,324.0
Current liabilities		
Trade and other payables[(b)]	7,466.9	6,741.6
Bank and other debts	3,805.1	4,241.2
Current tax liabilities	229.4	409.6
Total current liabilities	11,501.4	11,392.4
Net current liabilities[(c)]	(1,060.2)	(1,068.4)
Total assets less current liabilities	97,854.9	99,416.4
Non-current liabilities		
Bank and other debts	27,823.9	28,248.9
Pension obligations	88.2	80.6
Deferred tax liabilities	10,411.0	10,635.1
Other non-current liabilities	155.8	129.9
Total non-current liabilities	38,478.9	39,094.5
Net assets	59,376.0	60,321.9
EQUITY		
Units in issue	68,553.8	68,553.8
Reserves	(28,855.4)	(28,260.3)
Net assets attributable to unitholders of HPH Trust	39,698.4	40,293.5
Non-controlling interests	19,677.6	20,028.4
Total equity	59,376.0	60,321.9

Footnotes:

(a) Cash and bank balances were HK$6,532.8 million as at 30 June 2018 which consisted of HK$6,490.8 million cash and cash equivalents and HK$42.0 million restricted deposit.

(b) Trade and other payables were HK$7,466.9 million as at 30 June 2018 compared to HK$6,741.6 million as at 31 December 2017. The increase was mainly due to the dividend payable to non-controlling interests of YICT.

(c) Net current liabilities were HK$1,060.2 million as at 30 June 2018 which mainly comprises of US$0.3 billion (approximately HK$2.3 billion) 4-year term loan facility and YICT's bank loan of HK$1.0 billion, both expiring in April 2019.

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

	Trust	
	30/06/2018	**31/12/2017**
	HK$'M	HK$'M
ASSETS		
Non-current asset		
Investment in a subsidiary company	51,364.5	52,351.4
Total non-current asset	51,364.5	52,351.4
Current assets		
Cash and bank balances	1.8	3.0
Trade and other receivables	0.4	1.4
Total current assets	2.2	4.4
Current liability		
Trade and other payables	23.1	30.3
Total current liability	23.1	30.3
Net current liabilities	(20.9)	(25.9)
Total assets less current liabilities	51,343.6	52,325.5
Net assets	51,343.6	52,325.5
EQUITY		
Units in issue	68,553.8	68,553.8
Reserves	(17,210.2)	(16,228.3)
Total equity	51,343.6	52,325.5

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

Group	**Current portion** HK$'M	**Non-current portion** HK$'M	**Total** HK$'M
Unsecured bank loans	3,800.0	20,193.4	23,993.4
Secured bank loan	9.7	65.3	75.0
Guaranteed notes	-	7,800.0	7,800.0
Total principal amount of bank and other debts	3,809.7	28,058.7	31,868.4
Unamortised loan facilities fees and discounts related to debts	(4.6)	(149.5)	(154.1)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	-	(85.3)	(85.3)
	3,805.1	27,823.9	31,629.0

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

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

<u>Details of any collateral at HPH Trust</u>

Bank loan of HK$75.0 million (31 December 2017: HK$76.1 million) is secured by a charge over certain assets of subsidiary companies.

1(c) Consolidated statement of cash flows for the second quarter and half year ended 30 June 2018

