HUTCHISON PORTS

HUTCHISON PORT HOLDINGS TRUST
ANNUAL REPORT 2019

NAVIGATING CHANGE

CONTENTS

TRUST PROFILE

HPH TRUST

Hutchison Port Holdings Trust ("HPH Trust" or "Trust") is the first publicly traded container port business trust in the world. It was listed on the Main Board of the Singapore Exchange ("SGX") in March 2011, and in early 2012 became the first entity to launch dual-currency trading for its units on SGX.

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

HPH Trust operates Hongkong International Terminals ("HIT"), COSCO-HIT Terminals ("COSCO-HIT") and Asia Container Terminals ("ACT") in Hong Kong, and Yantian International Container Terminals ("YANTIAN") and Huizhou International Container Terminals ("HICT") in Mainland China. HPH Trust operates 38 berths across 647 hectares of land. In 2019, the Trust delivered a combined throughput of approximately 23.3 million twenty-foot equivalent units ("TEU").

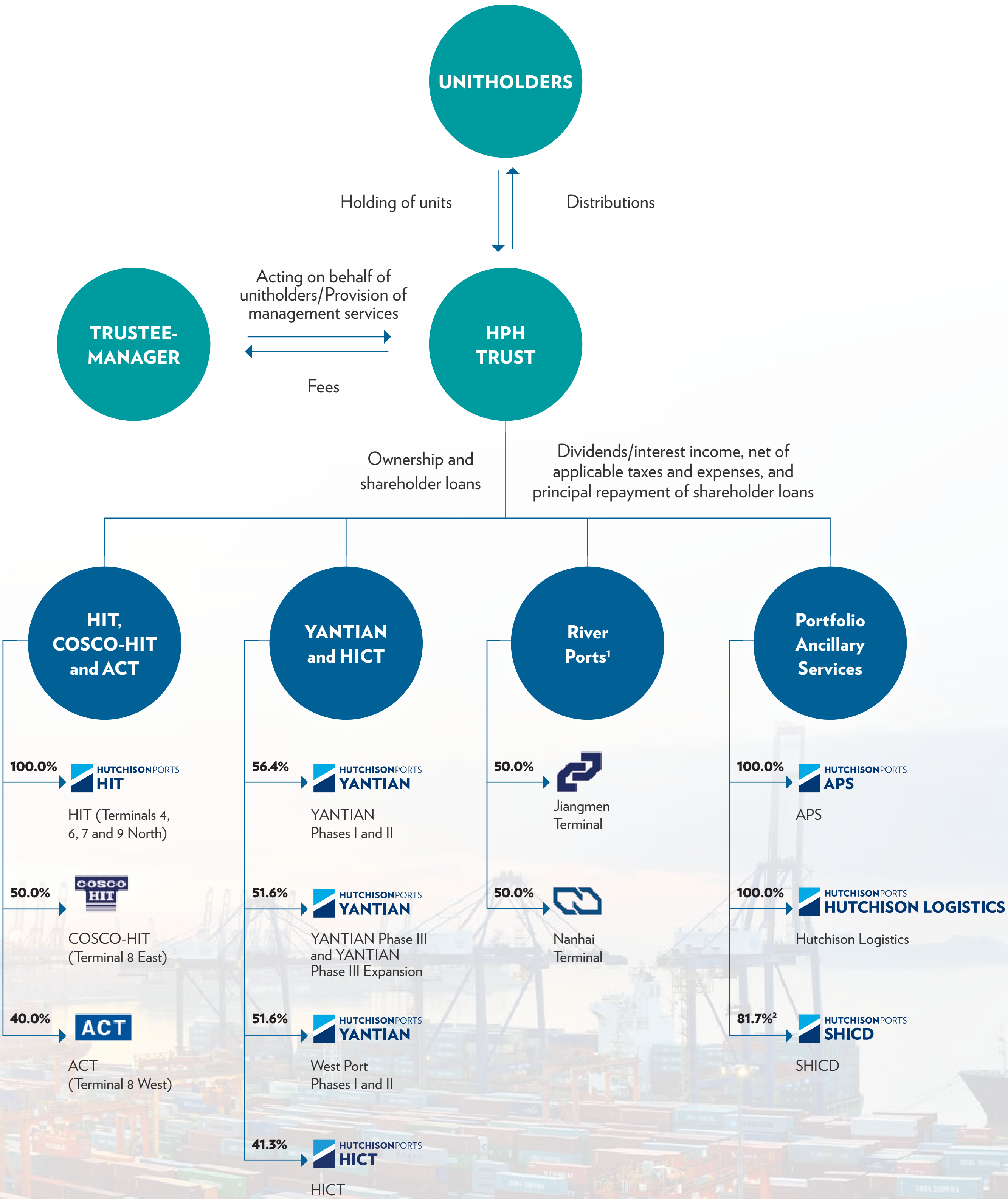
The core port operations of the Trust are complemented by river port facilities and ancillary services, which aim to provide customers with seamless logistics supply chain solutions for imports and exports. HPH Trust holds economic benefits ("River Ports Economic Benefits[1]") in two river ports in Mainland China: Jiangmen International Container Terminals ("Jiangmen Terminal") and Nanhai International Container Terminals ("Nanhai Terminal"). Collectively, they are known as the "River Ports". HPH Trust also operates ancillary services including container depots, trucking, feeder and shipping agency via Asia Port Services Limited ("APS"); HPH E.Commerce Limited ("Hutchison Logistics"), a provider of supply chain solutions across rail, sea and land networks; and Shenzhen Hutchison Inland Container Depots Co., Limited ("SHICD"), operator of an inland container depot and warehouse in Shenzhen.

[1] *The River Ports Economic Benefits represent the economic interest and benefits of the River Ports – including all dividends and any other distributions or other monies payable to Hutchison Port Holdings Limited ("HPH") or any of its subsidiaries in its capacity as a shareholder of the relevant holding company of the River Ports arising from the profits attributable to the business of the River Ports and all sale or disposal proceeds derived from such businesses, assets, rights and/or liabilities constituting any part of the business of the River Ports as agreed with HPH and any of its subsidiaries.*

THE TRUSTEE-MANAGER

The Trust is managed by Hutchison Port Holdings Management Pte. Limited ("Trustee-Manager"), an indirect wholly-owned subsidiary of CK Hutchison Holdings Limited ("CKHH"). The Trustee-Manager has dual responsibilities in safeguarding the interests of unitholders and managing HPH Trust's businesses. The Board of Directors of the Trustee-Manager consists of individuals with a broad range of commercial experience and expertise in the port industry.

CORPORATE STRUCTURE



[1] *HPH Trust holds River Ports Economic Benefits, but not the shares of the River Ports holdings companies.*
[2] *The effective shareholding was increased from 77.7% to 81.7% with effect from 13 November 2019.*

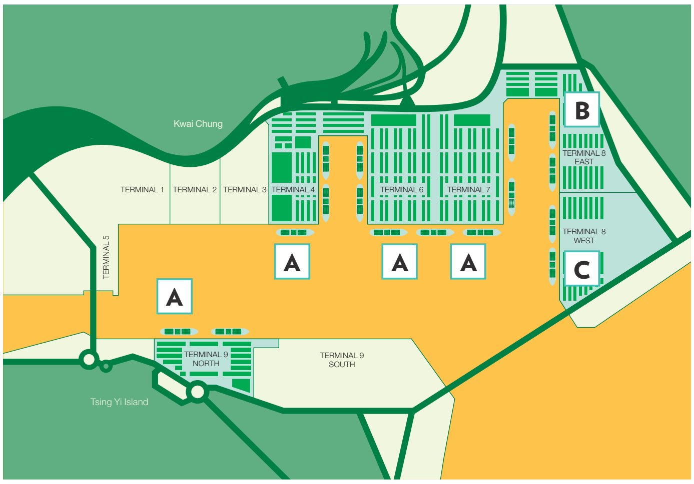
PORTFOLIO OVERVIEW

HONG KONG

A HIT
- 12 container berths across Terminals 4, 6, 7 and 9 North with a combined land area of 111 hectares
- 100% ownership

B COSCO-HIT
- 2 container berths at Terminal 8 East with a combined land area of 30 hectares
- 50/50 joint venture with COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports")

C ACT
- 2 container berths at Terminal 8 West with a combined land area of 29 hectares
- Strategic partnership between HPH Trust and COSCO SHIPPING Ports, with stakes of 40% and 60% respectively



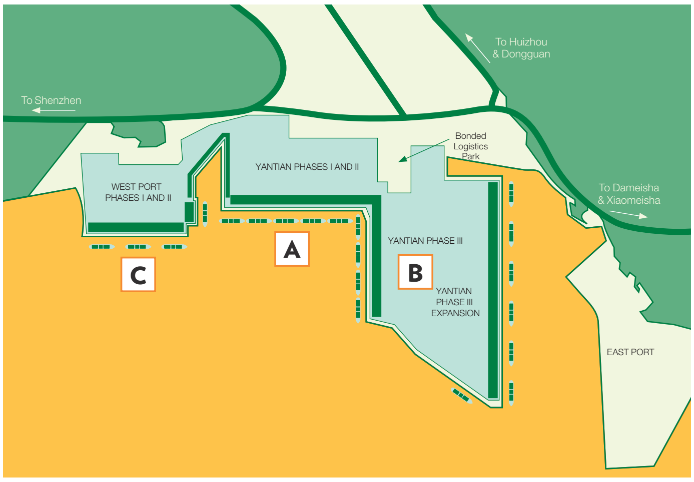
SHENZHEN AND HUIZHOU

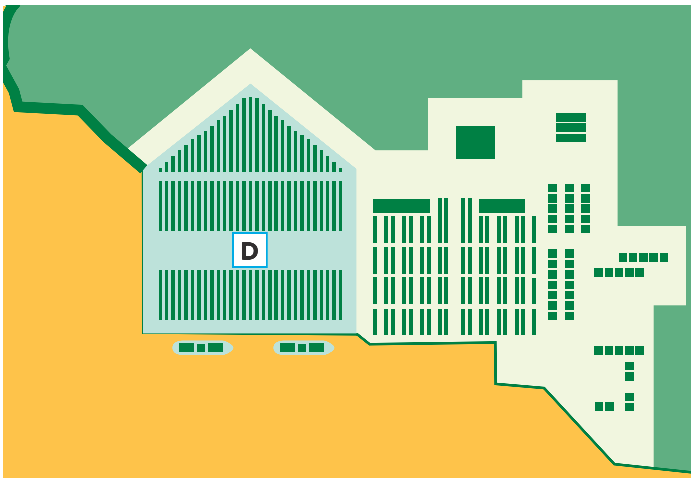
A YANTIAN Phases I and II
- Effective interests: 56.4%
- 5 container berths with a combined land area of 130 hectares

B YANTIAN Phase III and YANTIAN Phase III Expansion
- Effective interests: 51.6%
- 11 container berths with a combined land area of 226 hectares

C West Port Phases I and II
- Effective interests: 51.6%
- 4 container berths with a combined land area of 61 hectares

D HICT
- Effective interests: 41.3%
- 2 container berths with a combined land area of 60 hectares





PORTFOLIO OVERVIEW

HONG KONG
- HIT
- COSCO-HIT
- ACT

SHENZHEN
- YANTIAN Phases I and II
- YANTIAN Phase III and YANTIAN Phase III Expansion
- West Port Phases I and II

HUIZHOU
- HICT

PORTFOLIO OVERVIEW

16
CONTAINER BERTHS

62
QUAY CRANES

170
HECTARES OF LAND

10.0[1]
MILLION TEU HANDLED IN 2019

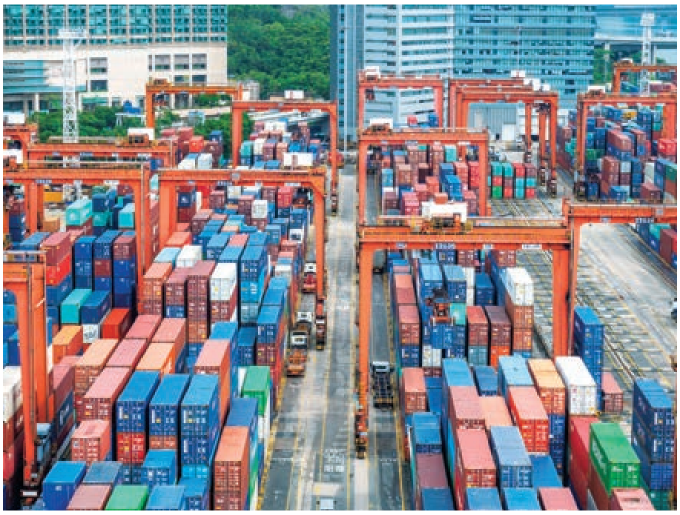
AROUND
1,800
EMPLOYEES AND **2,900**
EXTERNAL CONTRACTOR WORKERS ON-SITE DAILY

HONG KONG

HIT, COSCO-HIT and ACT

Strategically located on the south-east coast of China, Hong Kong is regarded as the gateway to the PRD and its vast mainland hinterland. Its deep-water port and modern, well-equipped facilities — augmented by a free, open and multi-lateral trading system — allow Hong Kong to remain one of the busiest container terminals in the world and a major transshipment hub in the region.

On 8 January, Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited ("MTL") established the Hong Kong Seaport Alliance ("HKSPA"), on which they will collaborate with each other to ensure the efficient management and operation of the 23 berths in Kwai Tsing.



[1] *Represents the allocated throughput from Hong Kong Seaport Alliance with effect from 1 April 2019*

Figures as at 31 December 2019

PORTFOLIO OVERVIEW

22
CONTAINER BERTHS

91
QUAY CRANES

477
HECTARES OF LAND

13.3
MILLION TEU HANDLED IN 2019

AROUND **2,300**
EMPLOYEES AND **5,000**
EXTERNAL CONTRACTOR WORKERS ON-SITE DAILY

SHENZHEN AND HUIZHOU

YANTIAN

YANTIAN is one of the busiest container terminals in China. South China has developed into a prosperous and dynamic economy, which boosts the position of the port as the premier gateway for foreign trade.

YANTIAN, as the sole terminal operator in eastern Shenzhen, is regularly visited by mega-vessels in South China. Its natural deep-water berths and excellent mega-vessel handling capabilities secure its reputation as a key trading hub.

HICT

The Port of Huizhou is a natural coastal port in Guangdong. The port is located near the manufacturing hinterland in eastern Guangdong, immediately east of Hong Kong and Shenzhen, and the Trust aims to develop it as a key player in the PRD shipping hub.

Situated in the Quanwan Port Zone of the Daya Bay Economic and Technological Development Zone, HICT is one of the dedicated container terminals in Huizhou. It comprises two container berths with a combined land area of 60 hectares, and has a total quay length of 800 metres and depth of 15.7 metres.

Figures as at 31 December 2019

REMAINING VIGILANT AMIDST UNCERTAINTY

HPH Trust looks to strengthen the foundations of its operations and will continue to adhere to strict financial discipline, streamline business activities and adopt innovative technologies to improve efficiency and overall competitiveness.

LETTER TO UNITHOLDERS

Uncertainty was a major economic concern throughout the year under review, though some positive progress has been made in the context of trade tension between the world's two largest economies. Sentiment was also affected by outbreaks of geopolitical turmoil, a "destocking" tendency and the negative impact of civil unrest in Hong Kong on the local economy.

GLOBAL CONDITIONS GIVE RISE TO A "SLOWBALISATION" TREND

Such conditions are reportedly giving rise to a "slowbalisation" trend, which inevitably affects Hutchison Port Holdings Trust (the "Trust") as a major container terminal operator engaged in export and transshipment in the Pearl River Delta.

Among all factors generating headwinds, US-China trade conflict could have the most significant impact on the maritime industry. The issue has been ongoing for more than one and a half years, and market players worldwide have not been optimistic in their expectation of a positive outcome. Long and complex negotiations between the US and Chinese governments, and the imposition of trade tariffs, could reshape demand for shipping, leading to a slowdown in business activity and migration of manufacturing to Southeast Asian countries.

However, negotiations began to bear fruit in January 2020, when the two governments inked a phase-one agreement that sent a ripple of economic encouragement around the globe, with the prospect of bolstering confidence among most world market players.

Industry players most likely to remain buoyant throughout the uncertainty are those willing to innovate, overcome and adapt – a philosophy at the core of how the Trust operates.

BUSINESS PERFORMANCE REVIEW

Against this backdrop, the Trust recorded throughput totalling 23.3 million twenty-foot equivalent units ("TEU") in 2019, representing a decrease of 3% from the previous year. Outbound cargoes to the US declined 9% in 2019, but those to the European Union grew 4% compared with the previous year. The decrease in throughput for YANTIAN was attributed mainly to a decrease in US-bound cargoes, but was partially offset by an increase in empty and transshipment cargoes. The drop in throughput for the Kwai Tsing Terminals (HIT, COSCO-HIT and ACT) was mainly the result of a decrease in intra-Asia and transshipment cargoes.

The Trust reported a net profit after tax ("NPAT") of HK$1,821.7 million, while NPAT attributable to unitholders amounted to HK$528.2 million. Distribution per unit ("DPU") to unitholders for 2019 was 11.0 HK cents.

HONG KONG SEAPORT ALLIANCE ("HKSPA") IMPROVES TERMINAL UTILISATION AND OPERATIONAL EFFICIENCY

One of the most important developments of the Trust in 2019 was the commencement of the HKSPA formed by HIT, COSCO-HIT, ACT and MTL.

In April, the HKSPA finalised berth and yard planning strategies that would allow provision of enhanced services. Berths run by HKSPA members are now divided into three terminal zones, improving efficiency for shipping alliances and individual carriers. The new arrangement is set to reduce inter-terminal trucking at the port to enhance services and improve efficiency.

PROMOTING HONG KONG AS THE LARGEST FRESH FRUIT TRADING HUB IN SOUTH CHINA

In September, HKSPA members joined forces at the Asia Fruit Logistica 2019 event to promote the Port of Hong Kong as South China's largest fresh fruit trading hub. In fact, the port handled close to 900,000 TEU of reefers in 2019 alone. The HKSPA offers state-of-the-art facilities across over 7,800 reefer points, more than any other terminals in South China.

HOSTING THE WORLD'S LARGEST CONTAINER VESSELS

The Trust presides over exemplary handling capabilities, strategically-located terminals and an unwavering commitment to operational excellence. This places it in a strong position to address increased operational complexities arising from the trend of larger alliances deploying mega-vessels.

In July, YANTIAN celebrated the maiden call of *MSC Gülsün*, the world's largest container vessel, which measures 400 by 62 metres and boasts a carrying capacity of 23,756 TEU. The *MSC Gülsün* was served by the YANTIAN shore power system during its stay.

LETTER TO UNITHOLDERS

Two other world-leading mega-vessels – the 21,237-TEU *COSCO Shipping Galaxy* and *COSCO Shipping Star* – also called at the Kwai Tsing Terminals in July and September respectively. They were served by the deep-water berths, advanced terminal facilities and operational efficiency offered by the Trust – all major factors required for handling such vessels.

BUILDING STRENGTH BY UPGRADING FACILITIES AND SYSTEMS

The Trust continues to upgrade facilities to remain competitive in an ever-changing shipping environment. Efforts have included purchase of new equipment and upgrading existing facilities and systems.

At YANTIAN, for example, quay cranes ("QCs") are being converted into remote-controlled operations to enhance safety and the work environment for crane operators, while rubber-tyred gantry cranes ("RTGCs") are being heightened to increase stacking capacity. In Hong Kong, ACT has completed QC heightening projects scheduled for 2019, enhancing its ability to service mega-vessels. HIT further strengthened and modernised its capability after taking delivery of new QCs.

CELEBRATING HIT AND COSCO-HIT ANNIVERSARIES

The Trust celebrated HIT's 50th anniversary in 2019, at the same time as marking 25 years of COSCO-HIT operations. Celebrating these major milestones included a cocktail reception and quayside event for staff and customers.

Hong Kong can look back on some remarkable achievements in the maritime industry – evolving from a humble fishing village to become one of the world's busiest container terminals – largely thanks to the efforts of the Trust's workforce over the years. HIT and COSCO-HIT have played crucial roles in facilitating Hong Kong's growth as a global trading centre.

The immense amount of learning accumulated over the last half-century amounts to a wealth of knowledge the Trust can draw upon in order to capitalise on opportunities and confront challenges as they present themselves.

NAVIGATING CHANGE

Light at the end of the US-China trade conflict tunnel appeared a little brighter in January 2020, when the two sides signed a phase-one agreement that included various concessions and tariff cancellations. However, the recent coronavirus outbreak in China is halting its business activities and this may further put pressure on the global trade. Nevertheless, HPH Trust remains cautious about future cargo trends and will continue to exercise cost discipline while pursuing efficiency improvements.

On the positive side, the Trust benefits from strong fundamentals based on efficient and prudent cost management. It also constantly explores opportunities to improve efficiency. Typically, it does this by reviewing internal procedures, harnessing the potential of new technologies and enhancing operational efficiency wherever possible.

These efforts serve to reinforce the reputation the Trust has earned as an experienced container terminal operator, and will greatly assist the way in which it navigates change into the future.

FOK Kin Ning, Canning
Chairman

KEY EVENTS

HONG KONG SEAPORT ALLIANCE MARKS NEW CHAPTER IN OPERATIONS

The HKSPA was formed in January to enhance the overall competitiveness of the Hong Kong Port. Under its Joint Operating Agreement, all 23 berths under the alliance have been divided into three terminal zones and a number of efficiency enhancements have been introduced, while inter-terminal trucking has been reduced. HKSPA has been actively identifying best practices across its four constituent units to achieve a "terminal neutral" operating model for the long term.

During the year, HKSPA welcomed a number of mega-vessels including *COSCO Shipping Galaxy* and *COSCO Shipping Star,* both with carrying capacity of 21,237 TEU, which called at the Kwai Tsing Terminals during their maiden voyages. These reaffirmed Hong Kong's status as an international shipping hub.

In September, HKSPA members participated in Asia Fruit Logistica 2019. At the event, which is a highlight in the Asian fresh produce industry calendar, the members promoted their high-quality cold chain shipment handling services and represented Hong Kong as the global fresh fruit gateway to China.

KEY EVENTS

HIT CELEBRATES 50TH ANNIVERSARY

In association with its group company, HIT hosted a cocktail reception on 10 May for customers, industry stakeholders and Hong Kong government officials to commemorate its 50th anniversary. Another key celebration activity was the HIT 50th Anniversary Family Day held on 31 March, which attracted around 5,000 staff from HPH, HPH Trust, HIT and external contractors, as well as their family members. Representatives from educational institutions and community organisations also attended the event.

YANTIAN WELCOMES THE INAUGURAL CALL OF THE WORLD'S LARGEST CONTAINER VESSEL

On 23 July, YANTIAN welcomed the maiden call of *MSC Gülsün*, the world's largest container vessel. *MSC Gülsün* is 400 metres long and 62 metres wide, with a carrying capacity of 23,756 TEU. The vessel is deployed as part of an Asia–Europe service, with YANTIAN as its last port-of-call in China before it sailed to Europe.

CORPORATE MILESTONES

ANNIVERSARY AND ALLIANCE

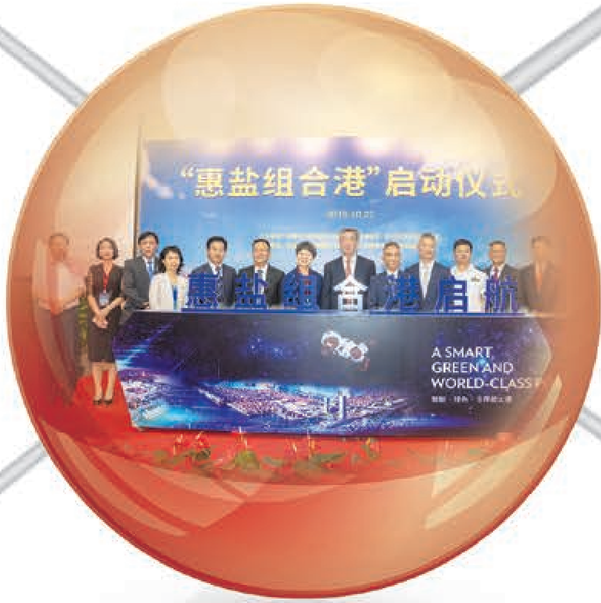
COSCO-HIT CELEBRATES 25TH ANNIVERSARY

On 18 June, COSCO-HIT held a celebration ceremony at its quayside to mark its 25th anniversary. Around 125 staff joined the celebration.

YANTIAN-HICT PORT ALLIANCE LAUNCH CEREMONY

On 22 October, a ceremony marking the launch of YANTIAN–HICT Port Alliance was held at YANTIAN.

The new customs clearance model of the alliance was officially put into operation. Under this new model, the exported containers only need to go through clearance procedures in Huizhou and will then be delivered to Huizhou Port, which is regarded as the same status as the cargo shipped to Yantian Port. Similarly, the imported cargo destined for Huizhou via Yantian Port can be shipped to Huizhou Port before going through clearance procedures.



AWARDS

YANTIAN'S MULTI-VESSEL OPTIMISATION PROJECT WINS TECHNOLOGY INNOVATION AWARD

On 28 February, at the first International Shipping Technology and Internet Conference held in Shenzhen, YANTIAN's Multi-vessel Optimisation project won the Technology Innovation Award in the international shipping category.

CORPORATE MILESTONES

HPH TRUST TERMINALS AWARDED CARING COMPANY LOGO

On 20 May, various HPH Trust terminals were once again rewarded for their strong commitment to corporate social responsibility with the Caring Company Logo. HIT obtained the 15 Years Plus Logo; APS achieved the 10 Years Plus Logo; and Hutchison Logistics and ACT each received the 5 Years Plus Logo. COSCO-HIT was honoured to receive the Caring Company Logo for the first time.

YANTIAN WINS BEST GREEN CONTAINER TERMINAL AT AFLAS AWARDS 2019

On 17 June, YANTIAN received the Best Green Container Terminal award at the 2019 Asian Freight, Logistics and Supply Chain ("AFLAS") Awards. The award recognises leading service providers including air and shipping lines, airports, seaports, logistics and other associated industry professionals.

HIT AND COSCO-HIT RECEIVE RECOGNITION FOR SUPPORTING THE COMMUNITY

As part of their commitment to responsible business practices, both HIT and COSCO-HIT reach out to less privileged groups within the community. In recognition of their continuous efforts to engage with these groups, both HIT and COSCO-HIT received the Certificate of Appreciation for "Care for the Elderly Award 2018" and the 2018-19 "Hong Kong Citizen Hong Kong Heart" Volunteer Ambassador Programme organised by the Hong Kong Social Welfare Department.