	Group			
	01/04/2018 to 30/06/2018	**01/04/2017 to 30/06/2017**	**01/01/2018 to 30/06/2018**	**01/01/2017 to 30/06/2017**
	HK$'M	HK$'M	HK$'M	HK$'M
Operating activities				
Cash generated from operations	1,309.7	1,834.3	2,871.2	3,347.4
Interest and other finance costs paid	(235.1)	(200.3)	(476.5)	(378.7)
Tax paid[(a)]	(140.1)	(236.4)	(590.9)	(365.9)
Net cash from operating activities	934.5	1,397.6	1,803.8	2,602.8
Investing activities				
Purchase of fixed assets, projects under development, leasehold land and land use rights	(206.0)	(191.6)	(397.8)	(462.0)
Proceeds on disposal of fixed assets	0.3	-	1.1	0.1
Dividends received from investments	2.1	2.1	2.1	7.1
Dividends received from associated companies and joint ventures	-	27.0	32.0	53.0
Interest received	30.6	15.5	52.1	29.8
Repayment of loan by a joint venture	-	-	100.0	-
Net cash used in investing activities	(173.0)	(147.0)	(210.5)	(372.0)
Financing activities				
New borrowings[(b)]	-	3,900.0	3,870.8	3,900.0
Repayment of borrowings[(b)]	(831.3)	(4,071.2)	(4,732.5)	(4,072.3)
Upfront debt transaction costs and facilities fees of borrowings	-	(29.3)	-	(29.3)
Distributions to unitholders of HPH Trust	-	-	(966.9)	(1,446.0)
Net cash used in financing activities	(831.3)	(200.5)	(1,828.6)	(1,647.6)
Net changes in cash and cash equivalents	(69.8)	1,050.1	(235.3)	583.2
Cash and cash equivalents at beginning of the period	6,560.6	6,491.0	6,726.1	6,957.9
Cash and cash equivalents at end of the period	6,490.8	7,541.1	6,490.8	7,541.1

Footnotes:

(a) Tax paid was HK$590.9 million for the period ended 30 June 2018 compared to HK$365.9 million for the period ended 30 June 2017. The increase was mainly due to the timing difference of YICT's 2017 profits tax.

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

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

Group

	Units in issue	Exchange and other reserves	Revaluation reserve	Hedging reserve	Costs of hedging reserve	Pension reserve	Accumulated losses	Attributable to unitholders	Non-controlling interests	Total
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	**HK$'M**	HK$'M	**HK$'M**
At 1 April 2018	68,553.8	100.4	(55.2)	18.8	(13.0)	141.2	(29,146.7)	**39,599.3**	19,435.9	**59,035.2**
Profit for the quarter	-	-	-	-	-	-	170.0	**170.0**	302.9	**472.9**
Other comprehensive (loss)/income:										
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Gains recognised directly in reserves	-	-	-	30.7	-	-	-	**30.7**	-	**30.7**
Costs of hedging										
Changes in fair value of currency basis spread	-	-	-	-	(24.4)	-	-	**(24.4)**	-	**(24.4)**
Share of other comprehensive loss of associated companies	-	(9.4)	-	-	-	-	-	**(9.4)**	(5.3)	**(14.7)**
Share of other comprehensive loss of joint ventures	-	(0.9)	-	-	-	-	-	**(0.9)**	-	**(0.9)**
Investments:										
Valuation losses taken to reserves	-	-	(3.0)	-	-	-	-	**(3.0)**	-	**(3.0)**
Currency translation differences	-	(63.9)	-	-	-	-	-	**(63.9)**	(55.9)	**(119.8)**
Total other comprehensive (loss)/income	-	(74.2)	(3.0)	30.7	(24.4)	-	-	**(70.9)**	(61.2)	**(132.1)**
Total comprehensive (loss)/ income	-	(74.2)	(3.0)	30.7	(24.4)	-	170.0	**99.1**	241.7	**340.8**
Transaction with owners:										
Distributions	-	-	-	-	-	-	-	**-**	-	-
Dividends	-	-	-	-	-	-	-	**-**	-	-
At 30 June 2018	68,553.8	26.2	(58.2)	49.5	(37.4)	141.2	(28,976.7)	**39,698.4**	19,677.6	**59,376.0**
At 31 December 2017	68,553.8	(19.6)	(55.5)	(1.2)	-	141.2	(28,325.2)	**40,293.5**	20,028.4	**60,321.9**
Adjustment on adoption of HKFRS 9	-	-	-	19.6	(19.6)	-	-	**-**	-	**-**
At 1 January 2018	68,553.8	(19.6)	(55.5)	18.4	(19.6)	141.2	(28,325.2)	**40,293.5**	20,028.4	**60,321.9**
Profit for the period	-	-	-	-	-	-	315.4	**315.4**	578.8	**894.2**
Other comprehensive income/(loss):										
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Gains recognised directly in reserves	-	-	-	31.1	-	-	-	**31.1**	-	**31.1**
Costs of hedging										
Changes in fair value of currency basis spread	-	-	-	-	(17.8)	-	-	**(17.8)**	-	**(17.8)**
Share of other comprehensive income of associated companies	-	6.7	-	-	-	-	-	**6.7**	4.1	**10.8**
Share of other comprehensive income of joint ventures	-	0.5	1.0	-	-	-	-	**1.5**	-	**1.5**
Investments:										
Valuation losses taken to reserves	-	-	(3.7)	-	-	-	-	**(3.7)**	-	**(3.7)**
Currency translation differences	-	38.6	-	-	-	-	-	**38.6**	22.1	**60.7**
Total other comprehensive income/(loss)	-	45.8	(2.7)	31.1	(17.8)	-	-	**56.4**	26.2	**82.6**
Total comprehensive income/(loss)	-	45.8	(2.7)	31.1	(17.8)	-	315.4	**371.8**	605.0	**976.8**
Transaction with owners:										
Distributions	-	-	-	-	-	-	(966.9)	**(966.9)**	-	**(966.9)**
Dividends	-	-	-	-	-	-	-	**-**	(955.8)	**(955.8)**
At 30 June 2018	68,553.8	26.2	(58.2)	49.5	(37.4)	141.2	(28,976.7)	**39,698.4**	19,677.6	**59,376.0**

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

Group

	Units in issue	Exchange and other reserves	Revaluation reserve	Hedging reserve	Costs of hedging reserve	Pension reserve	Accumulated losses	**Attributable to unitholders**	Non-controlling interests	**Total**
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	**HK$'M**	HK$'M	**HK$'M**
At 1 April 2017	68,553.8	(160.5)	(46.3)	-	-	(79.3)	(28,274.9)	**39,992.8**	19,661.0	**59,653.8**
Profit for the quarter	-	-	-	-	-	-	269.1	**269.1**	292.6	**561.7**
Other comprehensive income/(loss):										
Investments:										
Valuation losses taken to reserves	-	-	(5.7)	-	-	-	-	**(5.7)**	-	**(5.7)**
Currency translation differences	-	20.5	-	-	-	-	-	**20.5**	17.2	**37.7**
Total other comprehensive income/(loss)	-	20.5	(5.7)	-	-	-	-	**14.8**	17.2	**32.0**
Total comprehensive income/(loss)	-	20.5	(5.7)	-	-	-	269.1	**283.9**	309.8	**593.7**
Transaction with owners:										
Dividends	-	-	-	-	-	-	-	**-**	(521.8)	**(521.8)**
At 30 June 2017	68,553.8	(140.0)	(52.0)	-	-	(79.3)	(28,005.8)	**40,276.7**	19,449.0	**59,725.7**
At 1 January 2017	68,553.8	(183.0)	(47.0)	-	-	(79.3)	(26,995.8)	**41,248.7**	19,433.2	**60,681.9**
Profit for the period	-	-	-	-	-	-	436.0	**436.0**	501.6	**937.6**
Other comprehensive income/(loss):										
Investments:										
Valuation losses taken to reserves	-	-	(5.0)	-	-	-	-	**(5.0)**	-	**(5.0)**
Currency translation differences	-	43.0	-	-	-	-	-	**43.0**	36.0	**79.0**
Total other comprehensive income/(loss)	-	43.0	(5.0)	-	-	-	-	**38.0**	36.0	**74.0**
Total comprehensive income/(loss)	-	43.0	(5.0)	-	-	-	436.0	**474.0**	537.6	**1,011.6**
Transaction with owners:										
Distributions	-	-	-	-	-	-	(1,446.0)	**(1,446.0)**	-	**(1,446.0)**
Dividends	-	-	-	-	-	-	-	**-**	(521.8)	**(521.8)**
At 30 June 2017	68,553.8	(140.0)	(52.0)	-	-	(79.3)	(28,005.8)	**40,276.7**	19,449.0	**59,725.7**