CORPORATE MILESTONES

YANTIAN WINS THE 2019 MOST SOCIALLY RESPONSIBLE ENTERPRISE IN THE TRANSPORTATION INDUSTRY OF GUANGDONG PROVINCE AWARD

On 29 November, YANTIAN was named the Most Socially Responsible Enterprise in the Transportation Industry of Guangdong Province. This award recognises socially responsible enterprises and entrepreneurs in the transportation industry in Guangdong. It also aims to raise awareness of the need to integrate social responsibility into all aspects of production, operation and service.

YANTIAN CEMENTS ITS REPUTATION AS A LEADING CONTAINER TERMINAL AT THE 16TH JINLUN AWARDS

On 11 December, YANTIAN was recognised as a top 10 container terminal at the 16th Jinlun Awards, hosted by the China Shipping Gazette. It also won the Container Terminal with Best Integrity Service award.

OTHER AWARDS

Aside from these awards, YANTIAN also received:

- Five awards for outstanding performance from the China Ports and Harbours Association
- Excellent Cross-border e-Commerce Logistics Service Provider Award from Shenzhen Cross-border e-Commerce Association

CORPORATE MILESTONES

FACILITIES UPGRADE

NEW GATEHOUSE OPENS TO TRAFFIC AT PINGYAN RAILWAY STATION

On 14 March, the new gatehouse of YANTIAN at the Pingyan Railway Station became officially operational. Located at the south-west corner of the railway station, the new gatehouse offers more convenience for container tractors and other types of cargo vehicles to enter and exit. It consists of three in-gate lanes and three out-gate lanes, and also provides a weighbridge service.

SHORE POWER PHASE 4 AT YANTIAN

April saw the successful completion of Phase 4 of the Shore Power project, which covers three berths. At present, 16 berths at YANTIAN are shore power ready.

CORPORATE MILESTONES

HIT RECEIVES TWO QCS

In May, HIT received two new Post Panamax QCs, which are designed with a lifting capacity of 60 tonnes and a twin-lift feature. The new cranes are also equipped with semi-automation functions which further enhance their mega-vessel servicing capabilities.

YANTIAN RECEIVES NEW RMGC FOR RAILWAY OPERATIONS

A new rail-mounted gantry crane ("RMGC") for railway operations was installed in the railway depot at YANTIAN in the second quarter of 2019. Previously, reach stackers were used to handle containers in the railway depot, limiting outreach. With the new RMGC in place, containers on all five rail lines can be handled more efficiently, substantially increasing the terminal's handling capacity.

CORPORATE MILESTONES

YANTIAN COMPLETES UPGRADE ON WEST PORT BERTHS 4–6

On 16 June, YANTIAN West Port welcomed the call of Evergreen's *Ever Ethic*, marking the completion of the upgrade to Berths 4–6, which are now capable of accommodating container vessels of around 6,000 TEU. These berths are also equipped to supply shore power to vessels.

HIT INTRODUCES UTILITY MODEL TO REMOTE-CONTROL RMGCS

Thanks to the innovative ideas and efforts of the HIT team, the three remote-control RMGCs acquired in 2018 are now equipped with a new safety wire rope net, which obtained the Utility Model for its effectiveness in preventing containers from falling over truck lanes. These RMGCs are also equipped with unique safety features like twist-lock cone detection and an anti-truck lifting system.

ACT COMPLETES QC UPGRADE PROJECTS

ACT completed the upgrade of its last two QCs to the height of 47.5 metres above the rail. This brings the number of QC upgrades to six over the past 27 months, giving Terminal 8 the ability to serve two 20,000 TEU mega-vessels simultaneously.

OPERATIONAL REVIEW

The competitive advantage of HPH Trust hinges on the strategic locations of its terminals, its advanced terminal facilities, its readiness to adopt new technologies, and proactive reviews that seek out and lead to greater operating efficiency. To future-proof that competitiveness, the Trust continually enhances its handling capabilities and constantly pursues operational excellence.

Every day at HPH Trust, people explore ways to improve operational efficiency and ensure the overall service offering meets or exceeds customer needs.

PORT ALLIANCE TO ENHANCE COMPETITIVE EDGE

A key event in 2019 was the formation of the HKSPA, with an aim to enhance the overall competitiveness of the Port of Hong Kong. In April, the HKSPA announced the finalisation of berth and yard planning strategies that would significantly reduce inter-terminal trucking at the port to enhance services and improve efficiency.

Members of the alliance operate 11 dedicated barge berths that handle 100 daily barge calls with seamless cargo connections between more than 100 terminals in South China and over 200 international weekly vessel calls.

Since September, HKSPA has introduced a standardised operations policy across its barge facilities, a single berth arrangement by zone, and a favourable dockage scheme. Combined, these changes have increased efficiency and flexibility at the port, improving barge turnaround times. This in turn encourages barge operators to expand the scale and reach of their operations, ultimately securing economies of scale.

The YANTIAN-HICT Port Alliance, launched in October, allows export containers to be cleared at Huizhou Port before arriving at Yantian Port, so they have the same clearance status as if they were being shipped to YANTIAN. Similarly, imported cargo destined for Huizhou via Yantian Port can be shipped to Huizhou Port before being cleared.

This new model benefits both terminals by improving clearance efficiency and reducing the cost of logistics for cargo owners. It also minimises the need for land transport, which benefits the environment.

In December, YANTIAN signed a statement of co-operation with Dongguan Port Group relating to an inland port project. The statement aims to strengthen co-operation in the areas of shuttle feeder services, inland depot development and warehousing services, enhancing the capabilities of YANTIAN and reinforcing its position as a key hub in the region.

HARNESSING NEW TECHNOLOGIES TO IMPROVE OPERATIONAL EFFICIENCY

Easy Lane has enhanced the efficiency of tractors at Hong Kong exit gates since its introduction in September. The gate-out initiative uses optical character recognition technology to identify container numbers, International Organization for Standardization ("ISO") codes and vehicle registration plate numbers. This has greatly improved exit-gate operations, reducing tractor inspection time by 50%.

Streamlining processes is essential to improving operational efficiency. Another example is the Electronic Release Order ("eRO"), which enables a shipping line to issue the electronic equivalent of a conventional container release document. This enables each party involved – including terminals, shipping lines, cargo owners, trucking companies and truck drivers – to benefit from a paperless, secure, efficient and environmentally friendly process.

eRO processing at HIT advanced from trial to production stage in the middle of 2019, when automated eRO checkpoints were already up and running, and ready to improve operations for the terminal and its customers.

More streamlining took place, when YANTIAN launched its electronic container movement slip, known as Mobile Container Movement Slip ("Mobile CMS"). This new system allows the terminal to process information about external tractors digitally and efficiently.

One of the latest operational enhancements in Hong Kong is the development of an augmented reality ("AR") app to improve server maintenance. Working on a tablet, users can be trained to increase the reliability and availability of the remote-control system at Terminal 9 of the Hong Kong Port, reducing potential downtime in the event of server breakdown.

Replacing a traditional text-based paper format with AR technology, the system delivers an easy-to-use, step-by-step, audiovisual guide to carrying out server maintenance chores and rebooting the system. It also measures the efficiency of individual users to facilitate ongoing improvement.

The app was developed by the Hong Kong Government's Science, Technology, Engineering and Mathematics Education Centre in conjunction with the Vocational Training Council, the largest vocational and professional education and training provider in Hong Kong.

OPERATIONAL REVIEW

POISED TO SERVE THE WORLD'S LARGEST MEGA-VESSELS

To increase its mega-vessel handling capabilities, ACT has been upgrading its QCs over the past two years. This project is now completed, with the last two of six units being heightened to 47.5 metres above the rail. With the project completion, Terminal 8 is equipped to serve two 20,000 TEU mega-vessels simultaneously.

Three of the world's largest mega-vessels visited HPH Trust terminals during the period under review. The biggest was the 23,756-TEU *MSC Gülsün*, which made its maiden call at YANTIAN. The other two were the 21,237-TEU *COSCO Shipping Galaxy* and *COSCO Shipping Star,* both of which visited the Kwai Tsing Terminals.

Phase 4 of the Shore Power project at YANTIAN was completed in April. This allows YANTIAN to provide shore power at 16 of its berths, so mega-vessels can refuel in an environmentally friendly manner.

ROLLING OUT A NEW GENERATION OF EQUIPMENT FOR ENHANCED PRODUCTIVITY

As one of the leading container terminal operators, the Trust adopts a strategic approach to investing in equipment and facilities. The overriding objectives at HPH Trust are to provide customers with enhanced services, improved terminal productivity while ensuring employees benefit from a continuously improving work environment.

HIT installed two new Post Panamax QCs, enhancing its mega-vessel handling capabilities. Capable of lifting to a height of 42 metres, the cranes are semi-automated with spreader anti-sway, spreader anti-skew, trolley auto truck lane positioning and tractor alignment features. These new QCs enhance safety and help relieve pressure on crane operators.

HIT engineers obtained the Utility Model in June, which is used on safety wire rope net for preventing containers from falling onto truck lanes. HIT has already applied this to three remote-control RMGCs.

A new RMGC was installed in the railway depot at YANTIAN during the second quarter of 2019. This enables containers on all five rail lines to be handled more efficiently, substantially increasing the terminal's handling capacity.

Work is also under way at YANTIAN to convert four manual QCs so they can be operated from a remote-control centre, enhancing operational efficiency, the work environment, and operator health and safety. The project is expected to be completed in March 2020, and promises to save significant time by eliminating the manual processes associated with shift changes and meal breaks.

Terminal productivity at YANTIAN was further improved in August, when one-over-five RTGCs were heightened to one-over-six to increase yard-stacking capacity.

SUMMARY

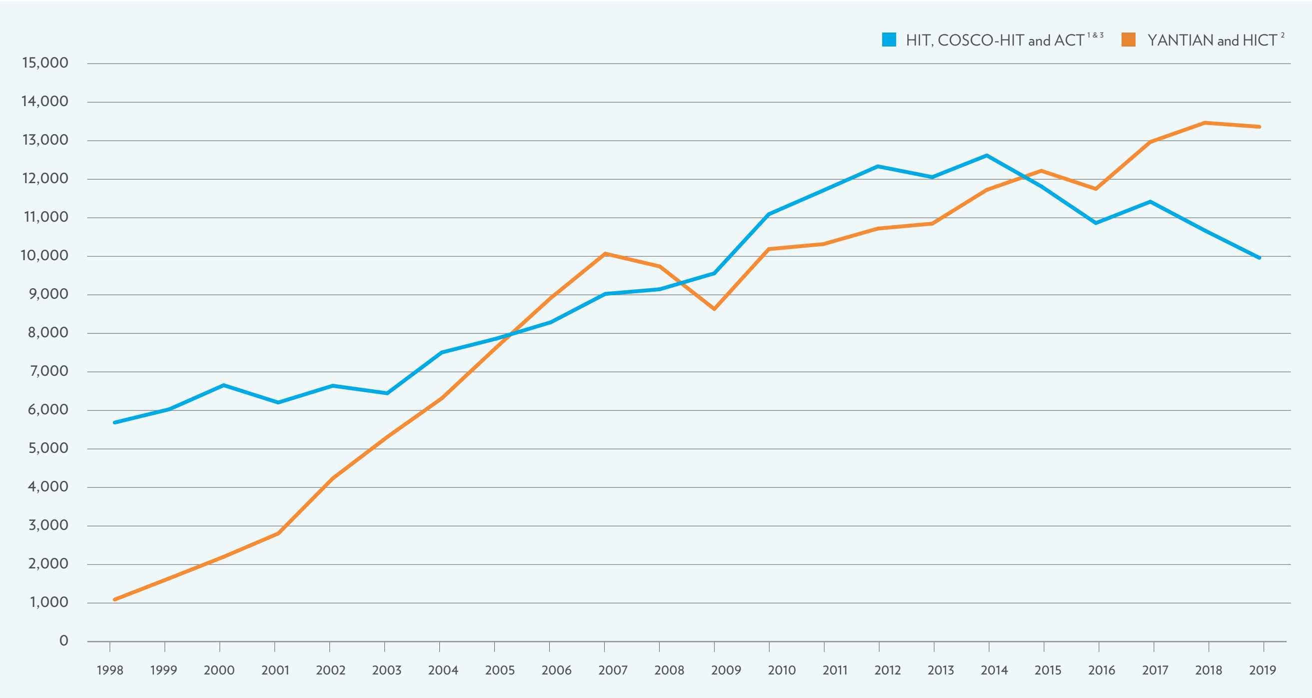
HPH Trust continues to meet customer needs, drawing on its vast experience in operating container-handling terminals and pursuing a philosophy of continuous improvement in everything it does.

Responding to changing market, industry and economic conditions requires the Trust to explore every avenue that will make its overall offering to carriers as competitive as possible. This brings every operational aspect under the microscope in the ongoing search for efficiency improvements.

With this in mind, the Trust will continue to strengthen existing co-operation and alliances, re-examine everyday processes and upgrade equipment, while remaining alert to emerging technologies that could streamline operations to the benefit of customers.

OPERATIONAL REVIEW

Throughput of HPH Trust's assets (1998–2019)
(thousand TEU)



Notes:
The published statistics from the Hong Kong Marine Department ("HKMD") for the total of local and transshipment throughput incorporate liftings to or from oceangoing vessels and containers received from or delivered to ports located within the river trade zone (as defined by the HKMD) by water-borne traffic, i.e. traffic to and from the Pearl River Delta via barges. The HKMD published statistics are not directly comparable to throughput figures of HIT, COSCO-HIT and ACT[1 & 3] shown in the above chart. From 2009 onwards, the HIT, COSCO-HIT and ACT[1 & 3] figures included volumes in relation to lighterwork and the water-borne traffic so as to make the figures more comparable to statistics used by the industry.

[1] *Includes throughput volume of ACT after the acquisition in March 2013*
[2] *Includes throughput volume of HICT after the acquisition in December 2016*
[3] *Represents the allocated throughput from Hong Kong Seaport Alliance with effect from 1 April 2019*

FINANCIAL REVIEW

Formidable forces that have created uncertainty in the global economy have forced port operators and shipping carriers to review their operations. A chief source of economic uncertainty for the port industry is the rising trade protectionism and ongoing trade tensions between major economies, including the US and China.

At the same time, the shipping carriers continue to change shipping routes and call patterns as a result of ongoing consolidation in the sector. This has affected transshipment traffic and volumes at ports, particularly in Hong Kong.

Against this backdrop, the Trust remains committed to enhancing port management through co-operation and alliances. It continues to bolster its capabilities and deliver results that reinforce its position as a key hub for shipping lines.

SUBDUED PERFORMANCE AMID TRADE TENSIONS

As a result of US-China trade tension, outbound cargoes to the US fell 9% in the year under review. On the other hand, outbound European cargoes recorded a 4% year-on-year growth. Overall, YANTIAN experienced a 1% fall in throughput in 2019, which was mainly attributed to lower US cargoes, but was partially offset by the growth in empty and transshipment cargoes. Meanwhile, Kwai Tsing Terminals recorded a 6% drop in throughput compared to 2018 as a result of a decrease in intra-Asia and transshipment cargoes.

Overall, throughput for the ports of HPH Trust was 23.3 million TEU, a fall of 3% compared to 2018.

Average revenue per TEU for Hong Kong fell slightly below the 2018 level, mainly due to a greater transshipment mix. However, average revenue per TEU in China was similar to 2018.

Revenue and other income for the year under review was HK$11,120.9 million – a decline of 3% compared to HK$11,482.6 million in 2018 – as a result of lower throughput.

STRENGTHENING OPERATING RESULTS THROUGH THE HONG KONG SEAPORT ALLIANCE AND OTHER COST-CONTROL INITIATIVES

The cost of services rendered for the year under review was HK$3,881.6 million, 6% down on HK$4,143.5 million last year. This result was attributed to lower throughput, savings in repairs and maintenance, depreciation of the Renminbi and savings from efficiencies achieved through HKSPA and other cost-control initiatives. These were partially offset by the effect of inflation, including paying more for external contractors and higher fuel costs.

Staff costs and depreciation and amortisation remained relatively stable at HK$288.0 million and HK$3,079.7 million, respectively.

Other operating income in 2019 was HK$96.4 million, representing a 25% decline against last year's HK$129.1 million. The decrease was mainly due to the deferral of 2017 dividend income from the River Ports Economic Benefits to 2018, as well as receipt of an award by YANTIAN in 2018 and recognition of an exchange rate gain in 2018 arising mainly from the revaluation of the net Renminbi-denominated monetary assets of YANTIAN. These were offset by higher government subsidies received in 2019.

Other operating expenses amounted to HK$537.1 million, representing a 3% decrease against last year's HK$553.9 million, attributable to savings in rents and rates.

Total operating profit was HK$3,430.9 million, representing a HK$120.9 million or 3% decrease from 2018.

Profit for the year was HK$1,821.7 million. Excluding a one-off non-cash impairment losses of HK$12,289.0 million recognised in 2018, profit for the year represented a decrease of HK$221.3 million or 11% compared to the previous year. The decrease was mainly due to lower operating profit, the 5% increase in interest and other finance costs to HK$1,075.2 million in 2019 as a result of the higher HIBOR/ LIBOR applied on bank loan interest rates and the 10% tax increase to HK$480.0 million in 2019. This tax increase was mainly due to an increase in the tax rate following the expiries of the "High and New Technology Enterprise" status awarded to YANTIAN Phases I and II, and the tax exemption period for a berth in YANTIAN West Port Phase II at the end of 2018.

Profit attributable to HPH Trust unitholders was HK$528.2 million, representing a decrease of HK$209.5 million or 28% from 2018.

NAVIGATING CHALLENGES THROUGH PRUDENT CAPITAL MANAGEMENT AND DISCIPLINED SPENDING

In line with our strategy to reduce overall indebtedness, the Trust implemented a plan in 2017 to repay a minimum of HK$1 billion of debt annually over a five-year period. Total borrowings decreased from HK$31,689.5 million as of 31 December 2018 to HK$30,678.9 million as of 31 December 2019. During the year, the Trust issued a five year US$500 million 2.875% guaranteed note due 2024 in November 2019, drew down new bank loans of approximately HK$2,310.0 million, and repaid bank loans amounting to approximately HK$7,219.0 million. At the end of 2019, the Trust presided over a total cash balance of HK$7,040.2 million, HK$473.8 million higher than the previous year. This resulted in HK$23,638.7 million in net debt at the end of 2019, a 6% decrease against the previous year.

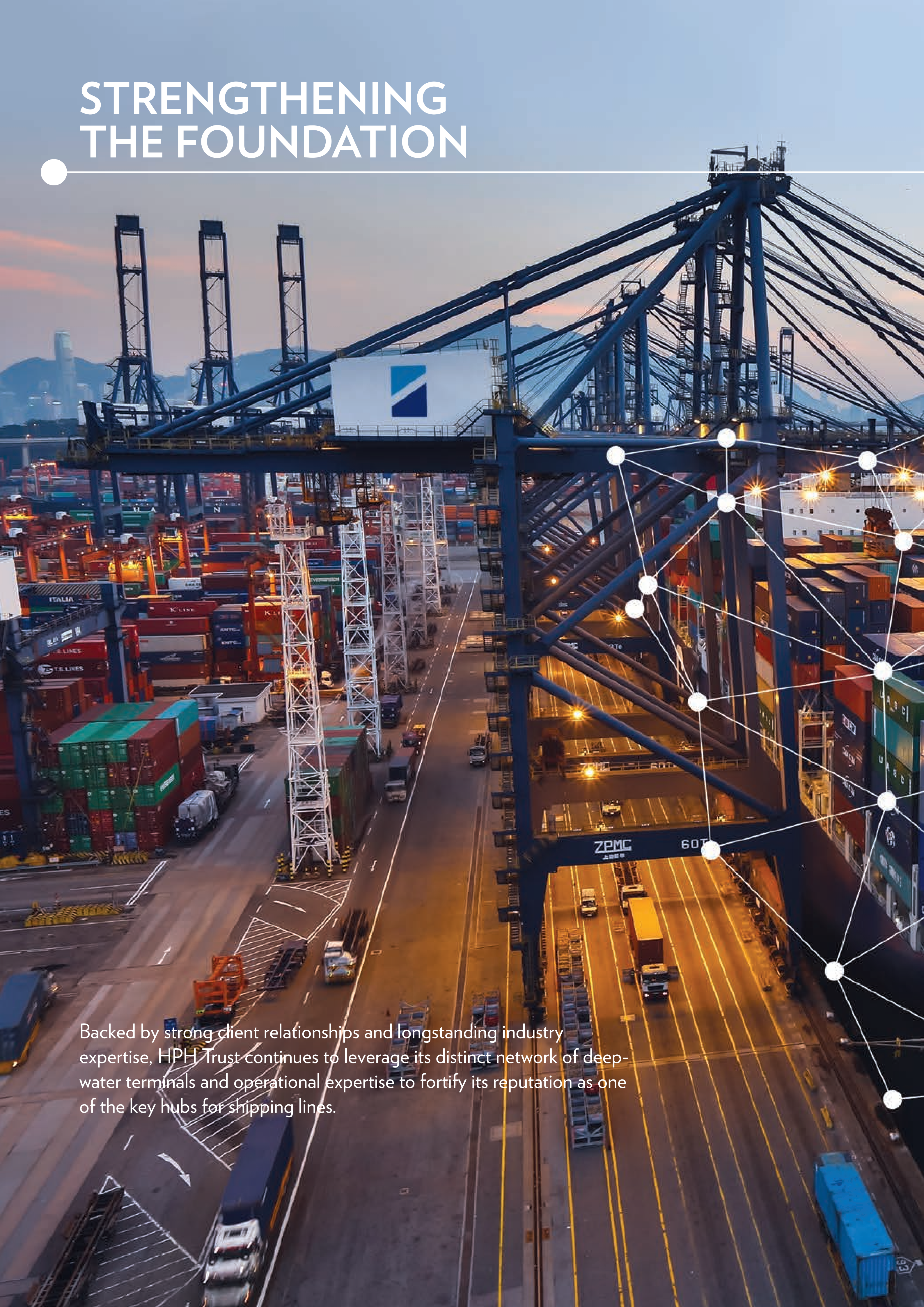
A recommended distributable payout of HK$958.2 million for 2019 means unitholders will be entitled to a distribution per unit of 11.0 HK cents, which translates to a distribution yield of approximately 8.2%, based on the US$0.172 closing market price of the unit as of 31 December 2019.

SUMMARY

Global trade remains sluggish as a result of trade tensions and a slowdown in manufacturing. These have combined with outbreaks of geopolitical turmoil and economic uncertainty to stunt global economic growth. While US and China have signed phase one of a trade deal, some of the thorniest issues remain unresolved. The trade dispute is not expected to be easily or fully settled in the short term.

Due to these challenges, HPH Trust management remains cautious about future cargo trends and will continue to exercise cost discipline while pursuing efficiency improvements. The unrivalled operational excellence, strategic alliances and diligent port management of HPH Trust mean it is well placed to deliver on changing market conditions, capitalise on opportunities and operate from a position of strength.

STRENGTHENING THE FOUNDATION



Backed by strong client relationships and longstanding industry expertise, HPH Trust continues to leverage its distinct network of deep-water terminals and operational expertise to fortify its reputation as one of the key hubs for shipping lines.


Hongkong International Terminals

BOARD OF DIRECTORS

MR. FOK KIN NING, CANNING, aged 68

Chairman and Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Date of appointment as Chairman:	23 February 2011
Length of service as Director (as at 31 December 2019):	8 years 10 months

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts degree and Diploma in Financial Management
- Fellow of Chartered Accountants Australia and New Zealand

Present Directorships or Chairmanships

Listed companies

- CK Hutchison Holdings Limited ("CKHH") (executive director and group co-managing director)
- Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") (chairman)
- Hutchison Telecommunications (Australia) Limited (chairman)
- Power Assets Holdings Limited (chairman)
- HK Electric Investments Manager Limited (as the trustee-manager of HK Electric Investments) (chairman)
- HK Electric Investments Limited (chairman)
- Husky Energy Inc. (co-chairman)
- CK Infrastructure Holdings Limited (deputy chairman)

Other Principal Commitments

- Nil

Other Information

- All the aforesaid companies are either subsidiaries or associated companies of CKHH Group in which Mr. Fok oversees the management

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)

- Nil

MR. IP SING CHI, aged 66

Executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2019):	8 years 10 months

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts degree

Present Directorships or Chairmanships

Listed companies

- Westports Holdings Berhad (non-independent non-executive director)
- COSCO SHIPPING Energy Transportation Co., Ltd. (independent non-executive director)
- Piraeus Port Authority S.A. (independent, non-executive director)
- Orient Overseas (International) Limited (non-executive director)

Other Principal Commitments

- Group managing director of Hutchison Port Holdings Limited
- Chairman of Yantian International Container Terminals Limited

Other Information

- A member of the Hong Kong Port Development Council until the end of December 2014
- Founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited
- Over 35 years of experience in the maritime industry

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)

- Hyundai Merchant Marine Co., Ltd. (external director)

BOARD OF DIRECTORS

MS. EDITH SHIH, aged 68

Non-executive Director

Trustee-Manager

Date of appointment as Director:	1 January 2017
Length of service as Director (as at 31 December 2019):	3 years

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Science degree in Education and Master of Arts degree from the University of the Philippines
- Master of Arts degree and Master of Education degree from Columbia University, New York
- Solicitor qualified in England and Wales, Hong Kong and Victoria, Australia
- Fellow of The Chartered Governance Institute ("CGI") and The Hong Kong Institute of Chartered Secretaries ("HKICS"), holding Chartered Secretary and Chartered Governance Professional dual designations

Present Directorships or Chairmanships

Listed companies

- CK Hutchison Holdings Limited ("CKHH") (executive director)
- Hutchison China MediTech Limited (non-executive director)
- Hutchison Telecommunications Hong Kong Holdings Limited (non-executive director)
- PT Duta Intidaya Tbk (member of Board of Commissioners)

Other Principal Commitments

- Company Secretary of CKHH

Other Information

- International President and Executive Committee Chairman of CGI
- Past President of HKICS (2011 - 2014)
- Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants
- Panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel for the Financial Reporting Council

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)

- Nil

MS. TSIM SIN LING, RUTH, aged 63

Non-executive Director

Trustee-Manager

Date of appointment as Director:	1 January 2017
Length of service as Director (as at 31 December 2019):	3 years

Board committee served on:

- Nil

Academic & Professional Qualifications

- Master of Business Administration degree from the Chinese University of Hong Kong
- Associate of the Institute of Chartered Accountants in England and Wales
- Fellow of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants
- Member of the Chartered Professional Accountants British Columbia of Canada

Present Directorships or Chairmanships

Listed company

- Westports Holdings Berhad (non-independent non-executive director)

Other Principal Commitments

- Group chief financial officer of Hutchison Port Holdings Limited

Other Information

- Experience in both public accounting firm and several different industries in the commercial sector with roles in financial controllership
- Extensive background in internal auditing and controls, financial analysis and reporting

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)

- Nil

BOARD OF DIRECTORS

MR. CHAN TZE LEUNG, ROBERT, aged 73

Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2019):	8 years 10 months

Board committee served on:

- Audit Committee of the Trustee-Manager (member)

Academic & Professional Qualifications

- Bachelor of Science (Econ) Hons.
- Master's degree in Business Administration
- Fellow of the Hong Kong Institute of Directors

Present Directorships or Chairmanships

Listed companies

- Nil

Other Principal Commitments

- Non-executive chairman of The Hour Glass (HK) Limited
- Senior adviser to Long March Capital Limited, a fund management company based in Beijing and Shanghai in partnership with leading Chinese institutions including the CITIC Group

Other Information

- Experienced banker with over 39 years of experience in both commercial and investment banking
- Retired as chief executive officer of United Overseas Bank, Hong Kong on 31 December 2011

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)

- Noble Group Limited (independent non-executive director)
- Quam Limited (independent non-executive director)
- Sibanye Gold Limited (non-executive director)

DR. FONG CHI WAI, ALEX, aged 63

Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	11 February 2020
Length of service as Director (as at 31 December 2019):	Not applicable

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Social Science degree in Business and Economics from the University of Hong Kong
- Master of Technology Management degree in Global Logistics Management from the Hong Kong University of Science and Technology
- Master of Science degree in Global Finance from the New York University/Hong Kong University of Science and Technology
- Doctor of Business Administration degree from the City University of Hong Kong
- Fellow, The Chartered Institute of Logistics and Transport in Hong Kong
- Fellow of the Hong Kong Institute of Directors

Present Directorships or Chairmanships

Listed companies

- Tom Group Limited (independent non-executive director)
- HK Electric Investments Manager Limited (as the trustee-manager of HK Electric Investments) (independent non-executive director)
- HK Electric Investments Limited (independent non-executive director)
- Glory Mark Hi-Tech (Holdings) Limited (independent non-executive director)

Other Principal Commitments

- Nil

Other Information

- CEO of the Hong Kong General Chamber of Commerce (2006 to 2011)
- Over 25 years of experience in the government of Hong Kong with operational and policy formulation expertise
- Former Secretary to the Hong Kong Port and Maritime Board and the Hong Kong Logistics Development Council

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)

- Nil

BOARD OF DIRECTORS

MR. GRAEME ALLAN JACK, aged 69
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2019):	8 years 10 months

Board committee served on:
- Audit Committee of the Trustee-Manager (chairman)

Academic & Professional Qualifications
- Bachelor of Commerce degree
- Fellow of the Hong Kong Institute of Certified Public Accountants
- Associate of Chartered Accountants Australia and New Zealand

Present Directorships or Chairmanships
Listed companies
- The Greenbrier Companies Inc. (independent non-executive director)
- COSCO SHIPPING Development Co., Ltd. (independent non-executive director)
- Hutchison China MediTech Limited (independent non-executive director)

Other Principal Commitments
- Nil

Other Information
- Extensive experience in finance and audit
- Retired as partner of PricewaterhouseCoopers in 2006

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)
- Nil

MRS. SNG SOW-MEI (ALIAS POON SOW MEI), aged 78
Independent Non-executive Director & Lead Independent Director

Trustee-Manager

Date of appointment as Director:	14 January 2011
Length of service as Director (as at 31 December 2019):	8 years 11 months

Board committee served on:
- Audit Committee of the Trustee-Manager (member)

Academic & Professional Qualifications
- Bachelor of Arts degree

Present Directorships or Chairmanships
Listed companies
- CK Infrastructure Holdings Limited (independent non-executive director and audit committee member)
- ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) (independent non-executive director and audit committee member)

Other Principal Commitments
- Nil

Other Information
- Lead Independent Director of Trustee-Manager
- Conferred the title of PPA(P) - Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)
- Nil

BOARD OF DIRECTORS

MR. WONG KWAI LAM, aged 70
Independent Non-executive Director

Trustee-Manager

Date of appointment as Director:	2 December 2015
Length of service as Director (as at 31 December 2019):	4 years

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts degree from the Chinese University of Hong Kong
- Ph. D degree from Leicester University, England

Present Directorships or Chairmanships

Listed companies

- ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) (independent non-executive director, member of the audit committee and the designated (finance) committee)
- K. Wah International Holdings Limited (independent non-executive director, member of the remuneration committee and the nomination committee)
- Langham Hospitality Investments Limited (independent non-executive director, member of the remuneration committee and the nomination committee and chairman of audit committee)
- LHIL Manager Limited (as trustee and manager of Langham Hospitality Investments) (independent non-executive director and chairman of audit committee)

Other Principal Commitments

- Chairman of IncitAdv Consultants Ltd.
- Chairman of The Chamber of Hong Kong Listed Companies
- Vice chairman of the board of trustees and a member of the investment sub-committee of the board of trustees of New Asia College of the Chinese University of Hong Kong
- A member of the Hospital Governing Committee of the Prince of Wales Hospital
- Director of CUHK Medical Centre Ltd.

Other Information

- Former member of the advisory committee of the Securities and Futures Commission in Hong Kong
- Over 33 years of experience in the commercial and investment banking industry
- Retired as managing director of Asia investment banking division of Merrill Lynch (Asia Pacific) Ltd. in 2009 and served as their senior client advisor until 2010
- Conferred with an honorary fellowship by the Chinese University of Hong Kong

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2017 to 31 December 2019)

- China Merchants Bank Co., Ltd. (independent non-executive director, chairman of remuneration and appraisal committee and member of audit committee)

SENIOR MANAGEMENT

MR. LAM HING MAN, PATRICK
Chief Executive Officer, Trustee-Manager and Managing Director of YANTIAN

Mr. Lam has served as the Chief Executive Officer ("CEO") of the Trustee-Manager since mid-July 2019. He is also the Managing Director of YANTIAN and a member of the HPH Trust Exco, a committee of executives that determines strategy for HPH Trust. He joined HIT in 1992 and spent over two decades developing joint-venture projects for HPH in China. He has held various executive positions at HPH. He was previously the General Manager of two HPH subsidiaries in China, the General Manager of Human Resources at HIT, and the Director of Operations and Human Resources at YANTIAN. He holds a Master's degree in International Shipping and Transport Logistics.

MS. LEE TUNG WAN, DIANA
Chief Financial Officer and Investor Relations Officer

Ms. Lee was appointed the Chief Financial Officer ("CFO") and Investor Relations Officer of the Trustee-Manager in May 2016, having been the Deputy CFO of the Trustee-Manager since February 2011. She is also the Finance and Legal Director and Company Secretary of YANTIAN, and serves as a member of the HPH Trust Exco. She has held various executive positions at HPH. She has focused on the financial planning and corporate finance area of the South China division of HPH, and served as the CFO of several HPH subsidiaries. Since 2006, she has also served as director on a number of HPH Trust business portfolio asset boards of director. She holds a Bachelor's degree in Commerce and is an Associate of Chartered Accountants Australia and New Zealand.

SENIOR MANAGEMENT

MR. FUNG KAM HUNG, LEONARD
Managing Director of HIT

Mr. Fung is the Managing Director of HIT and a member of the HPH Trust Exco. He first joined HIT in 1996 and has held various executive positions across a range of functional disciplines, including finance and commerce. Before his appointment in July 2019, he was the CEO of Hutchison Ajman International Terminals and Panama Ports Company, S.A. He is a member of the Certified Practicing Accountants body in Australia and the Hong Kong Institute of Certified Public Accountants. He also holds a Master's Degree in Business Administration from Macquarie University in Australia.

MR. SHUM KAI SHING, LAWRENCE
Managing Director of COSCO-HIT and Deputy Managing Director of ACT

Mr. Shum is the Managing Director of COSCO-HIT, Deputy Managing Director of ACT and a member of the HPH Trust Exco. He has held various executive positions at HPH since joining in 1996. Before appointment of his current positions in May 2016, Mr. Shum spent more than 15 years at HPH in China. He assumed the role of CFO at YANTIAN and then took up a number of executive positions in Shanghai, most recently as the HPH Regional Director — North and East China. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants. He is also an Associate of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

MR. TANG HIN KEE, EDWARD
Operations Director

Mr. Tang has more than 39 years of experience in port operations and is a member of the HPH Trust Exco. He has been the Operations Director of HPH Trust since 2013 and oversees the overall port operations within the Trust. He is also the General Manager of Operations at YANTIAN. He joined HIT in 1979 and has held various executive positions at HPH, including General Manager of three HPH ports in China. He is also a member of the Chartered Institute of Logistics and Transport in the UK.

MR. SU YU NIN, ERIC
Engineering Director

Mr. Su is the General Manager of Engineering at YANTIAN, a member of the HPH Trust Exco and the Engineering Director of HPH Trust. He has been working in the port industry in Hong Kong and China for more than 30 years. Mr. Su holds a Bachelor's degree in Engineering, a Master's degree and a Doctorate in Business Administration. He is a Fellow of the Hong Kong Institution of Engineers and a member of the UK-based Institution of Civil Engineers and Institution of Structural Engineers.

MAPPING THE FUTURE

In the face of a changing market landscape, HPH Trust is developing new strategies to remain competitive. Through the formation of the Hong Kong Seaport Alliance, which brings efficiency enhancements and cost synergy to shipping lines, the Trust has committed to carving out a stable future for its business.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This is the third annual sustainability report of HPH Trust covering the year ended 31 December 2019. Focusing on the economic, environmental and social issues that have an impact on the Trust and are of interest to its stakeholders, this report sets out the efforts of the Trust in its sustainability practices and performance. As the Sustainability Report is a part of the Annual Report, it plays an integral role in providing more transparent communication to our stakeholders. It has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option, and Rule 711A of the SGX Listing Manual, and with reference to the primary components set out in Rule 711B of the SGX Listing Manual. This report has been reviewed by the Board of Directors of HPH Trust, and is published on the corporate website.

REPORTING SCOPE

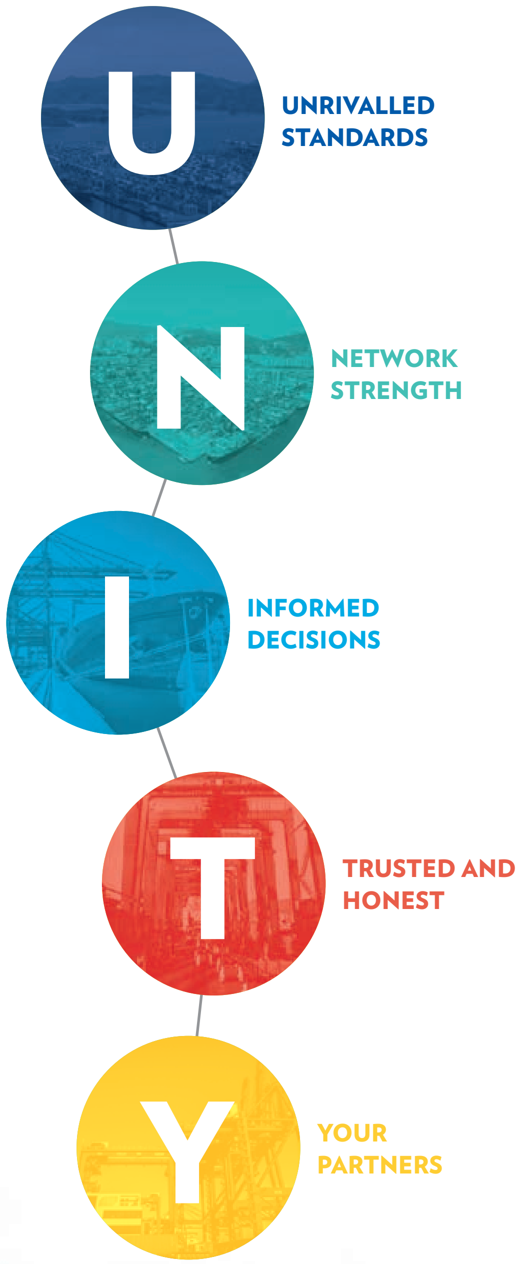
The content of this report was decided after taking into account the materiality of sustainability issues arising from the operations of HPH Trust. Data disclosed covers the port operations of HPH Trust at HIT (Terminals 4, 6, 7 and 9 North) and YANTIAN (Phases I and II; Phase III and Phase III Expansion; and West Port Phases I and II), which are the majority-owned terminals of the Trust. These terminals represent the core operations of the Trust, contributing around 85% of the total throughput handled during the year.

CONTACT US

We welcome your feedback on this report and other sustainability-related enquiries. Please contact us at ir@hphtrust.com.

CORE VALUES

The core values of the Trust revolve around the concept of UNITY, reflecting a commitment to excellence, integrity and strong partnerships.



SUSTAINABILITY REPORT

MANAGING SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

The Board of HPH Trust is committed to sustainability, and considers factors such as environmental, social and governance issues when setting out the business strategies and operations of HPH Trust. Having overall responsibility for the sustainable development of the Trust, the Board determines and oversees the management of the material topics in relation to sustainability, and evaluates them regularly to ensure that they are relevant and up to date.

Sustainability covers all facets of the business. Managing sustainability requires an effective structure and the collaborative effort of engaged and well-informed staff across different functional areas. While everyone at HPH Trust has a duty to contribute to its sustainability performance, the governance structure of the Trust assigns key roles and responsibilities to individuals across all levels of the organisation. As with business strategy, the Board takes ultimate accountability for sustainability at HPH Trust, and makes sure sustainability is integrated into business operations. More information about corporate governance at the Trust can be found on pages 62-81.

Board of Directors	Oversees strategy formulation, risk management mechanisms and performance
Senior Management	Ensures effective strategy implementation and identifies business risks
Sustainability Steering Committee	Leads efforts in setting short- and long-term strategies for HPH Trust business units; formulates the sustainability approach and action plans of the Trust; sets targets and reviews performance; and facilitates knowledge sharing
Business Units, Departments, Work Groups, Individuals	Assess and mitigate internal control-related risks; manage, implement and monitor the effectiveness of sustainability initiatives

RISK MANAGEMENT

The Trust has adopted an integrated approach to risk management that covers all aspects of its business operations, from Board strategy to bottom-up operational processes. Key risks, including sustainability risks that would affect our short-, medium- and long-term success, are identified under the Enterprise Risk Management ("ERM") framework of HPH Trust. The ERM framework is consistent with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Coupled with sound internal controls, the ERM framework helps the Trust identify, assess and effectively manage potential risks by determining suitable controls and countermeasures.

MATERIALITY

In 2017, the Trust conducted a comprehensive assessment with reference to the GRI Standards and Sustainability Reporting Guide under Practice Note 7.6 of the SGX Listing Manual. Based on the feedback received from ongoing engagement in 2017 and 2018, stakeholders and the Board identified 13 material sustainability topics. In 2019, to refresh and validate the topics in this report and continue to cover what matters most to the stakeholders, the Trust:

- Benchmarked the material sustainability topics disclosed by peers and sustainability leaders in other industries
- Analysed feedback from regular stakeholder engagements
- Reviewed business strategies, industry updates and global sustainability trends
- Mapped the material sustainability topics against the United Nations Sustainable Development Goals ("SDGs")

As a result, the material sustainability topics have been revised to facilitate a more focused disclosure that is relevant to the business and meet stakeholders' expectations of the sustainability performance of the Trust.

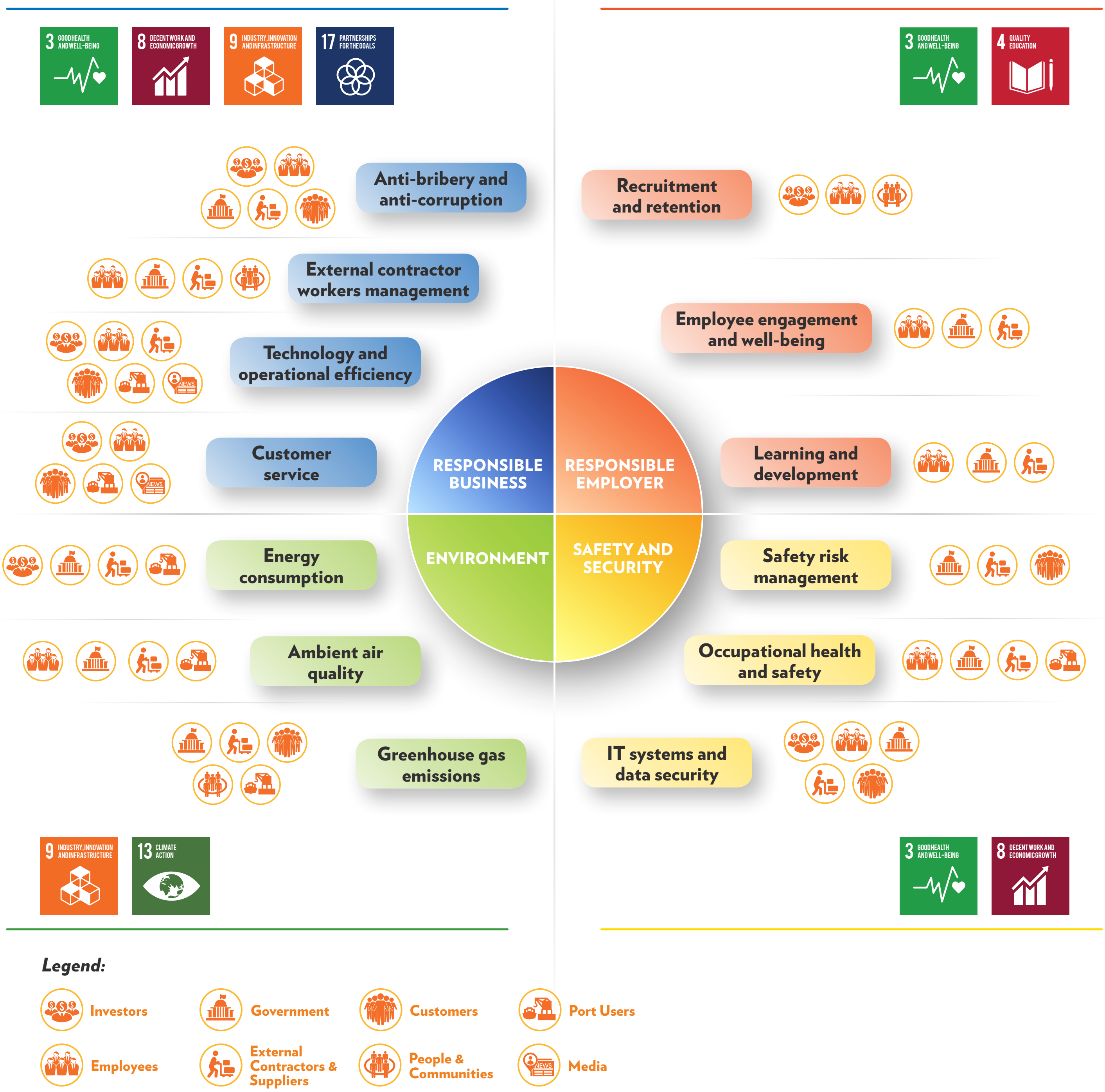
The SDGs are a set of 17 global goals that encourage entities to take positive action in pursuing a sustainable development agenda. The SDGs set out a plan of action to address areas of critical importance for humanity and the planet by 2030. In 2019, the Trust reviewed the SDGs against its material sustainability topics and business operations, to assess relevant connections between the two. The Trust determined six relevant goals, outlined below, that it can meaningfully contribute to.

SUSTAINABILITY REPORT

The Trust understands that mitigating risks and pursuing opportunities presented by material issues is crucial if it is to drive sustainable business growth. The Trust works to manage these topics and understand their boundaries, so it can determine an appropriate approach to managing risks and opportunities.

The chart below summarises the material sustainability topics of HPH Trust, where the most significant impact of each topic is located along the value chain and relevant SDGs. The material sustainability topics are grouped under four main headings: Responsible Business; Responsible Employer; Safety and Security; and Environment.

MATERIAL SUSTAINABILITY TOPICS AND BOUNDARIES



SUSTAINABILITY REPORT

STAKEHOLDERS AND ENGAGEMENT CHANNELS

The Trust believes strong relationships with stakeholders are built on trust and transparency. To ensure that its overall strategy and actions continue to reflect business and stakeholder priorities, the Trust actively engages a wide range of stakeholders through two-way communication channels. This helps the Trust gain a deeper understanding of stakeholder opinions, priorities and values, which allows it to better address specific stakeholder concerns and expectations.

Stakeholders	Communication Channels	Key Topics of Concern
Investors	• Investor meetings and calls • Conference days • Port visits • Annual General Meeting • Dedicated email communications • Announcements and publications via corporate website	• Unit price • Financial performance • Impact of US-China trade tension • Latest terminal development • Chinese government proposed tariff reduction • Throughput for Hong Kong port and YANTIAN • HKSPA
Employees	• Port visits • Town hall talks and the General Manager Open Day • In-house magazines • Company intranet • Notices and bulletins • Performance appraisal • LINK Committee	• Financial performance • Key initiatives • Career prospects • Personal development • Well-being • Health and safety • HKSPA
Government	• Meetings • Calls • Discussions and responses • Port visits	• Key government maritime policies • Competitiveness of Hong Kong port and YANTIAN • HKSPA
External Contractors & Suppliers	• Induction and safety trainings • Compliance with Code of Conduct and ABAC policy • Supplier evaluation	• Workplace safety • Service performance • Tendering process and results • HKSPA
Customers	• Mobile applications • Customer meetings • Port visits • Terminal news releases • Exhibitions • Brochures	• Terminal performance • Shore power implementation • Updates to customs processes and local regulations • Opportunities to further expand digitalisation to increase efficiencies • Hinterland cargo coverage expansion • Impact of US-China trade tension • HKSPA
People & Communities	• Recycling and waste reduction initiatives • Visits to elderly homes • Internship programmes • Port visits	• Introducing the port industry • Building relationships with the local community • HKSPA
Port Users	• Mobile communication platform • Safety information sharing • Help desk hotline • Meeting with trade associations	• Waiting time at port • Berth availability and related arrangements • Operational safety • Issues related to customs declarations • HKSPA
Media	• Press releases • Press briefings • Corporate website	• Latest terminal development • Competitiveness of Hong Kong port and YANTIAN • Service-related concerns • HKSPA

SUSTAINABILITY REPORT

RESPONSIBLE BUSINESS

HPH Trust believes that adhering to unrivalled standards of ethics and integrity while driving operational and service excellence builds a solid foundation for business sustainability. This allows the Trust to achieve economic gains, create long-term value for stakeholders and expand its sphere of influence throughout the wider value chain.

WHY IT MATTERS

The credibility and reputation of companies rely on business integrity and transparency of information to stakeholders. Businesses that proactively seek continuous improvements on operational excellence and customer relationships often receive direct business benefits. All of these are imperative when it comes to securing long-term business success.

HOW HPH TRUST RESPONDS

Building a responsible business not only requires upholding stringent ethical standards within the Trust, but also along the wider value chain including stakeholders.

The Trust continuously looks to improve corporate governance practices, optimise terminal operations and enhance service quality through technology, process enhancement and strategic partnerships.

RELATED SDGs

ETHICS AND INTEGRITY

HPH Trust has established stringent policies, guidelines and procedures to help it uphold high standards of business ethics and integrity. For example, the Trust takes a zero-tolerance approach towards all forms of corruption and bribery. All employees must adhere to the ethical standards, values and legal requirements set out in the anti-bribery and anti-corruption ("ABAC") policy, the Code of Conduct, and other relevant policies and guidelines.

The key factors in ensuring ABAC compliance involve maintaining effective communication and a high level of self awareness among employees. The ABAC policy is distributed to all business units by the Human Resources departments at HIT and YANTIAN, while the Code of Conduct and the Staff Handbook are available on the intranet and as hard copies. At HIT, the Code of Conduct has been updated with Chinese version, which helps front-line employees gain a more thorough understanding of the ethical requirements. In 2019, HIT and YANTIAN required all employees to self-declare their compliance. YANTIAN had the self declaration form updated with a Chinese version. This aims to reinforce their mandates and accountability in complying with HPH Trust policies.

In addition, the Trust provides all employees with ABAC and Code of Conduct training, as part of new-joiner orientations and on an ongoing basis. To ensure key personnel are familiar with the relevant laws and regulatory requirements, all managers and supervisors from the Human Resources, Commercial, Procurement and Stores departments – along with other selected individuals – are required to attend classroom training every two years. YANTIAN also provides an e-Learning platform for employees to have better access to the ABAC policy and ensure the policy is well-communicated at all levels.

HPH Trust has established specific channels, policy[1] and procedures for employees and other stakeholders to confidentially report any suspected acts of misconduct and malpractice, without fear of retribution. These whistle blowing policy and related incident reporting procedures ensure the cases are investigated thoroughly and independently. No cases involving suspected acts of misconduct and malpractice or cases of whistle-blow were reported in 2019.

[1] For the HPH Trust whistle blowing policy, please refer to hphtrust.com/corporate_governance.html.

SUSTAINABILITY REPORT

ABAC–Related Training and Communications in 2019		
	No. of employees	**Percentage of employees**
Employees receiving ABAC–related training and communications	**1,153**	**32.4%**
By Employee Category		
Senior management	34	100%
Middle management	198	99.5%
Functional areas (administration, technical, production, etc.)	921	27.7%

Figures shown include HIT and YANTIAN, as per the reporting scope

SUPPLY CHAIN

The Trust requires partners in the value chain to adhere to sustainable business practices and the principle of continuous improvement. Doing so not only safeguards the reputation of the Trust, but also promotes responsible practices among other companies in its community.

Starting from contractor and supplier selection, clear policies and comprehensive systems are in place to identify potential risks in the procurement process, and monitor and review supplier performance in the areas of ethics, health and safety, employment policies, human rights-related issues and environmental performance. In addition, the Trust communicates its ABAC policy to its suppliers, emphasising its zero-tolerance for any bribery- and corruption-related behaviours.

The Trust sources most of the major equipment required for terminal operations – including quay cranes and yard cranes – from Mainland China. Where necessary, the Engineering and Operations departments work with suppliers to optimise the design and construction of cranes, adapting the technology to the operations of HPH Trust ports. Based on the principles of fairness and transparency, the Trust has systematic internal controls that stipulate standardised procedures for tendering processes, supplier evaluation and specialist selection, which effectively help mitigate associated risks. Generally, local suppliers are preferentially selected to support the local economy. For some maintenance or engineering projects, due to the highly specialised nature of projects and limited availability of local resources, overseas suppliers may be used.

EXTERNAL CONTRACTOR WORKERS MANAGEMENT

Operations at the Trust depend on a significant outsourced labour force that forms part of the front-line wokrforce. Across HIT and YANTIAN, approximately 64% of the total workforce was external contractor workers who were employed in 2019 as equipment operators, stevedores, truck drivers, and maintenance and security personnel. As they are not directly employed by the Trust, it is imperative that there is a system in place to ensure suppliers have sound labour practices. The Procurement and Stores departments work with user departments to conduct periodic performance reviews for all external contractors, to ensure labour practices comply with local laws. Where applicable, supplier contracts include a specific clause regarding the expectation of the Trust that all labour laws, including those prohibiting child labour and forced labour, are strictly followed.