Trust

	Units in issue HK$'M	**Accumulated losses** HK$'M	**Attributable to unitholders HK$'M**
At 1 April 2018	68,553.8	(17,202.9)	**51,350.9**
Loss and total comprehensive loss for the quarter	-	(7.3)	**(7.3)**
At 30 June 2018	68,553.8	(17,210.2)	**51,343.6**
At 1 January 2018	68,553.8	(16,228.3)	**52,325.5**
Loss and total comprehensive loss for the period	-	(15.0)	**(15.0)**
Transaction with owners:			
Distributions	-	(966.9)	**(966.9)**
At 30 June 2018	68,553.8	(17,210.2)	**51,343.6**
At 1 April 2017	68,553.8	(15,379.5)	**53,174.3**
Loss and total comprehensive loss for the quarter	-	(6.7)	**(6.7)**
At 30 June 2017	68,553.8	(15,386.2)	**53,167.6**
At 1 January 2017	68,553.8	(13,924.8)	**54,629.0**
Loss and total comprehensive loss for the period	-	(15.4)	**(15.4)**
Transaction with owners:			
Distributions	-	(1,446.0)	**(1,446.0)**
At 30 June 2017	68,553.8	(15,386.2)	**53,167.6**

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

	Group			
	01/04/2018 to 30/06/2018	01/04/2017 to 30/06/2017	01/01/2018 to 30/06/2018	01/01/2017 to 30/06/2017
At beginning and at end of the period	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022

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

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

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

The review report on the Condensed Interim Financial Statements dated 23 July 2018 issued by PricewaterhouseCoopers LLP is enclosed in Appendix 1.

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

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

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

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

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

(a) HKFRS 9 Financial Instruments

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

(i) Changes in accounting policies

Investments

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

Loans and receivables

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

Impairment of financial assets

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

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

(a) HKFRS 9 Financial Instruments (Continued)

(i) Changes in accounting policies (Continued)

Impairment of financial assets (Continued)

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

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

Hedge accounting

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

(ii) Effects of changes in accounting policies

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

Classification of investments

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

Classification of loans and receivables

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

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

(a) HKFRS 9 Financial Instruments (Continued)

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

Impairment of financial assets

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

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

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

Hedge accounting

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

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

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

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

(b) HKFRS 15 Revenue From Contracts With Customers

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

(i) Changes in accounting policies

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

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

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

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

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

Revenue is recognised over time:

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

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

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

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

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

(ii) Effects of changes in accounting policies

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

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

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

	01/04/2018 to 30/06/2018	**01/04/2017 to 30/06/2017**	**01/01/2018 to 30/06/2018**	**01/01/2017 to 30/06/2017**
(i) Weighted average number of units in issue	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022
(ii) Earnings per unit for the period based on the weighted average number of units in issue (HK cents)				
- Basic and diluted	1.95	3.09	3.62	5.01
(iii) Number of units issued at end of the period	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022
(iv) Distribution per unit for the period (HK cents)[(a)]	8.52	9.50	8.52	9.50

Footnote:

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

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

	Group		Trust	
	30/06/2018	**31/12/2017**	**30/06/2018**	**31/12/2017**
Net asset value attributable to unitholders per unit (HK$)[(a)]	4.56	4.63	5.89	6.01
Net asset value attributable to unitholders per unit after deducting distribution per unit for the financial period ended (HK$)[(a)]	4.47	4.51	5.81	5.90

Footnote:

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

7(b) Rate of return[(a)]

Year	Rate of Return (%)
For the period ended 30 June 2018[(b)]	0.9

Footnotes:

(a) *Rate of Return (%) = (A-B)/B x 100*

A = NAV per unit before interim distribution per unit as of the end of the period
B = NAV per unit as of the beginning of the period (after deducting total distribution per unit for the financial period ended 31 December 2017)

(b) *The financial period was from 1 January 2018 to 30 June 2018*

8. Value of assets by region as at 30 June 2018

Trust

Kind of assets	Region	Net Asset Value (HK$'M)	Investment Ratio
Investment in a subsidiary[(a)]	Hong Kong	51,364.5	100.0%
Cash and other assets (after deduction of liabilities)	Singapore	(16.7)	0.0%
Other liabilities	Hong Kong	(4.2)	0.0%
Total net assets		51,343.6	100.0%

Group

Region[(b)]	Net Asset Value (HK$'M)	Investment Ratio
Singapore	(16.7)	0.0%
Hong Kong[(c)]	(4,946.2)	-8.3%
People's Republic of China	64,338.9	108.3%
Total net assets	59,376.0	100.0%

Footnotes:

(a) It represents investment in HPHT Limited, a wholly owned subsidiary of HPH Trust, which is the holding company of the underlying assets of HPH Trust.