It is the responsibility of HPH Trust to ensure fair labour practices also apply to external contractor workers. At YANTIAN, the contractor service management system has been enhanced. Improvements in the areas of manpower planning, supervision, performance management, engagement and system support have been rolled out. Doing so enables better quality control and relationships with external contractors, in turn driving a better operational efficiency.

SUSTAINABILITY REPORT

OPERATIONAL EXCELLENCE

Reliable and cost-efficient management of terminals is the key element driving operational excellence at HPH Trust. Through technology upgrades, enhanced operation processes and strategic partnerships, the Process Excellence team at HIT and YANTIAN work to oversee terminal operations and pursue operational excellence. They administer standard operating procedures, abide by quality management protocols, regularly review operational performance, identify rooms for improvement, and stipulate action plans for optimising operational and service delivery. A full review of operational achievements at HPH Trust is available on pages 20-22.

YANTIAN's Multi-vessel Optimisation project won the Technology Innovation Award at the first International Shipping Technology and Internet Conference.

HIT

Internal tractor productivity
+4.7%
compared with 2018

Gatehouse deployment efficiency
+17%
compared with 2018

YANTIAN

5 container-handling records recognised by the Container Branch of the China Ports and Harbours Association, including handling more than 100 containers per hour for a single vessel

+6%
increase in berth productivity rate
compared with 2018

+2%
improvement in external tractor turn-time
compared with 2018

SUSTAINABILITY REPORT

CUSTOMER RELATIONSHIPS

HPH Trust understands that to better navigate the ever-changing dynamics of the global shipping industry, operational excellence must be complemented with quality customer service. The Trust is committed to safeguarding customer interests, proactively obtaining customer feedback, and taking prompt actions to meet or exceed expectations. The Trust adopts a comprehensive mechanism for handling customer feedback to ensure that it is dealt with in a timely manner and is adequately addressed. Led by the Commercial departments at HIT and YANTIAN, customer feedback is reviewed and communicated to other teams to identify the cause and develop appropriate actions. During 2019, there were no reported fines or non-monetary sanctions due to non-compliance with laws or regulations concerning products and services.

The following table outlines the key concerns raised by customers, and how the Trust delivers operational excellence in response. The Trust does this using three overarching approaches:

- Adopting smarter operating processes including replacing manual handling processes with digitalised and streamlined processes
- Investing in and upgrading facilities, which enhances efficiency and handling capability
- Pursuing strategic partnerships and engagements that leverage infrastructures, facilities and service offerings, and maximise efficiencies to benefit customers and the industry at large.

	Approach and Initiatives[2]		Key Customer Concerns[1]					
			Increasing productivity and reducing turnaround time for barges and vessels	Streamlining processes	Safety	Delays caused by customs inspections	Increasing needs for customised reporting, data accuracy and transparency	Environment
Smarter Operating Process	HIT	Easy Lane		●				
	HIT	eRO		●			●	
	HIT	Utility Model			●			
	YANTIAN	Mobile CMS		●			●	
Facilities Upgrade	HIT	AR app for server maintenance		●			●	
	YANTIAN	Heightened RTGCs		●	●			
	YANTIAN	Phase 4 of Shore Power project						●
	HIT & YANTIAN	Expanded use of remote-controlled equipment including RMGC and QC	●	●	●			
Strategic Partnership and Engagement	HIT	HKSPA	●	●				
	YANTIAN	YANTIAN-HICT Port Alliance		●		●		
	YANTIAN	Statement of co-operation with Dongguan Port Group		●				

GOING FORWARD

HPH Trust will continue to explore opportunities to enhance operational efficiency, and streamline and digitalise operational processes. With regards to the Easy Lane project, in addition to the exit gates at HIT, remote container inspection will also be adopted at entry gates to increase gatehouse deployment efficiency. YANTIAN will invest in more remote-control equipment and operational data interchange systems moving forward.

[1] The key concerns of customers are summarised based on the 170 complaints received in 2019, and ongoing engagement.

[2] Detailed descriptions to each of the approach and initiatives are presented on pages 20-22.

SUSTAINABILITY REPORT

RESPONSIBLE EMPLOYER

The success of HPH Trust is the direct result of the hard work and dedication of its workforce. It requires attracting and retaining the right talent, with the skills to meet the needs of its business today and in the years to come. The Trust is committed to sustaining a rewarding and supportive work environment for its employees, abiding by non-discriminatory and equal-opportunity employment practices; providing ongoing engagement; and supporting employees' personal development, professional growth and well-being.

WHY IT MATTERS

Having a talented and dedicated workforce is indispensable for business competitiveness. Empowering and nurturing a harmonious workplace is the key to attracting, retaining and cultivating talent.

HOW HPH TRUST RESPONDS

A positive relationship with employees that recognises their contribution is fundamental to building a committed and motivated workforce. HPH Trust upholds fair labour practices, provides competitive remuneration and benefits, offers learning and development opportunities, and constantly fosters employee well-being.

RELATED SDGs

LAWS AND COMPLIANCE

In 2019, there are no reported case of non-compliance with local labour laws and regulations, including cases of child labour or forced labour. Policies and procedures are designed to ensure the Trust meets all regulatory requirements for employees and external contractor workers. Child labour and forced labour are strictly prohibited. The Human Resources departments at HIT and YANTIAN, supported by functional department managers, are responsible for ensuring compliance with regulations and company policies. An Employment and Work Place policy is in place to define the common policies on human resources-related practices, and represent the basis on which all other human resources policies, procedures and guidelines are developed. Regular audits are conducted to assess the current practices.

RECRUITMENT AND RETENTION

The Trust strives to be a responsible employer that upholds the principles of equality, diversity and anti-discrimination in the hiring process. External factors such as the global economy and market conditions, as well as internal factors like business priorities, also affect recruitment strategies of the Trust.

The Trust uses multi-faceted channels to recruit talent, including staff referral programme, advertisements, job fairs, graduate career talks, student internships, technical apprenticeships and the University Graduate Trainee Development Programme.

Employee Profile as at 31 December 2019	No. of employees	%
By Employment Type		
Full-time	3,508	98.6%
Part-time/temporary	50	1.4%
By Gender		
Male	3,146	88.4%
Female	412	11.6%
By Age		
Below 30	255	7.2%
30–50	2,530	71.1%
Above 50	773	21.7%
By Employee Category		
Senior management	34	1.0%
Middle management	199	5.6%
Functional areas (administration, technical, production, etc.)	3,325	93.4%

Figures shown include HIT and YANTIAN, as per the reporting scope

To attract the best candidates and retain existing staff members, the Trust provides competitive remuneration and benefits packages, which vary by market, employee category, local regulatory requirement and market practices. It should be noted that some benefits, such as health insurance, are offered to full-time employees only.

Annual performance reviews are conducted to understand the needs and concerns of our employees. In 2019, 100% employees completed their performance reviews. The Trust also tracks voluntary turnover and conducts exit interviews to better understand why employees leave, so it can evaluate its management approach throughout the employee lifecycle. In 2019, the new hire rate and turnover rate were 3.4% and 6.7% respectively.

New Hires and Turnover in 2019	New hires		Turnover	
	No. of employees	%	No. of employees	%
Total	**122**	**3.4%**	**238**	**6.7%**
By Gender				
Male	95	3.0%	172	5.5%
Female	27	6.6%	66	16.0%
By Age				
Below 30	76	29.8%	101	39.6%
30–50	31	1.2%	82	3.2%
Above 50	15	1.9%	55	7.1%

Figures shown include HIT and YANTIAN, as per the reporting scope

SUSTAINABILITY REPORT

LEARNING AND DEVELOPMENT

The Trust is committed to providing resources to support continuous learning of employees to ensure that they are equipped with the relevant knowledge, skills and attitudes for building a competent workforce that meets its business needs. In 2019, total training hours record for HIT and YANTIAN was 45,699.5 hours.

To cater for the diverse learning and development needs generated from analysis on training needs results, management advice, business operational needs, performance appraisal results, the Trust has organised various kinds of training activities and development programmes for employees.

Average Training Hours per Employee in 2019	No. of hours
Overall	**12.8**
By Gender	
Male	12.5
Female	15.2
By Employee Category	
Senior management	18.9
Middle management	18.7
Functional areas (administration, technical, production, etc.)	12.4

Figures shown include HIT and YANTIAN, as per the reporting scope

LEARNING AND DEVELOPMENT AT HPH TRUST

Nurturing young talent

- The Trust organised various trainee programmes to nurture young people in professional areas including operations management, engineering and information services, and provide them with career development opportunities.

Strengthening compliance and company policy awareness

- Periodic compliance training focuses on ABAC, competition law and the Code of Conduct.
- HIT participated in a Cyber Security Seminar and a Global Digital Trends and Deployment Seminar for the Logistics Industry, which facilitated an open discussion about cyber security with employees and industry professionals.

Managerial and general trainings

- The Trust offered training in management skills, leadership, communication, technical skills and safety management, determined by employees' specific roles and needs.

Supporting professional development

- To help employees advance within their job roles, HIT has been tailoring structured people development programmes, such as Engineering Superintendent Trainee Programme, for selected employees.
- YANTIAN has strengthened the job rotation plan, which allows general staff to expand their skillsets and enrich knowledge from working at different departments. It also organised a trip for exceptional staff members to visit automated container terminals in Shanghai and Ningbo to motivate and broaden their horizons.

SUSTAINABILITY REPORT

EMPLOYEE ENGAGEMENT AND WELL-BEING

Staff engagement reflects how much HPH Trust values the contributions of each employee. Furthermore, it enhances employee's understanding of the importance of their roles and contributions to the Trust's success. Regular communications and various social activities keep everyone at HPH Trust up-to-date with changes in the business, enabling the Trust's management to interact with employees and fostering a stronger team spirit. In 2019, we invested in improving the well-being of our employees, and promoting bonding between management and employees.

HIT 50th Anniversary Family Day involved around 5,000 employees from HPH, HPH Trust, HIT, external contractors and their family members.

Cooking, wall design competitions, cheer-up activity during peak operating season, 26th Anniversary Celebration and Family Day were held at YANTIAN, encouraging employees to bond with each other in a casual setting.

AWARDS

HIT received the Partner Employer Award (having received this for over 5 years) in recognition of its long-term dedication to providing on-the-job training for young people and helping graduates develop their career paths.

YANTIAN was rated Five Star for the Advanced Enterprise with Harmonious Labour Relations in Yantian District Award.

GOING FORWARD

HPH Trust will continue to enrich learning and development programmes, and roll out initiatives that strengthen employee engagement at all levels of the business. In addition, the Trust plans to further refine the design of its management and leadership development programmes, especially for high-potential candidates in supervisory and management roles. The Trust will also strengthen the skills of its internal trainers.

SUSTAINABILITY REPORT

SAFETY AND SECURITY

Workers and users at container terminals frequently interact with heavy machinery, heavy loads and sometimes hazardous materials, which expose them to a range of health and safety hazards. Keeping all employees, external contractor workers and terminal users safe is the greatest responsibility HPH Trust has as a business. With cyber security becoming a major issue in the age of digitalisation, the Trust places a strong emphasis on protecting the data privacy of all stakeholders.

WHY IT MATTERS

Unsafe working conditions increase the risk of accidents occurring, causing damage to the health and well-being of workers, and having an impact on their families and communities.

Workplace accidents and information security hazards disrupt operations, causing financial loss, reputational damage and loss of trust from stakeholders.

HOW HPH TRUST RESPONDS

The Trust deeply embeds safety in its operations and business culture. It has robust health and safety management systems in place that aim to keep all workers safe as they perform their duties, achieving a record of zero serious injuries or accidents. A strong information security management system is also in place to ensure data is handled and protected in a responsible manner.

RELATED SDGs

2019 HIGHLIGHTS

HIT achieved ISO 45001 certification, which assures its health and safety management system complies with international standards.

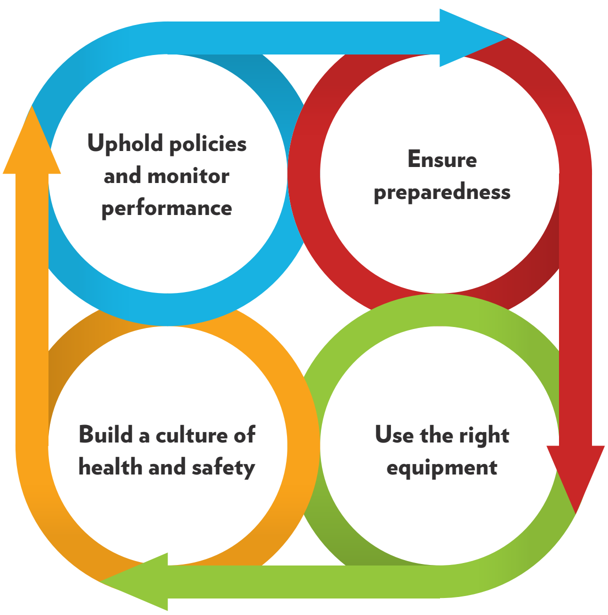
YANTIAN requires its Operations team to conduct emergency drills to enhance their accountability and effectiveness when handling emergency situations.

The Trust had no reported incidents relating to customer privacy compliance, loss of customer data, identified digital attacks or security breaches.

OVERALL APPROACH

- Conduct regular inspections and audits to ensure compliance
- Continue reviewing IT and safety policies for necessary updates
- See health and safety performance data on page 50

- Conduct safety and system drills to enhance the alertness and effectiveness of emergency responses
- Review emergency plans and ensure they are well executed and communicated



- Organise trainings to raise safety awareness among employees and external contractor workers
- Provide updates on the latest safety regulations and related procedures
- Initiate communication programmes to promote operational and system safety awareness

- Procure protective equipment
- Procure hardware and software for data and system protection
- Train users on how to correctly use the equipment

SAFETY RISK MANAGEMENT

The Safety and Health committees at HIT and YANTIAN comprise senior executives and front-line supervisors. The committees were formed to develop, review and monitor the implementation of safety policies and management systems. Through regular meetings, the committees analyse safety hazards and risks, and determine prevention and mitigation measures to minimise the risk of accidents and drive continual improvement. In addition, the committees work closely with functional departments at terminals to ensure relevant policies are effectively enforced, and safety-related measures are properly communicated and implemented. Regular safety inspections and annual safety audits are also conducted to assess the efficiency, effectiveness and reliability of its safety management system.

It is of utmost importance that people working at HPH Trust container terminals are competent in handling emergency situations, reducing the occurrence of incidents, and minimising impacts and losses. HIT and YANTIAN conducted drills with simulated accident scenarios that enable employees to be better equipped in handling emergencies. These drills also enable Operations teams to evaluate the emergency procedures and response plans, and enhance their effectiveness. In 2019, 88 emergency drills were conducted, including fire drills, gas and chemical leaks, and heavy equipment malfunctions. In addition to emergency drills, HIT also conducted one crisis exercise in 2019.

Organised by Yantian District Government and Shenzhen Transportation Bureau, YANTIAN conducted an emergency drill for dangerous goods spill which enabled workers to practise their response procedures.

HIT was awarded with the ISO 45001 certificate for Occupational Health and Safety in 2019.

HIT won the OSH Promotion Award – Merit from the Occupational Safety and Health Council, in recognition of the HIT Anti-Truck Lifting Safety Week.

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH AND SAFETY

HPH Trust strives to promote a safety culture and ensure that everyone at HIT and YANTIAN is aware of, understands and observes all safety procedures. In 2019, HIT and YANTIAN continued to organise occupational health and safety trainings and activities based on the latest safety laws and regulations, personal protection equipment, safety measures and technologies, using multiple channels to raise safety awareness among employees and external contractor workers including workshops, e-Learning platform, posters and briefings.

HIT organised "Kick-off Ceremony of Terminal Driving Safety Week cum Launching Ceremony of Safety Booklet" with COSCO-HIT and ACT to promote driving safety at terminals for front-line workers and truck drivers.

To minimise the risk of traffic accidents, trailers at YANTIAN had devices installed to provide real-time alerts to drivers when any abnormal behaviour is detected.

HEALTH AND SAFETY PERFORMANCE

In addition to HPH Trust's efforts to ensure the safety of employees and external contractor workers, tracking safety performance and continually improving safety management enable the Trust to identify the root cause of safety-related issues and effectively address them. In 2019, there were zero employee and external contractor worker fatalities. The Trust remains committed to achieving its goal of zero serious injuries and accidents.

	Overall	Male	Female
Absentee rate (per 1 million working hours)	**2,212.5**	**2,064.4**	**3,337.8**
No. of absent days	16,811	13,862	2,949
Injury incidence rate (per 1,000 employees)	**6.7**	**7.0**	**4.9**
No. of minor injuries	22	20	2
No. of major injuries	2	2	0
Lost days frequency rate (per 1 million working hours)	**124.3**	**131.1**	**72.4**
No. of lost days	945	881	64

Figures shown include HIT and YANTIAN, as per the reporting scope for 2019

IT SYSTEM AND DATA SECURITY

The Trust treats data privacy as a high priority. Although hardware and firewalls provide basic protections, effective data-handling monitoring procedures are also key elements in a strong system of controls. The Trust works towards zero incidents of its critical IT infrastructure being compromised, and zero loss of or unauthorised access to customer data. In addition to relevant policies and guidelines on systems and data security, regular internal and external audits confirm effective implementation. During the year, HIT and YANTIAN organised cybersecurity drills. Through simulated accident scenarios, employees not only were able to practise their emergency responses, their emergency responses plan were also improved.

The Information Technology departments at HIT and YANTIAN take proactive measures, establish relevant policies and guidelines, and endeavour to keep customer data secure. Moreover, HIT and YANTIAN both received ISO 27001 certification for Information Security Management with annual review conducted in 2019. Partners and suppliers of HPH Trust who have access to customer data are required to adopt best available security measures to ensure data privacy is maintained.

GOING FORWARD

HPH Trust will continually improve the health and safety standards through regular review of safety-related practices, and increase the use of technologies to enhance the quality and efficiency of safety inspection. The Trust will continue to invest in capabilities to prevent, detect and respond to the growing threat of increasingly sophisticated cyber attacks, including expansion of coverage to operational technology.

SUSTAINABILITY REPORT

ENVIRONMENT

HPH Trust believes protecting the environment for the well-being of future generations is imperative to achieving long-term business success. Minimising environmental impacts across all activities is a key focus of the Trust. Alongside the three areas that stakeholders consider most important – energy consumption, ambient air quality and greenhouse gas ("GHG") emissions – the Trust also looked into responsible waste management practices this year, with the aim of better managing its overall environmental footprint.

WHY IT MATTERS

Climate change is causing more severe weather events, which threatens the lives of human and animals. The effects of climate change will also impact energy consumption, fuel use and the global economy, which will in turn affect how shipping and port industries operate.

Tackling climate change presents challenges to the operational continuity of the Trust, and opportunities to accelerate the transition towards a cleaner future.

HOW HPH TRUST RESPONDS

Recognising that businesses play a critical role in addressing climate-related challenges, the Trust closely monitors environmental impacts, and is constantly looking to improve its environmental performance.

The Trust proactively collaborates with employees, business partners and the larger maritime community to build a greener future for all. Coupled with sound environmental systems, the Trust continues to invest in energy-efficient technologies, use cleaner fuels and promote greener operating practices.

RELATED SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

MAJOR AWARDS AND RECONIGITON

HIT has been recognised as a Hong Kong Green Organization by the Environmental Campaign Committee (ECC) since 2016. This certification aims to benchmark green organisations with substantial achievement in green management and multiple environmental aspects.

YANTIAN won the Best Green Container Terminal Award at the 2019 AFLAS Awards on 17 June. This award , hosted annually by Asia Cargo News, recognises leading service providers including shipping lines, seaports and logistics oporators. This is another AFLAS Award won by YANTIAN, following its achievement as the Best Container Terminal Asia in 2018.

SUSTAINABILITY REPORT

ENVIRONMENTAL MANAGEMENT

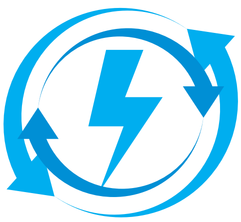
Sound environmental management systems are the cornerstone of green development at HPH Trust. In addition to strict compliance with relevant environmental laws and regulations, HIT[1] and YANTIAN[2] have established their own environmental policies that outline the commitments their team members have made to minimising environmental impacts on air, water and land. Both HIT and YANTIAN adopt internationally recognised management systems – ISO 14001 Environmental Management System, which establishes a solid framework for managing environmental performance. The HPH Trust Steering Committee, with representatives from each business unit, is responsible for reviewing environmental performance to ensure effective implementation of related policies and systems.

ENERGY SAVING AND EMISSIONS REDUCTION

As a socially responsible enterprise, HPH Trust works towards operating low-carbon and energy-efficient terminals. The Trust is committed to reducing energy consumption, GHG emissions and air pollutants by adopting new technologies and best operating practices.

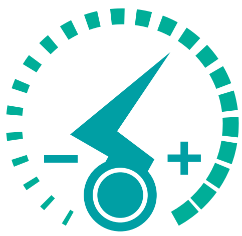
The Engineering and Operations departments lead the efforts to manage environmental performance and set energy-saving and GHG emissions reduction targets at HIT and YANTIAN. To help business units stay on track with these targets, the teams monitor energy use and GHG emissions, while developing necessary action plans to reduce consumption.

HIT phased out all traditional diesel-powered RTGCs and replaced them with electric or hybrid power systems. This replacement has further cut down diesel consumption, GHG emissions and noise generated at operations, while improving operational and cost efficiencies.



TOTAL ENERGY CONSUMPTION
2,388,951
GJ

ENERGY INTENSITY
0.118
GJ PER TEU



GHG EMISSIONS
40.1%
DIRECT GHG EMISSIONS (SCOPE 1)[4]
59.9%
INDIRECT GHG EMISSIONS (SCOPE 2)[5]

Environmental performance[3]	2019	
Direct energy consumption and GHG emissions		
Natural gas	233,877,000	Litre
Liquefied natural gas	10,106,044,000	Litre
Petrol	452,248	Litre
Diesel	32,038,537	Litre
Liquid petroleum gas	213,211	Kg
Indirect energy consumption and GHG emissions		
Purchased electricity	222,740,461	kWh
Energy consumption		
Direct energy consumption	1,587,085	GJ
Indirect energy consumption	801,866	GJ
Total energy consumption	**2,388,951**	**GJ**
Energy intensity	**0.118**	**GJ per TEU**
GHG emissions		
Direct GHG emissions (Scope 1)	108,591	tonnes CO_2e
Indirect GHG emissions (Scope 2)	161,937	tonnes CO_2e
Total GHG emissions	**270,528**	**tonnes CO_2e**
Emission intensity	**13.346**	**kg CO_2e per TEU**

Kg= Kilogram
kWh = Kilowatt hour
GJ = Gigajoule
CO_2e = Carbon dioxide equivalent

1 *For the HIT environmental policy, please refer to hit.com.hk/en/Corporate-Social-Responsibility/Sustainability/Hit-Environmental-Policy.html.*

2 *For the YANTIAN environmental policy, please refer to yict.com.cn/page/policy.html?locale=en_US.*

3 *Figures show include HIT and YANTIAN as per reporting scope for the year 2019. The calculation of direct energy consumption and GHG emissions has been enhanced with the adoption of the following standards:*
- *HIT: Hong Kong: Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)*
- *YANTIAN: Shenzhen: Guidance for quantification and reporting of the organization's greenhouse gas emissions (SZDB/Z 69-2018), General characteristics of liquefied natural gas (GB/T 19204-2003), GHG Protocol Global Warming Potential Values (AR5), GHG Protocol Tool for Energy Consumption in China (Version 2.1), and Baseline emission factors for China's regional power grid emission reduction projects in 2016*

4 *Scope 1 emissions are direct GHG emissions from sources that are controlled by HPH Trust, including emissions from natural gas, liquefied natural gas, petrol, diesel and liquid petroleum gas used on-site.*

5 *Scope 2 emissions are indirected GHG emissions generated from purchased electicity by HPH Trust.*

SUSTAINABILITY REPORT

As a result of strengthening its energy management, YANTIAN obtained ISO 50001 Energy Management certification for more efficient use of energy in 2019. In addition, YANTIAN completed Phase 4 of the Shore Power project in April, which further expanded its mobile shore power systems that now service 16 berths, enabling vessels to connect to cleaner electrical power source while berthed. This allows the vessels to reduce fuel consumption, which in turn reduces air pollutant emissions and noise generation. YANTIAN has also developed an internal mobile application, PAS, to help reduce air pollutant emissions at yards. With PAS, external tractor drivers can now receive real-time yard location details for pick-up or grounding activity, which effectively improves the overall traffic at yards. This in turn reduces fuel consumption for tractors, lowering GHG emissions and improving the overall air quality at yards. In addition, YANTIAN continues to replace obsolete fossil fuel-powered vehicles and mobile machinery with cleaner and more efficient infrastructure. HIT and YANTIAN have both gradually increased the adoption of energy-efficient LED lighting at QCs and RTGCs.

Going Lean at YANTIAN

In order to reduce power consumption and accomplish the goal of establishing a smart, green, and world-class port, the YANTIAN power consumption reduction project has established a power administrator system in accordance with the power consumption principle which is demand-based. From July to October, the electricity consumption of the YICT Building, the office building of the terminal, decreased by 13% compared to the same period last year. This resulted in a saving of 225,840 kWh of electricity, equivalent to approximately RMB140,000. The project is expected to generate an annual saving of RMB400,000 in the coming years.

HPH Trust has been supporting "Go Green", a global environmental initiative in the international ports and maritime community. In 2019, HPH Trust organised tree-planting activities for its staff, their family members and an elderly centre. Over 1,000 shrubs were planted inside the yard area of YANTIAN and at Fung Yuen Butterfly Reserve in Hong Kong. Doing so not only offset carbon emissions in the long run, it also raised environmental awareness to the wider community.

WASTE MANAGEMENT

The Trust is committed to minimising waste by adopting the 3R principles (Reducing, Repurposing, and Recycling): reducing the amount of waste generated, repurposing materials when possible, and diverting waste from landfills through recycling. Recyclable non-hazardous materials – and hazardous materials including waste oil, scrapped metal, waste wood and lead acid batteries – are properly separated, sorted, collected and treated by qualified companies.

HIT has in place recycling programmes on various materials such as paper, inkjet cartridge, metals, rechargeable batteries, and waste oil, which are all handled by qualified contractors. Take lead acid batteries as example, over 1,200 kg of lead acid batteries were collected by HIT in 2019. Apart from regular recycling programmes, HIT also organised new waste reduction campaigns such as an ongoing "No Straw" activity in staff canteen. All these continuous efforts have led HIT to achieve Wastewi$e Certificate in Excellence Level issued by the ECC.

GOING FORWARD

In the coming year, HPH Trust will continue to seek continuous improvement in environmental management, exploring the latest technologies to reduce energy use and GHG emissions. In particular, HIT will enhance energy monitoring in office towers, to better observe energy performance and take necessary actions. YANTIAN will increase the coverage of its shore power system to 17 berths, which will cover 85% of berths at the terminal. Furthermore, YANTIAN will continue to implement remote RTGC and QC control systems, and will gradually replace obsolete vehicles with electric ones.

SUSTAINABILITY REPORT

COMMUNITY ENGAGEMENT

HPH Trust recognises that the continued success of its business is intrinsically linked to the well-being of the communities in which it operates. The Trust endeavours to invest in community engagement activities that show care to elderly citizens, support education and raise environmental awareness. In 2019, the Trust launched new programmes to increase contributions to community development.

CARING FOR ELDERLY CITIZENS

HPH Trust works closely with local community partners to identify social needs and prioritise programmes that best address them. A significant part of this involves encouraging employees to volunteer their time and share their positive energy with the elderly.

Charity sale and auction at HIT

HIT volunteers took the elderly to experience cable car ride

YANTIAN volunteers visited a local welfare centre to deliver Lunar New Year greetings to elderly residents

Children Scholarship Scheme at HIT

Summer internship programmes at YANTIAN

Start Your Journey@Port Programme at HIT

Shenzhen Port Environment Open Day at YANTIAN

Terminal Driving Safety week at HIT

Fingerling Release Event held at YANTIAN

SUPPORTING EDUCATION

HPH Trust believes that investing in education is key to long-term development of the society. The Trust supports education through scholarships and tailored training programmes. By doing so, it rewards outstanding academic performers and encourages young people to join the ports and logistics industry.

RAISING ENVIRONMENTAL AND SAFETY AWARENESS

Aside from focusing on environmental and safety initiatives in daily operations, the Trust rolls out activities to promote environmental awareness among members of the public, through its network of employees and partners.

SUSTAINABILITY REPORT

MEMBERSHIPS AND ASSOCIATIONS

HIT

British Chamber of Commerce in Hong Kong

Business Environment Council

Employers' Federation of Hong Kong

Hong Kong Container Terminal Operators Association

Hong Kong General Chamber of Commerce

Hong Kong Logistics Association

Hong Kong Maritime Museum Trust

Sailors Home and Mission to Seamen

The Chartered Institute of Logistics and Transport

The Merchant Service Club

YANTIAN

China Communications and Transportation Association

China Port Association

China Promotion Consortium for Special Equipment Safety and Energy-saving

China Water Transportation Construction Association

Guangdong Port & Harbours Association

Industry Association, Guangdong Shenzhen Customs Brokers Association

Refrigeration Logistics Special Interest Committee of Guangdong Logistics

Shenzhen Association for Friendship with Foreign Countries

Shenzhen Association of Enterprises with Foreign Investment

Shenzhen Container Yard Association

Shenzhen Entry & Exit Inspection and Quarantine Association

Shenzhen Federation of Returned Overseas Chinese

Shenzhen Ports Association

Shenzhen Port Facility Security Association

Shenzhen Publishers Association

Shenzhen Society of Macroeconomics

The Radio Association of China

GRI CONTENT INDEX

General Disclosures

GRI Standard 102: General Disclosures 2016

Disclosure	Description	Page, reference or additional comment
Organisational profile		
102-1	Name of the organisation	Hutchison Port Holdings Trust (“HPH Trust” or “Trust”)
102-2	Activities, brands, products, and services	Pages 2-7
102-3	Location of headquarters	The place of business for the Trustee-Manager in Hong Kong is at HIT in Kwai Tsing, Hong Kong
102-4	Location of operations	Pages 2-7
102-5	Ownership and legal form	Pages 2-3
102-6	Markets served	Pages 2-7
102-7	Scale of the organisation	Pages 2-7, 45
102-8	Information on employees and other workers	Pages 41, 45
102-9	Supply chain	Page 41
102-10	Significant changes to the organisation and its supply chain	No significant change
102-11	Precautionary principle and approach	Pages 37, 62-85
102-12	External initiatives	Page 56
102-13	Membership of associations	Page 56
Strategy		
102-14	Statement from the most senior decision-maker	Pages 10-11
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Page 36
Governance		
102-18	Governance structure	Pages 37, 62-85
Stakeholder engagement		
102-40	List of stakeholder groups	Page 39
102-41	Collective bargaining agreements	Not applicable for HIT as the Hong Kong Employment Ordinance does not provide for collective bargaining agreements. 100% of employees at YANTIAN are covered by collective negotiation
102-42	Identifying and selecting stakeholders	Page 39
102-43	Approach to stakeholder engagement	Pages 37, 39
102-44	Key topics and concerns raised	Pages 38-39
Reporting practice		
102-45	Entities included in the consolidated financial statements	Pages 88-147
102-46	Defining report content and topic boundaries	Page 38
102-47	List of material topics	Page 38
102-48	Restatements of information	There are no restatements of information
102-49	Changes in reporting	No significant changes

SUSTAINABILITY REPORT

Disclosure	Description	Page, reference or additional comment
Reporting practice		
102-50	Reporting period	1 January to 31 December 2019
102-51	Date of most recent report	Annual Report 2018
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	ir@hphtrust.com
102-54	Claims of reporting in accordance with the GRI Standards	Page 36
102-55	GRI content index	Pages 57-59
102-56	External assurance	No external assurance was sought for this report

Specific Disclosures

GRI Standard	Disclosure	Description	Page, reference or additional comment
ENVIRONMENT			
Topic: Energy consumption			
GRI 103: Management Approach 2016			Pages 52-54
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Page 53
	302-3	Energy intensity	Page 53
Topic: GHG emissions			
GRI 103: Management Approach 2016			Pages 52-54
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Page 53
	305-2	Indirect (Scope 2) GHG emissions	Page 53
	305-4	GHG emission intensity	Page 53
Topic: Ambient air quality			
GRI 103: Management Approach 2016			Pages 52-54
Non-GRI		Use of clean engines and fuels	Pages 53-54
RESPONSIBLE BUSINESS			
Topic: Anti-bribery and anti-corruption			
GRI 103: Management Approach 2016			Page 40
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Pages 40-41
	205-3	Confirmed incidents of corruption and actions taken	Page 40
Topic: External contractor workers management			
GRI 103: Management Approach 2016			Page 41
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Page 41
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Page 41

SUSTAINABILITY REPORT

GRI Standard	Disclosure	Description	Page, reference or additional comment
Topic: Technology and operational efficiency			
GRI 103: Management Approach 2016			Pages 20-22, 40, 42
Non-GRI		Measuring efficiency	Pages 20-22, 42
Non-GRI		Operational excellence awards or recognition	Pages 12-16, 42
Topic: Customer service			
GRI 103: Management Approach 2016			Pages 40, 43
Non-GRI		Customer complaints received	Page 43
RESPONSIBLE EMPLOYER			
Topics: Recruitment and retention, Employee engagement and well-being			
GRI 103: Management Approach 2016			Pages 44-47
GRI 401: Employment 2016	401-1	New employee hires and turnover	Page 45
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 45
Topic: Learning and development			
GRI 103: Management Approach 2016			Pages 44-46
GRI 404: Training & Education 2016	404-1	Average hours of training per employee	Page 46
	404-2	Programmes for updating employee skills and transition assistance programmes	Page 46
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 45
SAFETY AND SECURITY			
Topic: Safety risk management			
GRI 103: Management Approach 2016			Pages 48-49
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 48
Non-GRI		Emergency preparedness and response	Pages 48-49
Topic: Occupational health and safety			
GRI 103: Management Approach 2016			Pages 48, 50
GRI 403: Occupational Health & Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	Page 49
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 50
Topic: IT systems and data security			
GRI 103: Management Approach 2016			Pages 48, 51
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 48
Non-GRI		Data security incidents	Page 48

INVESTOR RELATIONS

Open and up-to-date communication is the cornerstone of the investor relations philosophy of the Trust. HPH Trust strives to provide unitholders and investment communities with adequate, accurate and timely disclosures on material corporate developments to support informed investment decisions.

FINANCIAL RESULTS AND CORPORATE LITERATURE

HPH Trust recognises the importance of releasing sensitive information in a timely manner. It maintains a current corporate website to communicate and engage with stakeholders. The Investor Relations team ensures all announcements relating to financial performance and strategic corporate developments are promptly disseminated via different media, including hphtrust.com and the SGX online portal, SGXNET.

HPH Trust publishes its 2019 annual report in April 2020. This report is available on SGXNET and hphtrust.com. It is distributed as a CD-ROM to all unitholders, and printed copies are available on request.

Investors and stakeholders can refer to hphtrust.com as their first point of reference. HPH Trust regularly updates the Investor Centre section of the website, which includes an online repository of all news releases, SGXNET announcements, financial results, presentation materials, annual reports, unit price history and related charts, and other relevant corporate information. Unitholders may direct their enquiries and concerns to the HPH Trust Investor Relations team via the contact details listed on hphtrust.com. Interested parties can also register for email alerts, so they can be notified of newly posted information.

The Trustee-Manager periodically organises physical briefings for analysts, fund managers, equity stakeholder representatives and various other investor groups. Following the release of its full-year results, the management team holds its Annual General Meeting in Singapore. Unitholders are encouraged to attend and receive updates in person from the Board and the management team, and to participate in a question-and-answer session.

CONFERENCES, BRIEFINGS AND ROADSHOWS

Nurturing and sustaining strong, long-term relationships with investors is central to the corporate strategy of the Trust. Members of the management team regularly participate in investor conferences, small-group and one-on-one meetings, conference calls and non-deal roadshows, to cultivate and maintain an open dialogue with global investor and financial analyst communities.

In 2019, the management team met with around 250 analysts and investors from around the world, in individual discussions and larger group events such as investor conferences. The management team participated in roadshows and key investor conferences, including the Deutsche Bank 17th Annual dbAccess China Conference 2019, the HSBC 13th Annual Transport and Logistic Conference, the Goldman Sachs China Conference 2019, the Citi 16th Annual Asia Pacific Investor Conference 2019 and SGX Corporate Day.

RESEARCH COVERAGE

As part of its ongoing efforts to maintain a high level of investor engagement, the Trustee-Manager actively engages analysts to extend its research coverage, and thereby cements its relationships with investors. Investors can use regular research and analysts' reports to remain up to date on the Trust's operational progress and financial position.

During the financial year, seven research houses covered the Trust, including DBS, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan, OCBC and UBS.

CORPORATE INFORMATION

TRUSTEE-MANAGER

Hutchison Port Holdings Management Pte. Limited
(incorporated in the Republic of Singapore with limited liability)

BOARD OF DIRECTORS

Chairman and Non-executive Director
Mr. FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)

Executive Director
Mr. IP Sing Chi, BA

Non-executive Directors
Ms. Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCG (CS, CGP), FCS (CS, CGP) (PE)
Ms. TSIM Sin Ling, Ruth, MBA, FHKICPA

Independent Non-executive Director and Lead Independent Director
Mrs. SNG Sow-Mei (alias POON Sow Mei), BA, PPA(P)

Independent Non-executive Directors
Mr. CHAN Tze Leung, Robert, BSc (Econ), MBA, FHKIOD
Dr. FONG Chi Wai, Alex, BSS, MTM, MSGF, DBA, FCILT, FHKIOD
Mr. Graeme Allan JACK, BCom, CA (ANZ), FHKICPA
Mr. WONG Kwai Lam, BA, PhD

AUDIT COMMITTEE

Mr. Graeme Allan JACK (Chairman)
Mr. CHAN Tze Leung, Robert
Mrs. SNG Sow-Mei (alias POON Sow Mei)

REGISTERED OFFICE

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

COMPANY SECRETARY

Ms. KIM Yi Hwa

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

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

AUDITOR

PricewaterhouseCoopers LLP
7 Straits View
Level 12, Marina One, East Tower
Singapore 018936
Telephone: (65) 6236 3388
Fax: (65) 6236 3300
Partner-in-charge: Ms. Charlotte HSU Yuh Feng
Date of appointment: 3 February 2016

PRINCIPAL BANKERS

DBS Bank Ltd
Bank of China Ltd
China Construction Bank Corporation
Industrial and Commercial Bank of China Ltd
Standard Chartered Bank (Hong Kong) Ltd
The Hongkong and Shanghai Banking Corporation Ltd

CORPORATE DIRECTORY

Company Registration No.: 201100749W
Website: hphtrust.com

CORPORATE GOVERNANCE REPORT

HPH Trust is a business trust constituted under the Business Trusts Act, Chapter 31A of Singapore ("BTA"). Hutchison Port Holdings Management Pte. Limited ("Trustee-Manager") as the trustee-manager of HPH Trust is responsible for managing the business of HPH Trust as defined in the deed of trust dated 25 February 2011 and amended by the first supplemental deed dated 28 April 2014 (collectively, "Trust Deed").

The Trustee-Manager strives to attain and maintain high standards of corporate governance best suited to the needs and interests of HPH Trust group of companies ("Group") as it believes that effective corporate governance practices are fundamental to safeguarding interests of unitholders and other stakeholders and enhancing unitholder value. Accordingly, the Trustee-Manager has adopted and applied corporate governance principles that emphasise a quality Board of Directors ("Board"), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Board sets out in this report the corporate governance principles and practices put in place for the financial year ended 31 December 2019 with reference to the BTA, the Business Trusts Regulations 2005 ("BTR"), the Code of Corporate Governance 2018 ("Code") and the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual").

HPH Trust has complied throughout the financial year ended 31 December 2019 with all the principles and provisions of the Code, where applicable. The reasons for deviations from the provisions of the Code are explained in this report.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1

Principal Duties of the Board

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

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

HPH Trust has in place, among others, an Internal Control Manual which includes a code of conduct that sets the tone for the Group in respect of ethics, values, the desired organisational culture and the proper accountability with the Group, the Finance Manual and the Legal and Regulatory Compliance Manual.

Procedures are instituted to deal with conflicts of interest issues. Except for those circumstances permitted by the constitution of the Trustee-Manager, the Trust Deed of HPH Trust and the SGX-ST Listing Manual, a Director would abstain from voting on resolutions approving any contract, transaction, arrangement in which he or she or any of his or her close associates is materially interested in and such Director is not counted for quorum determination purposes.

The Board has established an Audit Committee ("AC") with clear terms of reference to assist it in discharging its responsibilities. Details and the terms of reference for the AC are described in subsequent sections of this report. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

CORPORATE GOVERNANCE REPORT

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

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

(a) matters in relation to the overall strategy and management of the Group;

(b) material changes to the Group's capital or corporate structure;

(c) matters involving financial reporting and distributions;

(d) major investments, major capital projects and material transactions not in the ordinary course of business;

(e) transactions between the Trustee-Manager for and on behalf of HPH Trust and any of its related parties; and

(f) matters which require Board approval as specified under the SGX-ST Listing Manual, BTA or other relevant laws and regulations.

The Board held four Board meetings in 2019 with 100% Director attendance. The Company Secretary and the Deputy Company Secretary attended all board meetings held in 2019.

NAME OF DIRECTOR	ATTENDED / ELIGIBLE TO ATTEND
Chairman and Non-executive Director	
Mr. Fok Kin Ning, Canning	4/4
Executive Director	
Mr. Ip Sing Chi	4/4
Non-executive Directors	
Ms. Edith Shih	4/4
Ms. Tsim Sin Ling, Ruth	4/4
Independent Non-executive Directors	
Mr. Chan Tze Leung, Robert	4/4
Dr. Fong Chi Wai, Alex(2)	N.A.
Mr. Graeme Allan Jack	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Kevin Anthony Westley(1)	4/4
Mr. Wong Kwai Lam	4/4

(1) Resigned with effect from 11 February 2020
(2) Appointed with effect from 11 February 2020

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

CORPORATE GOVERNANCE REPORT

The Board does not set the maximum number of board representations which a Director may hold but confirmation is received from each Director that he or she has provided sufficient time and attention to the affairs of HPH Trust. In addition, Directors disclose to the Trustee-Manager in a timely manner their other principal commitments, such as directorships in other public listed companies and major appointments as well as update the Trustee-Manager on any subsequent changes. The Board, on the basis of the foregoing, is satisfied that the Directors have given sufficient time and attention to the affairs of the Trustee-Manager and HPH Trust.

To enable Directors to fully discharge their duties and obligations, each Director has been furnished with the Legal and Regulatory Compliance Manual, the Internal Control Manual and Finance Manual setting forth comprehensive internal guidelines on matters relating to internal control and finance.

Access to information

Management recognises the importance of complete, adequate and timely information flow to the Board. With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

At every AC meeting, the Chief Financial Officer ("CFO"), Ms. Lee Tung Wan, Diana briefs the AC members on developments in accounting and governance standards.

At every quarterly Board meeting, the CEO and/or CFO provide business updates and highlights of HPH Trust's quarterly accounts. The scope of such update includes general economic conditions and how it affects HPH Trust's business, overview of industry trends and developments, and developing trends.

Between scheduled meetings of the Board, Management provides to Directors, on a regular basis, financial performance reports of key operating entities of the Group and other relevant information with respect to the performance, business activities and development of the Group. Throughout the year, Directors participate in the deliberation and approval of routine and operational matters of the Trustee-Manager, on behalf of HPH Trust, by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the CEO, CFO or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held.

In addition, Directors have unrestricted access to Management, the Company Secretary, Deputy Company Secretary and independent professional advisers at the expense of HPH Trust at all times whenever deemed necessary by Directors. They are at liberty to propose appropriate matters for inclusion in Board agendas.

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

Directors' induction and training

Upon appointment to the Board, Directors receive a formal letter of appointment setting out directors' duties and a comprehensive and tailored induction to the Group's businesses, strategic direction and governance practice by senior executives. A pack of orientation materials which include detailed information of the Trustee-Manager and the Group, duties as a director and/or AC member (as the case may be) and how to discharge those duties, as well as internal governance policy of the Group is also provided to the Directors. New director is taken through such orientation materials at an induction session, including attending site visits.

The Trustee-Manager arranges and provides continuous professional development ("CPD") training such as seminars, webcasts and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed entity director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also counts towards CPD training.

CORPORATE GOVERNANCE REPORT

The Directors are required to provide the Trustee-Manager with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2019 is summarised as follows:

	AREAS		
NAME OF DIRECTOR	LEGAL AND REGULATORY	CORPORATE GOVERNANCE / ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES	GROUP'S BUSINESSES / DIRECTORS' DUTIES
Chairman and Non-executive Director			
Mr. Fok Kin Ning, Canning	✓	✓	✓
Executive Director			
Mr. Ip Sing Chi	✓	✓	✓
Non-executive Directors			
Ms. Edith Shih	✓	✓	✓
Ms. Tsim Sin Ling, Ruth	✓	✓	✓
Independent Non-executive Directors			
Mr. Chan Tze Leung, Robert	✓	✓	✓
Dr. Fong Chi Wai, Alex[(2)]	N.A.	N.A.	N.A.
Mr. Graeme Allan Jack	✓	✓	✓
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	✓	✓	✓
Mr. Kevin Anthony Westley[(1)]	✓	✓	✓
Mr. Wong Kwai Lam	✓	✓	✓

(1) Resigned with effect from 11 February 2020
(2) Appointed with effect from 11 February 2020

The appointment and removal of the Company Secretary is subject to Board approval. During the year, Mr. Lai Kuan Loong Victor resigned as Joint Company Secretary of the Trustee-Manager while Ms. Kim Yi Hwa remains as the Company Secretary of the Trustee-Manager.

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

Board Composition and Guidance

Principle 2

As at 31 December 2019, the Board comprised nine Directors, of whom five were independent and non-executive.

Mr. Kevin Anthony Westley resigned as Independent Non-executive Director and Dr. Fong Chi Wai, Alex, was appointed as Independent Non-executive Director with effect from 11 February 2020. Having considered the qualification, expertise and experience in the transportation and logistics industry of Dr. Fong Chi Wai, Alex, including his past positions as the Secretary to the Hong Kong Port and Maritime Board and the Hong Kong Logistics Development Council, the Board is of the view that Dr. Fong is an appropriate director for the Trustee-Manager and will be able to contribute to the Board.

CORPORATE GOVERNANCE REPORT

Board appointment has been, and will continue to be, made based on attributes that complement and expand the skill set, experience and expertise of the Board as a whole, taking into account the following principles:

(a) The majority of Board members should be non-executive and independent Directors;

(b) The chairman of the Board should be a non-executive Director;

(c) The Board should comprise Directors with a wide range of commercial and management experience, which provides an appropriate balance of diversity of skills, experience, gender and industry knowledge; and

(d) At least a majority of the Directors should be independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

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

The Board has adopted a Board Diversity Policy which recognises the benefits of a Board that possesses a balance of skills set, experience, expertise and diversity of perspectives appropriate for the strategies of HPH Trust. The Trustee-Manager believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value.

The Board Diversity Policy is available on the HPH Trust's corporate website. The Board reviews and monitors from time to time the implementation of the policy to ensure its continued effectiveness.

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

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

Directors' Independence

The Board has assessed the independence of all the Independent Non-executive Directors having regard to the independence criteria as set out in the SGX-ST Listing Manual, the BTR and the Code. Declarations of independence were provided by the Directors.

The Board considers all of them to be independent in accordance with the provisions of the SGX-ST Listing Manual because none of them (i) have been employed by the Trustee-Manager or any of its related corporations for the current financial year or any of the past three financial years of the Trustee-Manager, (ii) have an immediate family member who is or has been in any of the past three financial years, employed by the Trustee-Manager or any of its related corporations and whose remuneration is determined by the Board.

A Director is considered to be independent in accordance with the provisions of the BTR if he or she is independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

CORPORATE GOVERNANCE REPORT

Messrs. Chan Tze Leung, Robert, Kevin Anthony Westley (resigned with effect from 11 February 2020) and Wong Kwai Lam are considered to be independent from management and business relationships with the Trustee-Manager, and from every substantial shareholder(s) of the Trustee-Manager. Construed within the context of the BTR, Mr. Graeme Allan Jack, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Fong Chi Wai, Alex (appointed with effect from 11 February 2020) are considered to be independent from management and business relationships with the Trustee-Manager, but not independent from the substantial shareholder of the Trustee-Manager. With respect to Mr. Jack, Mrs. Sng and Dr. Fong, the Board has in its review taken the following into consideration:

In the case of Mrs. Sng, notwithstanding that she is currently an independent non- executive director and a member of the audit committee and nomination committee of CK Infrastructure Holdings Limited ("CKI"), which is listed in Hong Kong, the Directors noted that these roles should not interfere with her ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

(i) Mrs. Sng does not have any relationship with the chief executive officer, members of the management team, board of directors or major shareholders of CKI;

(ii) she is not involved in the day-to-day management and operation of CKI;

(iii) she does not own any shares of CKI;

(iv) she exercises independent judgment as a member of the audit committee of CKI, in particular on interested person transactions and on internal audit control and management; and

(v) CKI, which she is currently an independent non-executive director is in different businesses from HPH Trust.

As such, given her extensive experience and qualifications, she is able to contribute as an Independent Director on the Board.

In the case of Mr. Jack, notwithstanding that he is currently an independent non-executive director, chairman of the audit committee and a member of the remuneration committee and nomination committee of Hutchison China MediTech Limited ("China Med"), the Directors noted that these roles should not interfere with his ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

(i) Mr. Jack does not have any relationship with the chief executive officer, members of the management team, board of directors or major shareholder of China Med;

(ii) he is not involved in the day-to-day management and operation of China Med;

(iii) he does not own any shares in China Med and his wife is only a minority shareholder of China Med holding 3,000 American Depositary Shares, representing about 0.002% issued shares of China Med;

(iv) he exercises independent judgment as an independent non-executive director of China Med, in particular on interested person transactions and on internal audit control and management; and

(v) China Med is in different businesses from HPH Trust.

As such, given his extensive experience and qualifications, he is able to contribute as an Independent Director on the Board.

In the case of Dr. Fong, notwithstanding that he is currently an independent non-executive director, chairman of the remuneration committee and a member of audit committee of Tom Group Limited; an independent non-executive director, a member of the remuneration committee and nomination committee of HK Electric Investments Limited; an independent non-executive director of HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments); a director of The Hongkong Electric Company, Limited (collectively, the "Companies"), the Directors noted that these roles should not interfere with his ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

(i) Dr. Fong does not have any relationship with the chief executive officer, members of the management team, board of directors or major shareholders of the Companies;

(ii) he is not involved in the day-to-day management and operation of the Companies;

CORPORATE GOVERNANCE REPORT

(iii) he does not own any shares in the Companies;

(iv) he exercises independent judgment as an independent non-executive director/a director of the Companies, in particular on interested person transactions and on internal audit control and management; and

(v) the Companies are in different business from HPH Trust.

As such, given his extensive experience and qualifications, he is able to contribute as an Independent Director on the Board.

Having carried out the review, the Board is satisfied that the relationships described above will not interfere with independent judgment and ability to act with regard to the interests of all the unitholders of HPH Trust as a whole of Mrs. Sng, Mr. Jack or Dr. Fong. Accordingly, the Board has, pursuant to Regulation 12(6) of the BTR, determined that Mrs. Sng Sow-Mei (alias Poon Sow Mei), Mr. Graeme Allan Jack and Dr. Fong Chi Wai, Alex are independent.

As Mrs. Sng is a director of CKI, she will not participate in any discussions of the Board in relation to any transactions with CKI or any matters that might give rise to a conflict of interests with CKI and shall abstain from voting on any such proposals at any meeting of the Board. As Mr. Jack is a director of China Med, he will not participate in any discussion of the Board in relation to any transactions with China Med or any matters that might give rise to a conflict of interests with China Med and shall abstain from voting on any such proposals at any meeting of the Board and as Dr. Fong is a director of the Companies, he will not participate in any discussions of the Board in relation to any transactions with any of the Companies or any matters that might give rise to a conflict of interests with any of the Companies and shall abstain from voting on any such proposals at any meeting of the Board.

Under the letter of appointment, the Directors are required to report changes of circumstances at any time which may affect their independence.

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

Chairman and CEO

Principle 3

The role of the Chairman is separate from that of the CEO and they are not immediate family members. The Chairman is a non-executive director and is not part of the management team. Such division of responsibilities reinforces the independence and increases accountability of the Board.

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

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

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4

As at 31 December 2019, the Board comprised nine Directors, including the Chairman, one Executive Director, two Non-executive Directors and five Independent Non-executive Directors. There is no change to the board composition subsequent to the change of Directors with effect from 11 February 2020. Biographical details of the Directors are set out on pages 26 to 30 of the Annual Report and on HPH Trust's corporate website.

Pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, the corporate governance provision stipulated in Rule 210(5)(e) of the SGX-ST Listing Manual does not apply to HPH Trust.

No Nominating Committee has been established as the Trustee-Manager and not HPH Trust appoints all the Directors. The Trustee-Manager has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Trustee-Manager that the Board collectively reviews, determines and approves the structure, size, diversity profile and skill set of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the CEO. To this end, the Board is mindful of having an appropriately structured recruitment, selection and training programme at appropriate levels so as to identify and prepare suitable talents for Board positions. Further details of HPH Trust's Board Diversity Policy are set out in the section "Board Composition and Guidance" above.

From time to time, new Directors may be identified by the Board for appointment, if necessary, to complement and expand the skill set, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural, educational background, the Board Diversity Policy, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board. Dr. Fong Chi Wai, Alex was appointed to succeed Mr. Kevin Anthony Westley as Independent Non-executive Director of the Trustee-Manager with effect from 11 February 2020.

No alternate director is appointed to the Board.

Board Performance

Principle 5

Pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, provision 5.1 of the Code does not apply to HPH Trust.

Evaluation of the performance of the Board as a whole and the AC together with the Directors was conducted by evaluation questionnaires. The findings of the questionnaires were evaluated and discussed by the Directors. The objective of such evaluation is to ensure that the Board, the AC and the Directors continued to act effectively in fulfilling the duties and responsibilities expected of them. The performance criteria included amongst other criteria, the composition, expertise, leadership and processes of the Board and its committee. The contribution and performance of Chairman and individual directors are taken into account in their re-appointment. The Directors' attendance, participation in and out of meetings, his or her special skills and contributions are taken into consideration. The Trustee-Manager believes that the effectiveness of the Directors' individual performance is best assessed by a qualitative assessment of a Director's contribution instead of focusing on the time committed to the Group. The Trustee-Manager considers that the existing practice is effective.

The Board has reviewed and is satisfied that it has met its performance objectives and each Director has contributed positively to the overall effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6

Pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, provision 6.1 of the Code does not apply to HPH Trust.

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

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

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

Level and Mix of Remuneration

Principle 7

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

The remuneration of the Board is determined by the Trustee-Manager with reference to the contribution, taking into account effort, time spent and responsibilities as well as remuneration benchmarks from other listed business trusts. The Directors are remunerated directly by the Trustee-Manager, not by HPH Trust. Given its confidential and sensitive nature, it may not be in the best interest of the Trustee-Manager and HPH Trust to disclose the remuneration package of individual Directors. The remuneration of the Trustee-Manager which is paid out of HPH Trust is provided for in the Trust Deed, fees paid to the Trustee-Manager for the financial year ended 31 December 2019 are set out on page 138 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8

The table below disclosed (a) the remuneration of the CEO and (b) in bands of S$250,000, the remuneration of the top five key management personnel (other than the CEO) for the financial year ended 31 December 2019:

Key management personnel	Salary (%)	Variable (%)	Benefits (%)	Total (%)
S$1,000,001 to S$1,250,000				
Mr. Lam Hing Man, Patrick CEO (Appointed on 13 July 2019) Managing Director, YANTIAN	39%	60%	1%	100%[1 & 2]
S$750,001 to S$1,000,000				
Mr. Yim Lui Fai, Gerry CEO (Retired on 13 July 2019) Managing Director, HIT (Retired on 13 July 2019)	32%	65%	3%	100%[1]
Ms. Lee Tung Wan, Diana CFO and Investor Relations Officer Finance and Legal Director and Company Secretary, YANTIAN	54%	41%	5%	100%[2]
S$500,001 to S$750,000				
Mr. Shum Kai Shing, Lawrence Managing Director, COSCO-HIT	59%	35%	6%	100%[2]
Mr. Tang Hin Kee, Edward Operations Director General Manager - Operations, YANTIAN	52%	46%	2%	100%[2]
Mr. Su Yu Nin, Eric Engineering Director General Manager - Engineering, YANTIAN	62%	32%	6%	100%[2]
S$250,001 to S$500,000				
Mr. Fung Kam Hung, Leonard Managing Director, HIT (Appointed on 13 July 2019)	56%	38%	6%	100%[2]

Notes:

1 The total remuneration paid to Mr. Yim Lui Fai, Gerry as the CEO for the period from 1 January 2019 to 12 July 2019 was S$977,000, most of which was paid by HIT in relation to his role as Managing Director of HIT and the remainder was paid by the Trustee-Manager (out of its own account).

The total remuneration paid to Mr. Lam Hing Man, Patrick as the CEO for the period from 13 July 2019 to 31 December 2019 was S$607,000, most of which was paid by YANTIAN in relation to his role as Managing Director of YANTIAN and the remainder was paid by the Trustee-Manager (out of its own account).

2 Most of the aggregate compensation of the relevant key management personnel was paid by the relevant operating subsidiaries of the Group (i.e. HIT to Mr. Fung Kam Hung, Leonard in relation to his role as Managing Director of HIT for the period from 13 July 2019 to 31 December 2019; YANTIAN to Mr. Lam Hing Man, Patrick in relation to his role as Managing Director of YANTIAN; Ms. Lee Tung Wan, Diana in relation to her role as Finance and Legal Director and Company Secretary of YANTIAN; Mr. Tang Hin Kee, Edward in relation to his role as General Manager – Operations of YANTIAN; Mr. Su Yu Nin, Eric in relation to his role as General Manager – Engineering of YANTIAN and COSCO-HIT to Mr. Shum Kai Shing, Lawrence in relation to his role as Managing Director of COSCO-HIT), and the remainder of the aggregate compensation of each of the relevant key management personnel was paid by the Trustee-Manager (out of its own account). In 2019, the total remuneration paid to the above key executives (excluding the CEO) was S$3,641,000.

3 Remuneration of key management personnel are paid in Hong Kong dollar ("HK$") while the table above reflects the remuneration translated in Singapore dollar ("S$") based on the 2019 average HK$/S$ exchange rate. Therefore, the remuneration set out in the table above are subject to currency exchange rates fluctuations.

CORPORATE GOVERNANCE REPORT

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

There is no employee of the Trustee-Manager and the Group who is a substantial shareholder of the Trustee-Manager or a substantial unitholder of the Trust, an immediate family member of the Directors, the CEO or a substantial shareholder of the Trustee-Manager or a substantial unitholder of the Trust, and whose remuneration exceeded S$100,000 during the financial year ended 31 December 2019.

The Group currently does not have any compensation plan in the form of unit option scheme or arrangement to enable the key management personnel to acquire units in HPH Trust. There are no existing or proposed service agreements with the CEO and the key management personnel of HPH Trust that provide for benefits upon termination of appointment, retirement or post-employment.

The remuneration of the Trustee-Manager is provided for in the Trust Deed. The Trustee-Manager is entitled under the Trust Deed to management fees, acquisition fee, divestment fee and development fee based on pre-agreed mechanisms set out in the Trust Deed. Fees paid to the Trustee-Manager for the financial year ended 31 December 2019 are set out on page 138 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9

The Board has overall responsibility for the Group's systems of risk management and internal controls, to safeguard the interests of the Group and the unitholders.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. The Board evaluates and determines the nature and extent of the risks that the Trustee-Manager is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. Reporting and review activities include review by the Board and approval of detailed operational and financial reports, budgets and plans provided by management of the business operations, review by the Board of actual results against budget, review by the AC of the ongoing work of the Group's internal audit and risk management functions, as well as regular business reviews by the Executive Director, CEO, CFO and the executive management team of each core business division.

On behalf of the Board, the AC regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Internal Control Environment and Systems

Managing Directors or General Managers are appointed to the boards of all material operating subsidiaries and associated companies for monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and business strategies with associated risks identified and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies, and similarly management of each business is accountable for its conduct and performance. The CEO monitors the performance and reviews the risk profiles of the Group companies on an on-going basis.

CORPORATE GOVERNANCE REPORT

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Director.

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

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

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

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

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place, requiring the executive management team and senior management of each core business unit to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the Risk Management Report described later in this report and the independent assessments by the auditors, form part of the bases on which the AC formulates its opinion on the Group's risk management and internal control systems.

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

Review of Risk Management and Internal Controls Systems

The Trustee-Manager regularly reviews the business and operational activities of HPH Trust to identify areas of significant business risk, assess how the risks are being managed, as well as take appropriate measures to control and mitigate these risks. HPH Trust adopts the Enterprise Risk Management framework which is consistent with the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework. The framework facilitates a systematic approach to the management of risks within the Group, coupled with a strong internal control environment, enabling the Group to effectively manage the risks it faces, be they strategic, financial, operational or compliance.

Risk management is an integral part of the day-to-day operations and management of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the CEO, CFO and the Management about current and emerging risks, their possible impact and mitigation measures. These measures include instituting additional controls and safeguards and deploying appropriate insurance instruments to eliminate or minimise any potential financial, compliance or other risks to the Group's businesses. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business unit as well as discussions and reviews by the CEO and CFO and the Management. On a half-yearly basis, each core business unit is required to identify and assess the significant risks their business faces, and record them in the relevant risk register. Mitigation measures and plans are also registered to facilitate review and tracking of progress. These risk registers are considered by the CEO and CFO who take a holistic assessment of all the significant risks that the Group faces.

CORPORATE GOVERNANCE REPORT

The composite risk register, as confirmed by the CEO and CFO, forms part of the Risk Management Report for review and approval by the AC on a half-yearly basis. The AC, on behalf of the Board, reviews the report to ensure that all significant risks are identified and appropriately managed.

The Board has received assurance from (i) the CEO and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of HPH Trust's operations and finances and (ii) the CEO and other relevant key management personnel that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment for the financial year ended 31 December 2019.

The Board, through the AC, has conducted a review of the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the financial year ended 31 December 2019. Based on such reviews and the work performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems addressing material financial, operational, compliance and information technology risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2019. Such review covered reviews on the Group's compliance with terms provided for in the right of first refusal agreement ("ROFR Agreement") and the non-compete agreement ("Non-Compete Agreement"), both dated 28 February 2011 and amended by the respective amendment agreement dated 22 December 2015, entered into between HPH and the Trustee-Manager, in its capacity as the trustee-manager of HPH Trust. Details of the ROFR Agreement and Non-Compete Agreement are set out in the "Statement of Policies and Practices" section on pages 78 and 79 of the Annual Report. In addition, it has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee

Principle 10

As at 31 December 2019, the AC comprised three Independent Non-executive Directors who possessed the relevant business, accounting and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of HPH Trust. It is chaired by Mr. Graeme Allan Jack with Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Chan Tze Leung, Robert as members.

The AC held four meetings in 2019 with 100% attendance.

Name of Member	Attended/Eligible to attend
Mr. Graeme Allan Jack (Chairman)	4/4
Mr. Chan Tze Leung, Robert	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4

In 2019, the AC performed the duties and responsibilities under its terms of reference and other duties of the Code.

Acting in accordance with its terms of reference, throughout the year the AC oversees the relationship between the Trustee-Manager and its external auditor and external audit process, reviews the Group's quarterly and full-year results and financial statements, and formal announcements relating to the Group's financial performance, oversees the Group's internal control and risk management function, monitors compliance with statutory and the SGX-ST Listing Manual requirements, reviews the scope, extent and effectiveness of the activities of the Group's internal audit function, oversees interested person transactions of the Group. Under its terms of reference, the AC is also required to report to the Board any inadequacies or deficiencies or matters of concern within its terms of reference and engage independent legal and other advisers and perform investigations as it determines to be necessary. The AC considers and makes recommendations to the Board on the appointment, re-appointment and removal of the external auditors, their remuneration and terms of engagement.

CORPORATE GOVERNANCE REPORT

The AC meets with the CFO and other senior management of the Group from time to time for the purposes of reviewing the quarterly and full-year results and financial statements, and any formal financial performance-related announcements and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the Group's internal and external auditors, with a view to ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong and Singapore. It also meets at least four times a year with the Group's principal external auditor, PricewaterhouseCoopers LLP ("PwC"), to consider the reports of PwC on the scope, strategy, progress and outcome of its independent review of the quarterly financial information and its annual audit of the consolidated financial statements. In addition, the AC holds regular private meetings with the external auditor, the CFO and the internal auditor separately without the presence of Management, normally twice a year. During these meetings, the following key audit matters as reported by the external auditor for the year ended 31 December 2019 were addressed as follows:

Significant Matters	How the AC reviewed these matters
Asset impairment	The AC discussed with the management on the approach, valuation methodology and key assumptions applied to the asset impairment assessment. The AC also discussed with the external auditor and took into consideration the audit procedures undertaken to address such matter.
Revenue recognition	The AC had discussion with the management on tariffs applied and the adequacy and appropriateness of the revenue provision. They also discussed with the external auditor on their work performed, including their assessment of the key controls over revenue recognition.

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

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

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

External Auditor Fees For FY2019	HK$'000	% of total fees
Total Audit Fees	15,530	89%
Total Non-Audit Fees	1,917	11%
Total Fees Paid	17,447	100%

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

HPH Trust is committed to achieving and maintaining the high standards of openness, probity and accountability and has in place a Whistle-blowing Policy where staff of the Group and any other person may, in confidence, approach the AC to raise concerns about possible improprieties in matters of financial reporting or other matters. The Whistle-blowing Policy is available on our corporate website (hphtrust.com/misc/Whistle_Blowing_Policy.pdf).

No AC member is a former partner or director of HPH Trust's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of his/her ceasing to be a partner or director and in any case (b) for as long as he/she has any financial interest in auditing firm or auditing corporation.

CORPORATE GOVERNANCE REPORT

Internal Audit

The Group's internal audit function is performed by the internal audit staff of the controlling unitholder and does not administratively report to the CEO.

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

The internal auditor carried out their audit work based on the Code of Ethics and International Standards for the Professional Practices for Internal Auditing issued by The Institute of Internal Auditors, which provide guidance for the professional conduct of internal auditing. Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, the reviews of compliance and information technology controls as well as risk management system, recurring and surprise audits, fraud investigations and productivity efficiency reviews. During the course of their work, the internal audit function is given full access to any documents, records or personnel including access to the AC.

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

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

Based on the reporting structure, the methodology and standard used, the above-mentioned reviews and the work performed by the internal auditor, the AC is satisfied that the internal audit function is independent, effective and adequately resourced.

Legal and Regulatory

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

UNITHOLDER RIGHTS AND ENGAGEMENT

Unitholder Rights and Conduct of General Meetings

Principle 11

The Trustee-Manager treats all unitholders fairly and equitably in order to enable them to exercise unitholders' rights and have the opportunity to communicate their views on matters affecting HPH Trust. The Trustee-Manager gives unitholders a balanced and understandable assessment of the performance, position and prospects of HPH Trust.

CORPORATE GOVERNANCE REPORT

All unitholders are entitled to attend the general meeting(s) of unitholders and are given the opportunity to participate effectively in the meeting(s). In accordance with the Trust Deed, individual or corporate unitholder is allowed to appoint up to two proxies to attend and vote at the general meeting(s) on his or her behalf through proxy forms sent in advance. Unitholders who hold units through nominees such as custodian banks may vote through their nominee or custodian banks. Such unitholders may also, upon presentation of official letters issued by their nominees, attend the general meeting(s) as observers, subject to availability of seats. However, the Trust Deed does not allow for absentee voting at general meeting of unitholders. Since the authentication of unitholder identity information and other related security issues still remain a concern, the Trustee-Manager has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meetings and not bundled together unless the resolutions are interdependent and form one significant proposal.

All Directors, the Chairman of AC and the representative from the external auditors attended the Annual General Meeting of the unitholders of HPH Trust ("Annual General Meeting") held on 26 April 2019 other than Mr. Kevin Anthony Westley who was not available to attend due to other prior engagements.

Voting at all general meetings are conducted by way of poll. Electronic polling was adopted for the Annual General Meeting held on 26 April 2019. Unitholders are informed of the rules of the Annual General Meeting and voting procedures by the electronic polling vendor. Detailed results of the outcome are announced after the meeting via SGXNet.

The Company Secretary prepares minutes of unitholders' meetings. The minutes of the Annual General Meeting held on 26 April 2019 are available on HPH Trust's corporate website (hphtrust.com/misc/HPHTrust-2019AGMminutes(withQ&A)-signed.pdf).

HPH Trust's distribution policy is to distribute 100% of its Distributable Income. HPH Trust will make distributions 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.

Engagement with Unitholders

Principle 12

The Group actively promotes investor relations and communication with the investment community throughout the year. An Investor Relations Policy, which is available on HPH Trust's corporate website, was adopted by the Board and is subject to regular review to ensure its effectiveness and compliance with the prevailing regulatory and other requirements. Through its CEO and CFO and the Group's Corporate Affairs function, the Group responds to requests for information and queries from the investment community including unitholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. In addition, based on the Trust's Investor Relations Policy, unitholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of HPH Trust via HPH Trust's Investor Relations team, whose contact details are available from HPH Trust's website.

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

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

The Annual General Meeting provides Unitholders with the opportunity to share their views and to meet the Board, and certain members of senior management. At the Annual General Meeting, HPH Trust's financial performance and business for the preceding year is presented to Unitholders, followed by a question and answer session which fosters a constructive dialogue between Unitholders, Board members and management. The Board members and senior management also engage with Unitholders before and after the Annual General Meeting and address their concerns as and when appropriate. These exchanges provide a forum for management to explain HPH Trust's strategy and financial performance.

CORPORATE GOVERNANCE REPORT

Further information concerning the Group and its business can be located on the Group's website.

The Group values feedback from unitholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or HPH Trust are welcome and can be addressed to the Group Corporate Affairs function by mail at 150 Beach Road, #17-03 Gateway West, Singapore 189720 or by email to the Group at ir@hphtrust.com.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Group are served. For details, please refer to the Sustainability Report and Investor Relations section set out on pages 36 to 59 and page 60 of the Annual Report respectively.

DEALING IN SECURITIES

The Trustee-Manager has adopted its own internal codes of conduct to provide guidance to all officers of the Trustee-Manager with regard to dealings in units of HPH Trust ("Codes of Conduct") in compliance with Rule 1207(19) of the SGX-ST Listing Manual. Pursuant to the Codes of Conduct effective for the year 2019, the Directors, employees of the Trustee-Manager and executive staff of the Group are prohibited from dealing in the Units:

(a) in the period commencing one month before the public announcement of HPH Trust's annual results and two weeks before the public announcement of HPH Trust's quarterly results, and expiring on the date of announcement of the relevant results; and

(b) at any time while in possession of price sensitive information.

The Directors, employees of the Trustee-Manager and executive staff of the Group are also expected not to deal in the units of HPH Trust on short-term considerations and to observe insider-trading laws at all times even when dealing with units of HPH Trust within the permitted trading period.

In response to specific enquiries made, all Directors have confirmed that they have complied with the relevant Codes of Conduct in their securities transactions throughout 2019. Key officers may, as requested by the Trustee-Manager, be required to confirm annually that they have complied with and are not in breach of the provisions of the relevant Codes of Conduct.

STATEMENT OF POLICIES AND PRACTICES

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

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

(b) The Management provides regular updates to the Board and the AC about potential projects that it is looking into on behalf of HPH Trust and the Board and the AC ensure that all such projects are within the permitted business scope under the Trust Deed. Prior to the carrying out of any significant business transaction, the Board, the AC and/or the Management will have careful regard to the provisions of the Trust Deed and when in doubt seek advice from professional advisers.

CORPORATE GOVERNANCE REPORT

(c) The Trustee-Manager is not involved in any other businesses other than managing HPH Trust. All potential conflicts, if they arise, will be identified by the Board and the Management and reviewed. In addition, the majority of the Board are Independent Directors of the Trustee-Manager who do not have management or business relationships with the Trustee-Manager and are independent from any substantial shareholder of the Trustee-Manager and are therefore able to examine independently and objectively, any potential conflicts between the interest of the Trustee-Manager in its own capacity and the interests of all unitholders of HPH Trust. In respect of matters in which a Director has an interest, direct or indirect, such interested Director will abstain from participating in the review and approval process with regard to the matter. There is (i) the Non-Compete Agreement pursuant to which HPH has undertaken not to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau and HPH Trust has undertaken not to invest in, develop, operate and manage deep-water container ports in any part of the world outside of the Guangdong Province, Hong Kong and Macau, save that HPH may pursue any investment opportunity (including undertaking greenfield port development) declined by HPH Trust; and (ii) the ROFR Agreement pursuant to which (aa) a right of first refusal has been granted by HPH to HPH Trust to acquire a port development project or a developed port falling within the investment mandate of HPH Trust and owned by HPH or its subsidiaries and (bb) a right of first refusal has been granted by the Trustee-Manager as the trustee-manager of HPH Trust to HPH to acquire a port development project or a developed port of HPH Trust, both on terms and conditions contained in the ROFR Agreement. The Trustee-Manager maintains a register of all opportunities/ transactions arising from the implementation of the Non-Compete Agreement and the ROFR Agreement. Also, the Trustee-Manager incorporates in its internal audit plan, a review of the implementation of the Non-Compete Agreement and the ROFR Agreement and the AC reviews the internal audit reports at least twice a year to ascertain that the terms of the Non-Compete Agreement and the ROFR Agreement have been complied with.

(d) The Management identifies interested person transactions in relation to HPH Trust. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by HPH Trust and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into. The Trustee-Manager incorporates into its internal audit plan a review of all interested person transactions entered into by HPH Trust. The AC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with and conducts an annual review of all such transactions to determine if such transactions have been conducted on normal commercial terms and will not be prejudicial to the interests of HPH Trust and the unitholders. In addition, all such interested person transactions conducted and any contract entered into by the Trustee-Manager on behalf of HPH Trust with a related party of the Trustee-Manager or HPH Trust, shall comply with and be in accordance with all applicable requirements of the SGX-ST Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.

(e) The expenses payable to the Trustee-Manager in its capacity as the trustee-manager of HPH Trust out of the Trust property are appropriate and in accordance with the Trust Deed, and regular internal reviews are carried out to ensure such expenses payable are in order. Fees and expenses paid to the Trustee-Manager out of HPH Trust property for the financial year ended 31 December 2019 are disclosed in note 29(i)(f) to the financial statements, on page 139 of the Annual Report.

(f) The Trustee-Manager has engaged the services of and obtained advice from professional advisers and consultants from time to time, and has complied with the requirements of the BTA and the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The aggregate of transactions entered into with interested persons of HPH Trust during the financial year ended 31 December 2019 pursuant to Rule 907 of the SGX-ST Listing Manual are as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) 2019 HK$'000	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2019 HK$'000
CK Hutchison Holdings Limited ("CKHH") and its subsidiaries and its associates	CKHH is the controlling unitholder of HPH Trust and controlling shareholder of the Trustee-Manager	330,636	NIL

MATERIAL CONTRACTS

There are no material contracts between HPH Trust and its subsidiaries involving the interests of the CEO, each Director or controlling unitholder[1] of HPH Trust, either still subsisting at the end of the financial year ended 31 December 2019, or if not then subsisting, entered into since the end of the previous financial year, other than, where applicable:

(a) as disclosed on pages 305 to 330 of the IPO Prospectus[2];

(b) as disclosed in note 29 to the financial statements of the Annual Report; and

(c) interested person transactions as listed in the Interested Person Transactions section of the Annual Report.

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

2 The Prospectus dated 7 March 2011 and registered with the Monetary Authority of Singapore on 7 March 2011

SUMMARY OF DISCLOSURES

Summary of Disclosures of Code of Corporate Governance 2018 ("Code")

Rule 710 of the SGX-ST Listing Manual requires Singapore listed companies to describe their corporate governance practices with specific reference to the Code in their annual reports for financial years commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code.

Board Matters

The Board's Conduct of Affairs

Principle 1

Provision 1.1	Page 62
Provision 1.2	Pages 64 and 65
Provision 1.3	Page 63
Provision 1.4	Pages 62, 74 and 75
Provision 1.5	Pages 63 and 64
Provision 1.6	Page 64
Provision 1.7	Pages 64 and 65

Board Composition and Guidance

Principle 2

Provision 2.1	Pages 66 to 68
Provision 2.2	Pages 65, 66 and 69
Provision 2.3	Pages 65, 66 and 69
Provision 2.4	Page 66
Provision 2.5	Page 66

Chairman and Chief Executive Officer

Principle 3

Provision 3.1	Page 68
Provision 3.2	Page 68
Provision 3.3	Page 66

Board Membership

Principle 4

Provision 4.1	Page 69
Provision 4.2	Page 69
Provision 4.3	Page 69
Provision 4.4	Pages 66 to 68
Provision 4.5	Pages 26 to 30 and 64

Board Performance

Principle 5

Provision 5.1	Page 69
Provision 5.2	Page 69

Remuneration Matters

Procedures for Developing Remuneration Policies

Principle 6

Provision 6.1	Page 70
Provision 6.2	Page 70
Provision 6.3	Page 70
Provision 6.4	Page 70

Level and Mix of Remuneration

Principle 7

Provision 7.1	Page 70
Provision 7.2	Page 70
Provision 7.3	Pages 70 and 72

Disclosure on Remuneration

Principle 8

Provision 8.1	Pages 70 to 72
Provision 8.2	Page 72
Provision 8.3	Pages 70 to 72

Accountability and Audit

Risk Management and Internal Controls

Principle 9

Provision 9.1	Page 72
Provision 9.2	Page 74

Audit Committee

Principle 10

Provision 10.1	Pages 74 to 76
Provision 10.2	Page 74
Provision 10.3	Page 75
Provision 10.4	Page 76
Provision 10.5	Page 75

Unitholder Rights and Engagement

Unitholder Rights and Conduct of General Meetings

Principle 11

Provision 11.1	Pages 76 and 77
Provision 11.2	Page 77
Provision 11.3	Page 77
Provision 11.4	Page 77
Provision 11.5	Page 77
Provision 11.6	Page 77

Engagement with Unitholders

Principle 12

Provision 12.1	Pages 77 and 78
Provision 12.2	Pages 77 and 78
Provision 12.3	Pages 77 and 78

Managing Stakeholders Relationships

Engagement with Stakeholders

Principle 13

Provision 13.1	Pages 36 to 59, 60 and 78
Provision 13.2	Pages 36 to 59, 60 and 78
Provision 13.3	Pages 36 to 59, 60 and 78

FINANCIAL CONTENTS

REPORT OF THE TRUSTEE-MANAGER

The directors of Hutchison Port Holdings Management Pte. Limited, the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust" or the "Trust" and the trustee-manager of HPH Trust, the "Trustee-Manager") present their report to the unitholders of the Trust together with the audited financial statements of the Trust and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

Directors

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

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

Arrangements to enable directors to acquire units and debentures

Neither at the end of nor at any time during the year was the Trustee-Manager a party to any arrangement whose object was to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in, or debentures of, the Trust.