(b) It represents the net asset value segmented by geographical locations where the operation is performed.

(c) US$3.7 billion of bank loans and notes (equivalent to HK$29,038 million) are grouped under Hong Kong region.

9. Review of performance

Consolidated income statement (01/04/2018-30/06/2018 vs 01/04/2017-30/06/2017)

Revenue and other income for the quarter was HK$2,789.3 million, HK$105.0 million or 3.6% below last year. Combined container throughput of HIT[(a)], COSCO-HIT[(b)] and ACT[(c)] (collectively “HPHT Kwai Tsing”) decreased by 7.2% as compared to the same quarter in 2017, primarily due to the decline in transshipment cargoes. The container throughput of YICT[(d)] decreased by 4.1% as compared to the same quarter in 2017, primarily driven by the drop in empty cargoes but partially offset by increase in the US and transshipment cargoes. Average revenue per TEU for Hong Kong was above last year, mainly attributed to write-back of agency fee provision following the finalisation of tariff negotiation. For China, the average revenue per TEU was above last year, primarily attributed to RMB appreciation but was partially offset by certain revisions to tariffs following the M&A of some liners in 2nd half of 2017 and increased transshipment mix.

Cost of services rendered was HK$1,006.4 million, HK$6.2 million or 0.6% above last year. The increase was attributed to general cost inflations, including the increase in external contractors’ costs, fuel price and RMB appreciation, but partially offset by lower throughput handled and saving arising from cost saving initiatives. Staff costs were HK$72.9 million, HK$0.6 million or 0.8% above last year. Depreciation and amortisation was HK$767.3 million, HK$31.6 million or 4.3% above last year mainly due to West Port Phase II being put into full operation in January 2018. Other operating income was HK$50.1 million, HK$45.6 million or 1,013.3% above last year. The increase was largely due to YICT’s receipt of an award in 2018 and government subsidies largely for its railway business deferred from 2017.

Other operating expenses were HK$156.1 million, HK$20.4 million or 15.0% above last year. The increase was primarily due to the exchange loss arising on revaluation of YICT’s net-Renminbi denominated monetary assets.

As a result, total operating profit was HK$836.7 million, HK$118.2 million or 12.4% below last year.

Interest and other finance costs were HK$252.0 million, HK$42.2 million or 20.1% above last year, primarily due to higher HIBOR/ LIBOR applied on the bank loans’ interest rates.

Footnotes:

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

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

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

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

9. Review of performance (Continued)

Share of profits less losses after tax of associated companies was a loss of HK$22.4 million, HK$2.5 million or 10.0% better than last year, mainly due to improved performance of HICT attributed to higher gross profit, but partially offset by higher depreciation and interest expenses as it became fully operational after its completion of construction in October 2017.

Share of profits less losses after tax of joint ventures was HK$12.4 million, HK$9.4 million or 43.1% below last year mainly due to weaker combined results of COSCO-HIT and ACT resulting from lower throughput handled.

Taxation was HK$101.8 million, HK$78.5 million or 43.5% below last year, mainly due to lower profit and timing difference on tax savings from YICT Phase III as it qualified as "High and New Technology Enterprise" in December 2017 which allows a preferential corporate income tax rate for 3 years with effect from 1 January 2017. Moreover, YICT's West Port Phase II berth #5 and #6 were put into operation in January 2018 and started enjoying preferential corporate income tax treatment.

Overall profit for the quarter was HK$472.9 million, HK$88.8 million or 15.8% below last year. Profit attributable to unitholders of HPH Trust was HK$170.0 million, HK$99.1 million or 36.8% below last year.