Directors' interests in units or debentures

According to the register kept by the Trustee-Manager for the purposes of Sections 13 and 76 of the Business Trusts Act, Chapter 31A of Singapore, particulars of the interests of directors who held office at the end of the year or during the year in units in, or debentures of, the Trust are as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Number of units held by:				
Mr. Fok Kin Ning, Canning	–	–	676,000	676,000
Ms. Edith Shih	–	–	626,440	626,440
Mr. Ip Sing Chi	–	–	–	–
Ms. Tsim Sin Ling, Ruth	–	–	–	–
Mr. Chan Tze Leung, Robert	400,000	400,000	–	–
Mr. Graeme Allan Jack	–	–	–	–
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	–	–	1,000,000	1,000,000
Mr. Kevin Anthony Westley	–	–	250,000	250,000
Mr. Wong Kwai Lam	–	–	–	–

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2020.

REPORT OF THE TRUSTEE-MANAGER

Options

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

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

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

Audit Committee

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

Mr. Graeme Allan Jack (Chairman)
Mr. Chan Tze Leung, Robert
Mrs. Sng Sow-Mei (alias Poon Sow Mei)

The existing members of the Audit Committee are independent and are non-executive directors.

The Audit Committee carried out its functions in accordance with Regulation 13(6) of the Business Trusts Regulations 2005. In performing its functions, the Audit Committee has reviewed:

- the scope and the results of internal audit procedures with the internal auditor of the Trustee-Manager;
- with the independent auditor of the Trust, the audit plan of the Trust and the independent auditor's report in relation to significant accounting, tax and internal control matters of the Trust arising from the statutory audit;
- the assistance given by the officers of the Trustee-Manager to the independent auditor; and
- the statement of financial position and statement of changes in equity of the Trust and the consolidated financial statements of the Group for the year ended 31 December 2019 before their submission to the Board of Directors of the Trustee-Manager (the "Board"), as well as the independent auditor's report on the statement of financial position and statement of changes in equity of the Trust and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment as the auditor of the Trust at the forthcoming Annual General Meeting of the unitholders.

REPORT OF THE TRUSTEE-MANAGER

Board Opinion on the Adequacy of Internal Controls

The Board, through the Audit Committee, has conducted a review of the adequacy and effectiveness of the Group's systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the year ended 31 December 2019, and is of the opinion that the Group's internal control and risk management systems addressing material financial, operational, compliance and information technology risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2019. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

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

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

10 February 2020

STATEMENT BY THE TRUSTEE-MANAGER

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

(a) the financial records of the Group for the financial year have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group for the year ended 31 December 2019;

(b) the consolidated income statement and consolidated statement of comprehensive income set out in the financial statements on pages 93 and 94 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 2019;

(c) the statements of financial position set out on pages 95 and 96 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 2019;

(d) the statements of changes in equity set out on pages 98 to 100 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 2019;

(e) the consolidated statement of cash flows set out on page 97 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 2019; and

(f) at the date of this statement, there are reasonable grounds to believe that the Trustee-Manager will be able to fulfill, out of the Trust's property, the Trust's debts as and when they fall due.

In accordance with Section 86(2) of the Business Trusts Act, Chapter 31A of Singapore, we further certify:

(a) the fees or charges paid or payable out of the trust property of the Trust to the Trustee-Manager are in accordance with the Deed of Trust dated 25 February 2011 (as amended) constituting the Trust;

(b) the interested person transactions entered into by the Group during the year are not detrimental to the interests of all the unitholders of the Trust as a whole based on the circumstances at the time of the relevant transactions; and

(c) the Board of Directors of the Trustee-Manager is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

The Board of Directors has, on the date of this statement, authorised the above statements and the financial statements of the Group as at and for the year ended 31 December 2019 for issue.

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

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

10 February 2020

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.

Lam Hing Man, Patrick
Chief Executive Officer

10 February 2020

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Hutchison Port Holdings Trust ("Trust") and its subsidiaries ("Group") and the statement of financial position of the Trust are properly drawn up in accordance with the provisions of the Singapore Business Trusts Act ("Act") and Hong Kong Financial Reporting Standards ("HKFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Trust for the year ended on that date.

What we have audited

The financial statements of the Trust and the Group comprise:

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

Basis for Opinion

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill and other operating assets *Refer to notes 3(a), 3(b), 3(c) and 14(b) to the financial statements* The Group has a significant amount of goodwill and other operating assets arising primarily from the acquisition of deep-water container ports in Shenzhen and Hong Kong in 2011. Goodwill is subject to impairment tests annually and other operating assets are subject to impairment tests when there is an indication of impairment. For the purpose of the Group's impairment assessments, impairment was assessed using value-in-use models for deep water container ports in Shenzhen and Hong Kong, which are the cash generating units ("CGUs") of the Group. In carrying out the impairment assessments, significant judgements are required to determine the assumptions. The most significant assumptions relate to discount rates and growth rates in revenue and cost of services rendered. Based on the results of these impairment assessments conducted by the Group, the Group determined that there is no impairment of goodwill and other operating assets. This conclusion was based on recoverable amounts, calculated under the value-in-use models, which exceeded their carrying values of the CGUs as at 31 December 2019. The significant assumptions are disclosed in note 14(b) to the financial statements.	We have performed the following procedures to evaluate the Group's impairment assessments: ● Assessed the appropriateness of the valuation methodology used; ● Assessed the reasonableness of key assumptions based on our knowledge of the business and industry and with the involvement of our valuation specialists; ● Performed sensitivity analyses on the key assumptions where we adjusted the discount rates and growth rates in revenue and cost of services rendered as these are the key assumptions to which the valuation models are the most sensitive; and ● Tested source data to supporting evidence on a sample basis, such as approved budgets and available market data and considered the reasonableness of these budgets. We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to notes 3(e) and 4 to the financial statements.* Revenue from rendering of container handling services is recognised and accrued with reference to the throughput handled and the terms of agreements for such service. For the year ended 31 December 2019, revenue from container handling services amounting to HK$10,749 million is recognised based on the containers handled as well as the tariff applied. The tariff applied is the rate agreed with customers or estimated by management based on the latest terms of the agreement or latest negotiation with customers and other industry considerations as appropriate. Due to the large variety and complexity of contractual terms, as well as ongoing negotiations with customers, significant judgements are required to estimate the tariff rates applied. If the actual rate differs from the estimated rate applied, this will have an impact on the accuracy of revenue recognised in the current year and accrued as at year end.	We have performed the following procedures in relation to the accuracy of revenue recognised and accrued: ● Understood, evaluated and tested the key controls over the tariff applied in container handling services. ● We selected a sample of transactions and: ○ Agreed the applied tariff to the respective terms in the contracts or latest correspondence with customers where the tariff has been estimated by management. ○ Agreed throughput handled, used in the calculation of tariffs, to the operating system recording throughput. ○ Tested revenue calculations and agreed the revenue recognised to the underlying accounting records. Checked to bank advices or credit notes on a sample basis for the net settlement and reviewed aged items for any disputed amounts. We found the judgement made by management in estimating tariffs in the revenue recognised and accrued to be supportable and reasonable based on available evidence.

Other Information

Hutchison Port Holdings Management Pte. Limited (the "Trustee-Manager") is responsible for the Other Information. The Other Information refers to the information in the annual report which does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the information on statistics of unitholdings, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the Other Information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

When we read the information on statistics of unitholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

Responsibilities of Trustee-Manager for the Financial Statements

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

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

The Trustee-Manager's responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

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

We also provide the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Charlotte Hsu Yuh Feng.

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue and other income	4	11,120,922	11,482,562
Cost of services rendered		(3,881,596)	(4,143,451)
Staff costs		(287,994)	(286,534)
Depreciation and amortisation		(3,079,672)	(3,076,015)
Other operating income		96,354	129,122
Other operating expenses		(537,087)	(553,942)
Total operating expenses		(7,689,995)	(7,930,820)
Operating profit	5	3,430,927	3,551,742
Interest and other finance costs	6	(1,075,228)	(1,021,801)
Share of profits less losses after tax of associated companies		(92,296)	(106,904)
Share of profits less losses after tax of joint ventures		38,338	54,279
Impairment of goodwill	14(b)	–	(11,359,000)
Impairment of investment in a joint venture	16	–	(930,000)
Profit/(loss) before tax		2,301,741	(9,811,684)
Tax	7	(479,988)	(434,368)
Profit/(loss) for the year		1,821,753	(10,246,052)
Allocated as: Profit attributable to non-controlling interests		(1,293,542)	(1,305,268)
Profit/(loss) attributable to unitholders of HPH Trust	9	528,211	(11,551,320)
		HK cents	HK cents
Earnings/(loss) per unit attributable to unitholders of HPH Trust	9	6.06	(132.60)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit/(loss) for the year	1,821,753	(10,246,052)
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	31,118	40,815
Investments		
Valuation losses taken to reserves	(91,587)	–
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		
Fair value losses recognised directly in reserves	(35,634)	(85,522)
Costs of hedging		
Changes in fair value of currency basis spread	(8,259)	(10,524)
Share of other comprehensive loss of associated companies	(11,345)	(23,148)
Share of other comprehensive loss of joint ventures	(910)	(595)
Investments		
Valuation losses taken to reserves	–	(97,044)
Currency translation differences	(115,447)	(193,381)
Total other comprehensive loss for the year	(232,064)	(369,399)
Total comprehensive income/(loss) for the year	1,589,689	(10,615,451)
Allocated as: Attributable to non-controlling interests	(1,240,768)	(1,201,250)
Attributable to unitholders of HPH Trust	348,921	(11,816,701)

Note:

Items shown within other comprehensive loss have no tax effect.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Fixed assets	10	23,789,534	24,629,553
Projects under development	11	648,058	996,397
Leasehold land and land use rights	12	37,046,989	38,373,329
Railway usage rights	13	10,813	11,619
Customer relationships	14(a)	5,501,771	5,835,978
Goodwill	14(b)	11,270,044	11,270,044
Associated companies	15	952,533	945,342
Joint ventures	16	2,656,680	2,683,777
Other non-current assets	17	560,682	560,929
Deferred tax assets	18	24,997	18,528
		82,462,101	85,325,496
Current assets			
Cash and bank balances	19	7,040,166	6,566,354
Trade and other receivables	20	3,056,031	3,060,915
Inventories		102,354	103,137
		10,198,551	9,730,406
Current liabilities			
Trade and other payables	21	5,783,133	5,928,221
Bank and other debts	22	4,097,271	2,517,506
Current tax liabilities		473,874	358,228
		10,354,278	8,803,955
Net current (liabilities)/assets		(155,727)	926,451
Total assets less current liabilities		82,306,374	86,251,947
Non-current liabilities			
Bank and other debts	22	26,459,077	28,974,121
Pension obligations	23	41,747	56,601
Deferred tax liabilities	18	9,918,159	10,290,856
Other non-current liabilities	24	324,068	262,210
		36,743,051	39,583,788
Net assets		45,563,323	46,668,159
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(42,702,921)	(41,786,104)
Net assets attributable to unitholders of HPH Trust		25,850,918	26,767,735
Non-controlling interests		19,712,405	19,900,424
Total equity		45,563,323	46,668,159

STATEMENT OF FINANCIAL POSITION OF HUTCHISON PORT HOLDINGS TRUST

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary company	26	25,088,891	26,390,258
Current assets			
Cash and bank balances	19	2,530	4,525
Trade and other receivables	20	1,961	337
		4,491	4,862
Current liability			
Trade and other payables	21	16,836	20,555
Net current liabilities		(12,345)	(15,693)
Total assets less current liabilities		25,076,546	26,374,565
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(43,477,293)	(42,179,274)
Total equity		25,076,546	26,374,565

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Cash generated from operations	27(a)	6,369,406	6,055,269
Interest and other finance costs paid		(999,498)	(984,652)
Tax paid		(735,243)	(825,547)
Net cash from operating activities		4,634,665	4,245,070
Investing activities			
Loan to an associated company		(133,200)	(40,050)
Purchase of fixed assets and projects under development		(581,362)	(743,559)
Proceeds on disposal of fixed assets		15,733	22,074
Dividends received from investments		25,749	48,848
Dividends received from associated companies and joint ventures		102,472	78,452
Interest received		147,819	99,979
Repayment of loans by joint ventures		1,600	181,700
Net cash used in investing activities		(421,189)	(352,556)
Financing activities			
New borrowings		6,210,000	5,040,750
Repayment of borrowings		(7,219,040)	(6,077,010)
Upfront debt transaction costs and facilities fees of borrowings		(40,834)	(8,775)
Principal elements of lease payments		(4,379)	–
Distributions to unitholders of HPH Trust		(1,261,367)	(1,709,118)
Dividends to non-controlling interests		(1,424,044)	(1,340,089)
Net cash used in financing activities		(3,739,664)	(4,094,242)
Net changes in cash and cash equivalents		473,812	(201,728)
Cash and cash equivalents at beginning of the year		6,524,354	6,726,082
Cash and cash equivalents at end of the year	19	6,998,166	6,524,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Units in issue HK$'000	Exchange and other reserves HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'000	Costs of hedging 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 2019	68,553,839	(133,545)	(151,515)	(67,158)	(30,102)	181,989	(41,585,773)	26,767,735	19,900,424	46,668,159
Profit for the year	–	–	–	–	–	–	528,211	528,211	1,293,542	1,821,753
Other comprehensive (loss)/income:										
Remeasurement of defined benefit plans	–	–	–	–	–	31,118	–	31,118	–	31,118
Investments:										
Valuation losses taken to reserves	–	–	(91,587)	–	–	–	–	(91,587)	–	(91,587)
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Fair value losses recognised directly in reserves	–	–	–	(35,634)	–	–	–	(35,634)	–	(35,634)
Costs of hedging										
Changes in fair value of currency basis spread	–	–	–	–	(8,259)	–	–	(8,259)	–	(8,259)
Share of other comprehensive loss of associated companies	–	(7,835)	–	–	–	–	–	(7,835)	(3,510)	(11,345)
Share of other comprehensive loss of joint ventures	–	(910)	–	–	–	–	–	(910)	–	(910)
Currency translation differences	–	(66,183)	–	–	–	–	–	(66,183)	(49,264)	(115,447)
Total other comprehensive (loss)/income	–	(74,928)	(91,587)	(35,634)	(8,259)	31,118	–	(179,290)	(52,774)	(232,064)
Total comprehensive (loss)/income	–	(74,928)	(91,587)	(35,634)	(8,259)	31,118	528,211	348,921	1,240,768	1,589,689
Transferred (from)/to reserve	–	(4,217)	–	–	–	–	(154)	(4,371)	4,371	–
Transactions with owners:										
Distributions	–	–	–	–	–	–	(1,261,367)	(1,261,367)	–	(1,261,367)
Dividends	–	–	–	–	–	–	–	–	(1,433,158)	(1,433,158)
At 31 December 2019	68,553,839	(212,690)	(243,102)	(102,792)	(38,361)	213,107	(42,319,083)	25,850,918	19,712,405	45,563,323

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Units in issue HK$'000	Exchange and other reserves HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'000	Costs of hedging 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 31 December 2017	68,553,839	(19,474)	(55,471)	(1,214)	–	141,174	(28,325,300)	40,293,554	20,028,352	60,321,906
Adjustment on adoption of HKFRS 9	–	–	–	19,578	(19,578)	–	–	–	–	–
At 1 January 2018	68,553,839	(19,474)	(55,471)	18,364	(19,578)	141,174	(28,325,300)	40,293,554	20,028,352	60,321,906
(Loss)/profit for the year	–	–	–	–	–	–	(11,551,320)	(11,551,320)	1,305,268	(10,246,052)
Other comprehensive (loss)/income:										
Remeasurement of defined benefit plans	–	–	–	–	–	40,815	–	40,815	–	40,815
Investments:										
Valuation losses taken to reserves	–	–	(97,044)	–	–	–	–	(97,044)	–	(97,044)
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Fair value losses recognised directly in reserves	–	–	–	(85,522)	–	–	–	(85,522)	–	(85,522)
Costs of hedging										
Changes in fair value of currency basis spread	–	–	–	–	(10,524)	–	–	(10,524)	–	(10,524)
Share of other comprehensive loss of associated companies	–	(15,198)	–	–	–	–	–	(15,198)	(7,950)	(23,148)
Share of other comprehensive (loss)/ income of joint ventures	–	(1,595)	1,000	–	–	–	–	(595)	–	(595)
Currency translation differences	–	(97,313)	–	–	–	–	–	(97,313)	(96,068)	(193,381)
Total other comprehensive (loss)/income	–	(114,106)	(96,044)	(85,522)	(10,524)	40,815	–	(265,381)	(104,018)	(369,399)
Total comprehensive (loss)/income	–	(114,106)	(96,044)	(85,522)	(10,524)	40,815	(11,551,320)	(11,816,701)	1,201,250	(10,615,451)
Transferred to/(from) reserve	–	35	–	–	–	–	(35)	–	–	–
Transactions with owners:										
Distributions	–	–	–	–	–	–	(1,709,118)	(1,709,118)	–	(1,709,118)
Dividends	–	–	–	–	–	–	–	–	(1,329,178)	(1,329,178)
At 31 December 2018	68,553,839	(133,545)	(151,515)	(67,158)	(30,102)	181,989	(41,585,773)	26,767,735	19,900,424	46,668,159

STATEMENT OF CHANGES IN EQUITY OF HUTCHISON PORT HOLDINGS TRUST

For the year ended 31 December 2019

	Units in issue HK$'000	Accumulated losses HK$'000	Attributable to unitholders HK$'000
Trust			
At 1 January 2019	68,553,839	(42,179,274)	26,374,565
Loss and total comprehensive loss for the year	–	(36,652)	(36,652)
Transactions with owners:			
Distributions	–	(1,261,367)	(1,261,367)
At 31 December 2019	68,553,839	(43,477,293)	25,076,546
At 1 January 2018	68,553,839	(16,228,331)	52,325,508
Loss and total comprehensive loss for the year	–	(24,241,825)	(24,241,825)
Transactions with owners:			
Distributions	–	(1,709,118)	(1,709,118)
At 31 December 2018	68,553,839	(42,179,274)	26,374,565

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

HPH Trust is established with the principal investment mandate of investing in, developing, operating and managing deep-water container ports in the Guangdong Province of the China, 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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention except for investments and derivative financial instruments which are stated at fair value, as explained in the significant accounting policies set out in note 2.

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

At 31 December 2019, Hutchison Port Holdings Trust and its subsidiaries (the "Group") recorded net current liabilities of HK$155.7 million, mainly resulting from guaranteed notes of US$0.5 billion (approximately to HK$3.9 billion), which will mature in March 2020. Management is confident to complete the refinancing arrangement before the expiry of these existing loans. Based on the Group's history in obtaining external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

Adoption of standards and amendments to existing standards

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

HKFRS 16 Leases

HKFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The new standard provides a single, on balance sheet lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the balance sheet, as the distinction between operating and finance leases is removed. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Lessors continue to classify leases as operating or finance leases with HKFRS 16's approach to lessor accounting which is substantially unchanged from its predecessor HKAS 17.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

HKFRS 16 Leases (Continued)

(a) Changes in accounting policies

Lease

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

(i) Assets leased to the Group

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

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

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

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

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

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

(ii) Assets leased out by the Group

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

HKFRS 16 Leases (Continued)

(b) Effect of changes in accounting policies

The Group has elected the modified retrospective approach for transition to the new standard of leases. In accordance with the transition provisions in HKFRS 16, the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- applying the recognition exemption for short-term lease

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made previously when applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The adoption of HKFRS 16 has not resulted in any material impact to the carrying value of balance sheet as at 1 January 2019.

The amount by which each financial statement line item is affected by the application of HKFRS 16 as compared to HKAS 17 (previously in effect) is as follows:

Statement of comprehensive income (extract)

	For the year ended 31 December 2019		
	Before adoption of HKFRS 16 HK$'000	Effects of adoption of HKFRS 16 HK$'000	As reported HK$'000
Depreciation and amortisation	3,073,816	5,856	3,079,672
Other operating expenses	543,514	(6,427)	537,087
Interest and other finance costs	1,074,259	969	1,075,228
Tax	480,012	(24)	479,988
Profit for the year	1,822,127	(374)	1,821,753
Profit attributable to unitholders of HPH Trust	528,375	(164)	528,211

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

HKFRS 16 Leases (Continued)

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

Statement of financial position (extract)

	At 31 December 2019		
	Before adoption of HKFRS 16 HK$'000	Effects of adoption of HKFRS 16 HK$'000	As reported HK$'000
Non-current assets			
Fixed assets	23,756,358	33,176	23,789,534
Current liabilities			
Trade and other payables	5,775,788	7,345	5,783,133
Current tax liabilities	473,898	(24)	473,874
Non-current liabilities			
Other non-current liabilities	297,839	26,229	324,068
Equity			
Reserves	42,703,085	(164)	42,702,921
Non-controlling interests	19,712,615	(210)	19,712,405

Statement of Cash Flows (extract)

	For the year ended 31 December 2019		
	Before adoption of HKFRS 16 HK$'000	Effects of adoption of HKFRS 16 HK$'000	As reported HK$'000
Operating activities			
Cash generated from operations	6,364,058	5,348	6,369,406
Interest and other finance costs paid	(998,529)	(969)	(999,498)
Financing activities			
Principal elements of lease payments	–	(4,379)	(4,379)

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Standards and amendments which are not yet effective

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

Amendments to HKFRS 3 (Revised)(1)	Business Combinations
Amendments to HKAS 1 (Revised) and HKAS 8(1)	Definition of Materiality
Amendments to HKAS 39, HKFRS 7 and HKFRS 9(1)	Interest Rate Benchmark Reform
Amendments to HKFRS 10 and HKAS 28(2)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

(a) Basis of consolidation

The consolidated financial statements of the Group for the year ended 31 December 2019 include all its direct and indirect subsidiary companies and also incorporate the interest in associated companies, joint operations 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 2019 or up to the dates of disposal as the case may be. The acquisition of subsidiary companies is accounted for using the acquisition method.

(b) Subsidiary companies

A subsidiary company is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. In the unconsolidated financial statements of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(c) Associated companies

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

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

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement.

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

(e) Fixed assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(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. The prepaid lease payments are right-of-use assets. The balance are expensed in the income statement on a straight-line basis over the period of the lease/ rights.

(h) Customer relationships

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

(i) Goodwill

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

Goodwill is 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.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

The profit or loss on disposal 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(k) Current and deferred tax (Continued)

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

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

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

(l) Investments

Investments (other than investments in subsidiary companies, associated companies or joint ventures) are non-derivative 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.

(m) Financial assets at amortised cost

Financial assets at amortised cost are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets at amortised cost and are subsequently measured at amortised cost less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement based on expected credit loss ("ECL") model. Interest income 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 based on lifetime ECL.

(o) Inventories

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

(p) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(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.

(t) Asset impairment

Impairment of financial assets

The Group applies the ECL model to assess impairment of financial assets classified at amortised cost and debt instruments measured at FVOCI. The impairment methodology to be applied depends on whether there has been a significant increase in credit risk.

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.

Impairment of other assets

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

(u) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under HKFRS 9 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

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

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

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities may qualify as cash flow hedges. The Group mainly enters into (i) cross currency interest rate swap contracts to swap certain fixed interest rate United States dollar debts to fixed interest rate Hong Kong dollar debts; (ii) cross currency interest rate swap contracts to swap certain floating interest rate United States dollar debts to fixed interest rate Hong Kong dollar debts; and (iii) interest rate swap contracts to swap certain floating interest rate United States dollar debts to fixed interest rate United States dollar debts to hedge against the foreign currency and interest rate risk. The Group excludes foreign currency basis spread of these cross currency swaps in the hedge designation. The change in fair value of the foreign currency basis spread (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. Changes in the fair value relating to the effective portion of derivative contracts designated as hedging instruments qualifying as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated are removed from hedging reserve and costs of hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures.

Derivatives that do not qualify for hedge accounting under HKFRS 9 will be accounted for with the changes in fair value being recognised in the income statement.

(v) Pension plans

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

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

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

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

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

(w) Foreign exchange

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(w) Foreign exchange (Continued)

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

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

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

All other exchange differences are recognised in the income statement.

(x) Distributions to the Trust's unitholders

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

(y) Leases

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

(i) Assets leased to the Group

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(y) Leases (Continued)

(i) Assets leased to the Group (Continued)

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

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

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

(ii) Assets leased out by the Group

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

Leases (Prior to 1 January 2019)

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

(z) Revenue and other income recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(z) Revenue and other income recognition (Continued)

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.

3 Critical accounting estimates and judgements

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

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

(a) Long lived assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(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 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, structural changes within the shipping line industry and influenced by the performance and growth of regional and international trading economies. If key export markets for local exporters experience an economic downturn or recession, export volumes may decrease. The growth of tariff depends on the Group's overall competitiveness, which is determined by a number of factors, such as geographical reach and connectivity, operating efficiency, berth availability, mega vessel handling capability, technology offerings, transportation and logistics network and ancillary services and facilities.

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

(c) Customer relationships

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

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

(d) Depreciation

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

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

3 Critical accounting estimates and judgements (Continued)

(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.

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

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

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

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

(g) Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue and other income and segment information

(a) Revenue and other income

	2019 HK$'000	2018 HK$'000
Revenue		
Rendering of port and related services	10,749,188	11,134,666
Rendering of transportation and logistics solutions	179,805	187,958
Management and service fee income	35,512	36,962
System development and support fees	12,232	13,374
Others	1,287	1,173
	10,978,024	11,374,133
Other income		
Interest income	142,898	108,429
	11,120,922	11,482,562

(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.