<u>Consolidated income statement (01/01/2018-30/06/2018 vs 01/01/2017-30/06/2017)</u>

Revenue and other income for the period was HK$5,456.6 million, HK$15.7 million or 0.3% below last year. Combined container throughput of HPHT Kwai Tsing decreased by 3.3% as compared to the same period in 2017, primarily due to lower transshipment cargoes. The container throughput of YICT increased by 1.8% as compared to the same period in 2017, primarily driven by the growth in the US and transshipment cargoes, but was partially offset by decrease in empty cargoes. Average revenue per TEU for Hong Kong was below last year, mainly attributed to certain revisions to tariffs following the M&A of some liners in 2nd half of 2017. Average revenue per TEU for China was comparable to last year, mainly due to RMB appreciation which fully offsets certain revisions made to tariffs following the M&A of some liners in 2nd half of 2017 and the increased transshipment mix.

Cost of services rendered was HK$1,998.6 million, HK$79.9 million or 4.2% above last year. This was attributed to general cost inflations, including the increase in external contractors' costs, fuel price and RMB appreciation but partially offset by savings arising from cost saving initiatives. Staff costs were HK$150.0 million, HK$2.7 million or 1.8% above last year. Depreciation and amortisation was HK$1,543.6 million, HK$72.0 million or 4.9% above last year mainly due to West Port Phase II being put into full operation in January 2018. Other operating income was HK$104.0 million, HK$97.0 million or 1,385.7% above last year. The increase was largely due to receipt of dividends from River Ports Economic Benefits deferred from 2017, exchange gain arising on revaluation of YICT's net-Renminbi denominated monetary assets and YICT's receipt of an award in 2018 and government subsidies for its railway business deferred from 2017.

9. Review of performance (Continued)

Other operating expenses were HK$268.8 million, HK$9.0 million or 3.2% below last year mainly due to savings in HIT's rent and rates from lower 2017/2018 rateable value and the receipt of government's rent and rates refund.

As a result, total operating profit was HK$1,599.6 million, HK$64.3 million or 3.9% below last year.

Interest and other finance costs were HK$481.0 million, HK$77.1 million or 19.1% above last year, primarily due to higher HIBOR/ LIBOR applied on the bank loans' interest rates.

Share of profits less losses after tax of associated companies was a loss of HK$56.3 million, more than last year by HK$2.2 million or 4.1%, primarily due to higher depreciation and interest expenses of HICT as it became fully operational after its completion of construction in October 2017 but partially offset by higher gross profit.

Share of profits less losses after tax of joint ventures was HK$20.9 million, HK$17.9 million or 46.1% lower than last year mainly due to weaker combined results of COSCO-HIT and ACT resulting from lower throughput handled.

Taxation was HK$189.0 million, HK$118.1 million or 38.5% below last year, primarily due to lower profit and timing difference on tax savings from YICT Phase III as it qualified as "High and New Technology Enterprise" in December 2017 which allows a preferential corporate income tax rate for 3 years with effect from 1 January 2017. Moreover, YICT's West Port Phase II berth #5 and #6 were put into operation in January 2018 and started enjoying preferential corporate income tax treatment.

Overall, profit was HK$894.2 million, HK$43.4 million or 4.6% below last year. Profit attributable to unitholders of HPH Trust was HK$315.4 million, HK$120.6 million or 27.7% below last year.

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

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

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

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

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

The prospects for global trade for 2018 face an almost unprecedented level of uncertainty, particularly in consequence of increasing trade tensions and disputes between the United States and both China and the European Union.

The level of uncertainty in political and economic relations as it pertains to trade has increased significantly over the course of the year to date and shows little sign of abating. The impact of measures which may arise out of the trade disputes, especially those between the United States and China, on the performance of HPH Trust for the remainder of the year cannot readily be quantified given the level of uncertainty that currently prevails as to both the specific nature; extent; and timing of such measures and the consequent precise impact they may have on local and global trade flows and, as such, HPH Trust's business.

From an industrial standpoint, and as noted before, consolidation of ownership within the shipping industry continues and with it the deployment of mega vessels intended to promote fleet and capacity optimisation and drive cost efficiencies. A further significant industry trend will be increasing emphasis placed on security in the light of cyber attacks and threats of cyber attacks on companies generally.

Against this background, the Trustee-Manager remains both vigilant and cautious about expected cargo volume for 2018, particularly in the light of the trade and geopolitical tensions referred to above and will continue to adhere to strict financial discipline.

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

12. Distribution

(a) Current financial period

Any distribution recommended for the current financial period	:	Yes
Amount	:	HK$742.2 million
Distribution type	:	Cash
Distribution rate	:	8.52 HK cents per unit for the period 1 January 2018 to 30 June 2018
Par value	:	Not applicable
Tax rate	:	Distributions received by either Singapore tax resident Unitholders or non-Singapore tax resident Unitholders are exempted from Singapore income tax and also not subject to Singapore withholding tax. The Unitholders are not entitled to tax credits of any taxes paid by the Trustee-Manager of HPH Trust.

12. Distribution (Continued)

(b) Corresponding period of the immediately preceding financial period

Any distribution declared for the previous corresponding period	:	Yes
Amount	:	HK$827.6 million
Distribution type	:	Cash
Distribution rate	:	9.50 HK cents per unit for the period 1 January 2017 to 30 June 2017
Par value	:	Not applicable
Tax rate	:	Distributions received by either Singapore tax resident Unitholders or non-Singapore tax resident Unitholders are exempted from Singapore income tax and also not subject to Singapore withholding tax. The Unitholders are not entitled to tax credits of any taxes paid by the Trustee-Manager of HPH Trust.

12. Distribution (Continued)

(c) Date payable	20 September 2018
(d) Books closure date	The Transfer Books and Register of HPH Trust will be closed at 5:00 p.m. on 31 July 2018 for the purposes of determining each unitholder's entitlement to the Distribution. Registered unitholders (other than The Central Depository (Pte) Limited ("CDP")), and unitholders whose securities accounts with CDP are credited with units, at 5:00 p.m. on 31 July 2018 will be entitled to the Distribution to be paid on or about 20 September 2018.

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

Not applicable.

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

No IPT general mandate has been obtained.

15. Negative confirmation by the Board

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

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

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

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

Mr Lee Tiong Hock
Company Secretary
23 July 2018

17. Outline of the Trustee-Manager

(a) Amount of capital

The Trustee-Manager, Hutchison Port Holdings Management Pte. Limited, has an issued and paid-up capital of HK$100,001.

(b) Description of business and outline of operation

The Trustee-Manager was incorporated in Singapore under the Companies Act, Chapter 50 of Singapore on 7 January 2011. Its registered office is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The Trustee-Manager is an indirect wholly-owned subsidiary of CK Hutchison Holdings Limited.

The Trustee-Manager manages HPH Trust's business with the key objective of providing Unitholders with stable and regular distributions as well as long-term DPU growth.

(c) Miscellaneous

Not applicable.

18. Financial information of the Trustee-Manager

18(a) Income statement for the period ended 30 June 2018

	01/01/2018 to 30/06/2018	01/01/2017 to 30/06/2017
	HK$'M	HK$'M
Revenue and other income	12.0	11.9
Staff costs	(1.4)	(1.4)
Other operating expenses	(2.9)	(2.7)
Total operating expenses	(4.3)	(4.1)
Profit before tax	7.7	7.8
Tax	(1.2)	(1.3)
Profit for the period	6.5	6.5

18. Financial information of the Trustee-Manager (Continued)

18(b) Statement of financial position as at 30 June 2018

	30/06/2018	31/12/2017
	HK$'M	HK$'M
ASSETS		
Non-current asset		
Fixed assets	-	-
Total non-current asset	-	-
Current assets		
Cash and cash equivalents	3.7	11.8
Trade and other receivables	11.9	12.1
Total current assets	15.6	23.9
Current liabilities		
Trade and other payables	4.5	3.0
Current tax liabilities	1.2	2.5
Total current liabilities	5.7	5.5
Net current assets	9.9	18.4
Total assets less current liabilities	9.9	18.4
Net assets	9.9	18.4
EQUITY		
Share capital	0.1	0.1
Reserves	9.8	18.3
Total equity	9.9	18.4

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

Dear Sirs

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

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

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 23 July 2018