Revenue is recognised over time and disclosures by geographical location are shown below:

	Revenue and other income		Non-current assets	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Hong Kong	3,521,848	3,883,780	23,065,225	24,050,421
Mainland China	7,599,074	7,598,782	59,396,876	61,275,075
	11,120,922	11,482,562	82,462,101	85,325,496

NOTES TO THE FINANCIAL STATEMENTS

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2019 HK$'000	2018 HK$'000
Crediting		
Dividend income from River Ports Economic Benefits (Note 17)	22,610	46,490
Net exchange gain	–	9,499
Charging		
Auditor's remuneration		
- audit services	15,530	14,103
- non-audit services	1,917	991
Amortisation		
- leasehold land and land use rights	1,292,151	1,292,271
- railway usage rights	512	535
- customer relationships	334,207	334,206
Depreciation of fixed assets	1,446,946	1,449,003
Depreciation of right-of-use assets within fixed assets	5,856	–
Net loss on disposal of fixed assets and investments	3,205	17,069
Expense relating to short-term leases		
- office premises and port facilities	66,539	–
Operating lease rentals		
- office premises and port facilities	–	36,442
Staff costs (included amount charged within cost of services rendered)		
- Wages, salaries and other benefits	1,365,152	1,393,400
- Pension costs	119,556	127,346
Net exchange loss	6,827	–

6 Interest and other finance costs

	2019 HK$'000	2018 HK$'000
Bank loans and overdrafts	741,451	705,948
Guaranteed notes	269,728	261,925
Loans from non-controlling interests	3,140	3,186
Interest and finance charges paid/payable for lease liabilities	969	–
Other finance costs	59,940	50,742
Fair value (gain)/loss on interest rate swaps	(56,672)	906
Less: fair value adjustment to bank and other debts under fair value hedge	56,672	(906)
	1,075,228	1,021,801

NOTES TO THE FINANCIAL STATEMENTS

7 Tax

	2019 HK$'000	2018 HK$'000
Current tax	858,836	774,087
Deferred tax (Note 18)	(378,848)	(339,719)
	479,988	434,368

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

	2019 HK$'000	2018 HK$'000
Profit before tax excluding share of profits less losses after tax of joint ventures and associated companies and impairment of goodwill and investment in a joint venture	2,355,699	2,529,941
Tax calculated at weighted average tax rate of 28.4% (2018: 27.5%)	669,415	695,888
Tax exemption in the China	(399,431)	(485,808)
Income not subject to tax	(5,296)	(3,751)
Expenses not deductible for tax purposes	101,692	93,248
Withholding tax on unremitted earnings	119,295	121,253
Recognition of previously unrecognised tax losses	–	(80)
Utilisation of previously unrecognised tax losses	(3,148)	(1,645)
(Over)/under provision in prior year	(7,009)	13,579
Tax losses not recognised	4,108	1,475
Others	362	209
Total tax	479,988	434,368

Note:

Non-cash goodwill impairment loss of HK$11.4 billion and impairment loss of investment in a joint venture of HK$0.9 billion were recognised in 2018.

8 Distributions

	2019 HK$'000	2018 HK$'000
For the period from 1 July 2017 to 31 December 2017 Distribution of 11.10 HK cents per unit	–	966,932
For the period from 1 January 2018 to 30 June 2018 Distribution of 8.52 HK cents per unit	–	742,186
For the period from 1 July 2018 to 31 December 2018 Distribution of 8.48 HK cents per unit	738,701	–
For the period from 1 January 2019 to 30 June 2019 Distribution of 6.00 HK cents per unit	522,666	–
	1,261,367	1,709,118

On 10 February 2020, the Board of Directors of the Trustee-Manager recommended the distribution of 5.00 HK cents per unit for the financial result from 1 July 2019 to 31 December 2019 (2018: 8.48 HK cents per unit) amounting to HK$435.5 million (2018: HK$738.7 million) and payable on 27 March 2020. This distribution is not reflected in these financial statements and will be recognised in equity in the financial year ending 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

9 Earnings/(loss) per unit

The calculation of earnings/(loss) per unit is based on profit attributable to unitholders of HPH Trust of HK$528,211,000 for the year ended 31 December 2019 (2018: loss of HK$11,551,320,000) and on 8,711,101,022 units in issue (2018: 8,711,101,022 units in issue), which is the weighted average number of units for the year ended 31 December 2019.

Diluted earnings/(loss) per unit is the same as the basic earnings/(loss) per unit for the years ended 31 December 2019 and 2018.

10 Fixed assets

Group	Properties HK$'000	Container handling equipment HK$'000	Barges HK$'000	Other fixed assets HK$'000	Total HK$'000
2019					
Opening net book amount	16,530,486	7,569,965	36,025	493,077	24,629,553
Additions	59,881	50,253	511	3,169	113,814
Transfer from projects under development (Note 11)	112,285	374,690	–	106,986	593,961
Depreciation	(614,394)	(736,346)	(7,955)	(94,107)	(1,452,802)
Disposals	(2,171)	(1,010)	(15,575)	(182)	(18,938)
Currency translation differences	(58,933)	(13,962)	–	(3,159)	(76,054)
Closing net book amount	16,027,154	7,243,590	13,006	505,784	23,789,534
At 31 December 2019					
Cost	20,993,619	13,145,813	22,317	1,019,069	35,180,818
Accumulated depreciation	(4,966,465)	(5,902,223)	(9,311)	(513,285)	(11,391,284)
Net book amount	16,027,154	7,243,590	13,006	505,784	23,789,534
2018					
Opening net book amount	16,382,757	7,674,807	45,243	523,587	24,626,394
Additions	13,117	68,730	2,857	642	85,346
Transfer from projects under development (Note 11)	876,840	616,422	–	55,458	1,548,720
Depreciation	(607,875)	(749,709)	(9,102)	(82,317)	(1,449,003)
Disposals	(9,064)	(26,776)	(2,973)	(320)	(39,133)
Currency translation differences	(125,289)	(13,509)	–	(3,973)	(142,771)
Closing net book amount	16,530,486	7,569,965	36,025	493,077	24,629,553
At 31 December 2018					
Cost	20,909,362	12,744,709	66,130	930,613	34,650,814
Accumulated depreciation	(4,378,876)	(5,174,744)	(30,105)	(437,536)	(10,021,261)
Net book amount	16,530,486	7,569,965	36,025	493,077	24,629,553
At 1 January 2018					
Cost	20,182,423	12,067,400	78,104	897,327	33,225,254
Accumulated depreciation	(3,799,666)	(4,392,593)	(32,861)	(373,740)	(8,598,860)
Net book amount	16,382,757	7,674,807	45,243	523,587	24,626,394

Note:

The Group obtains right to control the use of certain assets under properties, container handling equipment and other fixed assets for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 6 years. HK$36,155,000, HK$6,458,000 and HK$862,000 leased assets are recognised during the year ended 31 December 2019 and included in the addition to the properties, container handling equipment and other fixed assets, respectively. Depreciation of these assets amounted to HK$3,720,000, HK$1,851,000 and HK$285,000, respectively. As at 31 December 2019, leased assets with the carrying amount of HK$32,450,000, HK$4,182,000 and HK$576,000 are included in the category of properties, container handling equipment and other assets under fixed assets, respectively.

NOTES TO THE FINANCIAL STATEMENTS

11 Projects under development

Group	2019 HK$'000	2018 HK$'000
At beginning of the year	996,397	1,970,166
Additions	245,795	563,992
Transfer to fixed assets (Note 10)	(593,961)	(1,548,720)
Currency translation differences	(173)	10,959
At end of the year	648,058	996,397

Projects under development mainly represent the cost of construction of port facilities in Hong Kong and China incurred by subsidiary companies.

12 Leasehold land and land use rights

Group	2019 HK$'000	2018 HK$'000
Net book value		
At beginning of the year	38,373,329	39,724,150
Amortisation	(1,292,151)	(1,292,271)
Currency translation differences	(34,189)	(58,550)
At end of the year	37,046,989	38,373,329
Cost	48,209,865	48,250,794
Accumulated amortisation	(11,162,876)	(9,877,465)
	37,046,989	38,373,329

Included within the balance of "leasehold land and land use rights", HK$7,760,978,000 are accounted for as right-of-use asset as at 31 December 2019. Amortisation of such right-of-use asset during the year is HK$283,042,000.

13 Railway usage rights

Group	2019 HK$'000	2018 HK$'000
Net book value		
At beginning of the year	11,619	12,667
Amortisation	(512)	(535)
Currency translation differences	(294)	(513)
At end of the year	10,813	11,619
Cost	14,735	15,343
Accumulated amortisation	(3,922)	(3,724)
	10,813	11,619

NOTES TO THE FINANCIAL STATEMENTS

14 Intangible assets

(a) Customer relationships

Group	2019 HK$'000	2018 HK$'000
Net book value		
At beginning of the year	5,835,978	6,170,184
Amortisation	(334,207)	(334,206)
At end of the year	5,501,771	5,835,978
Cost	8,440,000	8,440,000
Accumulated amortisation	(2,938,229)	(2,604,022)
At end of the year	5,501,771	5,835,978

(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:

Group	2019 HK$'000	2018 HK$'000
Hong Kong	–	–
Mainland China	11,270,044	11,270,044
	11,270,044	11,270,044

Group	2019 HK$'000	2018 HK$'000
At beginning of the year	11,270,044	22,629,044
Impairment of goodwill (accumulated: HK$30.4 billion)	–	(11,359,000)
At end of the year	11,270,044	11,270,044

The Group recognised non-cash impairment losses of HK$9.7 billion and HK$1.7 billion against goodwill allocated to the Mainland China CGU and Hong Kong CGU respectively in 2018.

As in prior year, management performed an impairment assessment based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a 5-year period and a further outlook for 5 years, which is considered appropriate in view of the long-term nature of the concession agreements. Management determined that no further impairment of goodwill is required in 2019. The impairment methodology assumed terminal values and discount rates of 2%-3% (2018: 2%-3%) and 8%-10% (2018: 8%-10%) per annum, respectively. Terminal values are determined by considering both internal and external factors relating to the port operation and discount rates reflect specific risks relating to the relevant business.

The assumptions regarding the growth rates in revenue and cost of services rendered used in the current year's assessment of the Mainland China CGU were comparable to last year. For illustration purposes, a hypothetical 0.5% decrease in the revenue growth rate, a 0.5% increase in costs of services rendered and a 0.5% increase in the discount rate, with all other variables and assumptions held constant, would decrease the recoverable amount of the Hong Kong CGU, by HK$1.8 billion, HK$0.9 billion and HK$1.3 billion respectively and of the Mainland China CGU, by HK$2.0 billion, HK$0.7 billion and HK$2.2 billion, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

15 Associated companies

Group	2019 HK$'000	2018 HK$'000
Share of net assets	486,333	603,342
Loan to an associated company	466,200	342,000
	952,533	945,342

A 5-year loan of RMB420,000,000 (approximate to HK$466,200,000) provided to an associated company is unsecured, interest bearing at a fixed rate of 4.0% per annum and repayable in 4 years. The carrying amount of the loan to an associated company approximates its fair value.

Details of the principal associated companies at 31 December 2019 and 2018 are as follows:

Name	Place of establishment	Principal activities	Effective interest held
Shenzhen Yantian Tugboat Company Ltd.	China	Provision of tugboat services in the China	23.84%
Huizhou International Container Terminals Limited[(1)]	China	Development and operation of a container terminal	41.31%

(1) Audited by PricewaterhouseCoopers network firms

There is no associated company as at 31 December 2019, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

There are no material contingent liabilities relating to the Group's interests in the associated companies.

Set out below are the aggregate amount of the Group's share of the following items of associated companies:

	2019 HK$'000	2018 HK$'000
Profits less losses after tax	(92,296)	(106,904)
Other comprehensive loss	(11,345)	(23,148)
Total comprehensive loss	(103,641)	(130,052)

16 Joint ventures

Group	2019 HK$'000	2018 HK$'000
Share of net assets	3,460,730	3,486,227
Loans to joint ventures (note a)	125,950	127,550
Less: accumulated impairment (note b)	(930,000)	(930,000)
	2,656,680	2,683,777

Note:

(a) A loan of HK$120,000,000 (2018: HK$120,000,000) provided to a joint venture is interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.1% per annum (2018: HIBOR plus 2.1% per annum). Another loan provided to a joint venture of HK$5,950,000 (2018: HK$7,550,000) is interest free. Both of the loans provided 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.

NOTES TO THE FINANCIAL STATEMENTS

16 Joint ventures (Continued)

Note: (Continued)

(b) An impairment loss on investment in a joint venture of HK$930 million were recognised in 2018.

Details of principal joint ventures at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Effective interest held
COSCO-HIT Terminals (Hong Kong) Limited[(1)]	Hong Kong	Development and operation of a container terminal	50.00%
Asia Container Terminals Limited[(1)]	Hong Kong	Development and operation of a container terminal	40.00%
Beijing Leading Edge Container Services Co., Limited[(1)]	China	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)]	China	Provision of port agency services	49.00%
Yantian Port International Information Company Limited	China	Provision of electronic port community system	28.21%

(1) Audited by PricewaterhouseCoopers network firms

(2) Not required to be audited under the laws of the country of incorporation

There is no joint venture as at 31 December 2019, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

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

Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2019 HK$'000	2018 HK$'000
Profits less losses after tax	38,338	54,279
Other comprehensive loss	(910)	(595)
Total comprehensive income	37,428	53,684

NOTES TO THE FINANCIAL STATEMENTS

17 Other non-current assets

Group	2019 HK$'000	2018 HK$'000
Investments		
Listed equity security	38,813	39,150
River Ports Economic Benefits (Note)	338,600	428,600
Prepayment for fixed assets	67,515	2,159
Other receivables and prepayments	85,004	91,020
Cash flow hedges		
Cross currency interest rate swaps	30,750	–
	560,682	560,929

Note:

The River Ports Economic Benefits represent the economic interest and benefits of the river ports in Nanhai and Jiangmen, China (together the "River Ports"), including all dividends and any other distributions or other monies payable to a related company or any of its subsidiary companies 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 subsidiary companies. The movement is due to change in fair value.

18 Deferred tax

Group	2019 HK$'000	2018 HK$'000
Deferred tax assets	(24,997)	(18,528)
Deferred tax liabilities	9,918,159	10,290,856
Net deferred tax liabilities	9,893,162	10,272,328

The movements in deferred 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
2019						
At 1 January 2019	(23,702)	608,718	9,372,998	321,166	(6,852)	10,272,328
Tax (credited)/charged to income statement	(5,940)	(28,808)	(360,306)	16,222	(16)	(378,848)
Other temporary differences	26	11	–	(351)	(4)	(318)
At 31 December 2019	(29,616)	579,921	9,012,692	337,037	(6,872)	9,893,162
2018						
At 1 January 2018	(29,065)	615,593	9,734,188	298,202	(6,522)	10,612,396
Tax charged /(credited) to income statement	5,363	(6,890)	(361,129)	23,314	(377)	(339,719)
Other temporary differences	–	15	(61)	(350)	47	(349)
At 31 December 2018	(23,702)	608,718	9,372,998	321,166	(6,852)	10,272,328

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax (Continued)

Notes:

(a) The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred 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$125,621,000 at 31 December 2019 to carry forward against future taxable income. Of these, HK$95,127,000 can be carried forward indefinitely. The remaining HK$30,494,000 expires in the following years:

	2019 HK$'000	2018 HK$'000
In the first year	–	–
In the second year	–	–
In the third year	–	7,892
In the fourth year	–	–
In the fifth year	30,494	6,324
	30,494	14,216

(c) Deferred tax liabilities are calculated in full on temporary differences under the liabilities method using the tax rate of the countries in which the Group operated. The temporary differences are for accelerated depreciation allowances, fair value adjustments arising from acquisitions and withholding taxes arising from unremitted earnings.

(d) Deferred tax assets and liabilities are expected to be recovered or settled mostly after more than twelve months.

19 Cash and bank balances

Group	2019 HK$'000	2018 HK$'000
Cash and cash equivalents		
Cash at bank and on hand	451,449	817,733
Short-term bank deposits	6,546,717	5,706,621
	6,998,166	6,524,354
Restricted deposit (Note)	42,000	42,000
Cash and bank balances	7,040,166	6,566,354

Trust	2019 HK$'000	2018 HK$'000
Cash and cash equivalents		
Cash at bank and on hand	2,530	4,525

NOTES TO THE FINANCIAL STATEMENTS

19 Cash and bank balances (Continued)

Note:

At 31 December 2019, a deposit of HK$42,000,000 (31 December 2018: HK$42,000,000) was placed by a subsidiary company of the Group as a collateral for the secured bank loan entered in 2016.

Cash and bank balances are denominated in the following currencies:

Group	2019 Percentage	2018 Percentage
Hong Kong dollar	39%	43%
Renminbi	12%	21%
United States dollar	49%	36%
	100%	100%

Trust	2019 Percentage	2018 Percentage
Hong Kong dollar	26%	33%
United States dollar	15%	20%
Singapore dollar	59%	47%
	100%	100%

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

20 Trade and other receivables

Group	2019 HK$'000	2018 HK$'000
Trade receivables (Note a)	2,585,212	2,518,572
Less : provision for impairment of receivables	(51,261)	(51,255)
	2,533,951	2,467,317
Other receivables and prepayments	332,208	355,792
Dividend receivable from joint ventures	–	30,091
Amount due from a related company (Note b)	20	20
Amounts due from associated companies (Note b)	21,705	12,139
Amounts due from joint ventures (Note b)	168,147	195,556
	3,056,031	3,060,915

Trust	2019 HK$'000	2018 HK$'000
Other receivables and prepayments	250	335
Amounts due from subsidiary companies (Note a)	1,711	2
	1,961	337

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

Group	2019 Percentage	2018 Percentage
Hong Kong dollar	47%	51%
Renminbi	33%	31%
United States dollar	20%	18%
	100%	100%

Trust	2019 Percentage	2018 Percentage
Singapore dollar	100%	100%

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

Notes:

(a) At 1 January 2018, trade receivables of the Group amounting to HK$2,617,272,000.

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

(c) At 31 December 2019, trade receivables of the Group amounting to HK$51,261,000 (2018: HK$51,255,000) were impaired and provided for. The impaired receivables are balances mainly related to a customer that was in financial difficulties. The Group does not hold any collateral over these balances.

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

	2019 HK$'000	2018 HK$'000
At beginning of the year	51,255	56,838
Provision for impairment	5	220
Write back of provision for impairment	–	(5,803)
Currency translation differences	1	–
At end of the year	51,261	51,255

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

21 Trade and other payables

Group	2019 HK$'000	2018 HK$'000
Trade payables, other payables and accruals	5,441,035	5,511,212
Loans from non-controlling interests (Note a)	155,392	157,742
Lease liabilities	11,705	–
Derivative financial instruments		
Interest rate swap under fair value hedge (Note 24)	3,647	–
Amounts due to related companies (Note b)	91,059	100,846
Amounts due to associated companies (Note b)	3,959	5,482
Amounts due to joint ventures (Note b)	76,336	152,939
	5,783,133	5,928,221

Trust	2019 HK$'000	2018 HK$'000
Trade payables, other payables and accruals	4,021	4,535
Amounts due to:		
- a related company (Note b)	12,810	12,405
- subsidiary companies (Note b)	5	3,615
	16,836	20,555

Trade and other payables are denominated in the following currencies:

Group	2019 Percentage	2018 Percentage
Hong Kong dollar	66%	75%
Renminbi	34%	25%
	100%	100%

Trust	2019 Percentage	2018 Percentage
Hong Kong dollar	–	18%
United States dollar	76%	60%
Singapore dollar	24%	22%
	100%	100%

At 31 December 2019, 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 the amount of HK$30,380,000 (2018: HK$30,380,000) and RMB70,000,000, approximate to HK$77,700,000 (2018: RMB70,000,000, approximate to HK$79,800,000) which bear interest at Hong Kong Dollar Prime Rate (2018: Hong Kong Dollar Prime Rate) and fixed rate of 2.00% per annum (2018: 2.00% per annum), respectively, and have no fixed terms of repayment and repayable in one year, respectively.

(b) Amounts due to related companies, associated companies and joint ventures of the Group; and amounts due to a related company and subsidiary companies of the Trust are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

22 Bank and other debts

Group	Current portion HK$'000	Non-current portion HK$'000	Total HK$'000
Unsecured bank loans	192,000	18,731,350	18,923,350
Secured bank loan	10,545	44,955	55,500
Guaranteed notes	3,900,000	7,800,000	11,700,000
Total principal amount of bank and other debts	4,102,545	26,576,305	30,678,850
Unamortised loan facilities fees and discounts related to debts	(1,627)	(117,228)	(118,855)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	(3,647)	–	(3,647)
At 31 December 2019	4,097,271	26,459,077	30,556,348
Unsecured bank loans	2,510,000	21,313,350	23,823,350
Secured bank loan	9,120	57,000	66,120
Guaranteed notes	–	7,800,000	7,800,000
Total principal amount of bank and other debts	2,519,120	29,170,350	31,689,470
Unamortised loan facilities fees and discounts related to debts	(1,614)	(135,910)	(137,524)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	–	(60,319)	(60,319)
At 31 December 2018	2,517,506	28,974,121	31,491,627

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 one month at the prevailing market interest rates. The loans will be fully repayable from March 2020 to June 2024 (2018: repayable from March 2019 to June 2024).

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

In September 2017, the Group issued a 5-year US$500 million 2.75% guaranteed note due 2022. Cross currency interest rate swaps are utilised by the Group in the management of its foreign currency exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into cross currency interest rate swap agreements with banks to swap the fixed interest rate United States dollar guaranteed notes to fixed interest rate Hong Kong dollar debts.

In November 2019, the Group issued a 5-year US$500 million 2.875% guaranteed note due 2024.

The effective interest rate of the Group's bank and other debts at 31 December 2019 is 2.9% per annum (2018: 3.2% per annum).

Bank and other debts are denominated in the following currencies:

Group	2019 Percentage	2018 Percentage
Hong Kong dollar	18%	21%
United States dollar	82%	79%
	100%	100%

At 31 December 2019, leasehold land and land use rights of the Group totaling HK$193,894,000 (2018: HK$200,770,000) were pledged as security for a bank loan.

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations

Group	2019 HK$'000	2018 HK$'000
Defined benefit plans		
Pension obligations	41,747	56,601

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 2019 and 31 December 2018 using the projected unit credit method to account for the pension accounting costs in accordance with HKAS 19 (2011) "Employee Benefits".

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

	2019 Percentage	2018 Percentage
Discount rate	1.50	2.30-2.40
Future salary increases	4.00	4.00
Interest credited on plan accounts	5.00-6.00	5.00-6.00

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

	2019 HK$'000	2018 HK$'000
Present value of defined benefit obligations	1,447,445	1,370,653
Fair value of plan assets	(1,405,698)	(1,314,052)
Net defined benefit liabilities	41,747	56,601

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

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

	Defined benefits obligations HK$'000	Fair value of plan assets HK$'000	Net defined benefit liabilities HK$'000
2019			
At 1 January	1,370,653	(1,314,052)	56,601
Net charge/(credit) to the income statement			
Current service cost	49,138	1,023	50,161
Interest cost/(income)	30,996	(30,197)	799
	80,134	(29,174)	50,960
Net charge/(credit) to other comprehensive income			
Remeasurements loss/(gain):			
Actuarial loss/(gain) arising from:			
Experience adjustment	(11,431)	–	(11,431)
Financial assumptions	77,447	–	77,447
Demographic assumption	114		114
Return on plan assets excluding interest income	–	(97,248)	(97,248)
	66,130	(97,248)	(31,118)
Other			
Contributions paid by the employer	–	(34,696)	(34,696)
Contributions paid by the employee	7,777	(7,777)	–
Benefits paid	(83,799)	83,799	–
Net transfer	6,550	(6,550)	–
At 31 December	1,447,445	(1,405,698)	41,747

	Defined benefits obligations HK$'000	Fair value of plan assets HK$'000	Net defined benefit liabilities HK$'000
2018			
At 1 January	1,413,479	(1,332,927)	80,552
Net charge/(credit) to the income statement			
Current service cost	52,326	825	53,151
Interest cost/(income)	22,777	(21,803)	974
	75,103	(20,978)	54,125
Net (credit)/charge to other comprehensive income			
Remeasurements loss/(gain):			
Actuarial loss/(gain) arising from:			
Experience adjustment	4,992	–	4,992
Financial assumptions	(65,581)	–	(65,581)
Demographic assumption	48	–	48
Return on plan assets excluding interest income	–	19,726	19,726
	(60,541)	19,726	(40,815)
Other			
Contributions paid by the employer	–	(37,261)	(37,261)
Contributions paid by the employee	8,300	(8,300)	–
Benefits paid	(64,005)	64,005	–
Net transfer	(1,683)	1,683	–
At 31 December	1,370,653	(1,314,052)	56,601

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

Fair value of the plan assets is analysed as follows:

	2019 HK$'000	2018 HK$'000
Equity instruments	1,019,387	939,337
Debt instruments	340,498	335,713
Cash and others	45,813	39,002
At 31 December	1,405,698	1,314,052

	2019 Percentage	2018 Percentage
Equity Instruments		
Conglomerates and manufacturing	2%	4%
Construction and materials	1%	1%
Consumer markets	2%	2%
Energy and utilities	1%	3%
Financial institutions and units trust	56%	46%
Health and care	2%	4%
Insurance	1%	1%
Real estate	1%	1%
Information technology	5%	8%
Others	2%	1%
	73%	71%
Debt instruments		
Government (other than US)	6%	7%
Financial institutions	7%	5%
US Treasury	2%	3%
Others	9%	11%
	24%	26%
Cash and others	3%	3%
	100%	100%

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

	2019 Percentage	2018 Percentage
Aaa/AAA	23%	24%
Aa1/AA+	18%	17%
Aa2/AA	4%	4%
Aa3/AA-	7%	7%
A1/A+	11%	11%
A2/A	11%	11%
A3/A-	6%	6%
Baa1/BBB+	7%	7%
Baa2/BBB	3%	3%
Other lower grade	4%	4%
No investment grade	6%	6%
	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

23 Pension obligations (Continued)

(a) Defined benefit plans (Continued)

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 2018 and 2019. 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 pension 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 pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% 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 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared 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. As at 31 December 2019, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year ended 31 December 2019, forfeited contributions totalling HK$1,028,000 (2018: HK$963,000) were used to reduce the level of contributions of the year ended 31 December 2019 and no forfeited contribution was available at 31 December 2019 (2018: Nil) to reduce future year's contributions.

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 1.7%	Increase by 1.7%
Salary increase	0.25%	Increase by 0.3%	Decrease by 0.3%

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

The Group expects to make contributions of HK$35,609,000 (2018: HK$38,055,000) to the defined benefit plans during the next year.

The weighted average duration of the defined benefit obligation is 6.8 years as at 31 December 2019 (2018: 7.0 years).

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$68,596,000 (2018: HK$73,221,000).

NOTES TO THE FINANCIAL STATEMENTS

24 Other non-current liabilities

Group	2019 HK$'000	2018 HK$'000
Derivative financial instruments:		
Fair value hedges		
Interest rate swaps	3,647	60,319
Cash flow hedges		
Cross currency interest rate swaps	120,033	80,725
Interest rate swaps	51,871	16,535
Less: current portion of interest rate swaps under fair value hedges	(3,647)	–
Non-current portion of derivative financial instruments	171,904	157,579
Lease liabilities	29,017	–
Others	123,147	104,631
	324,068	262,210

25 Units in issue

Group and Trust	Number of units	HK$'000
At 1 January 2018, 31 December 2018 and 31 December 2019	8,711,101,022	68,553,839

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

26 Investment in a subsidiary company

Trust	2019 HK$'000	2018 HK$'000
Investment cost	10,000	10,000
Capital contribution	49,290,942	50,592,309
Less: accumulated impairment (Note)	(24,212,051)	(24,212,051)
	25,088,891	26,390,258

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 company.

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

Note:

A provision for impairment of the investment in HPHT Limited amounting to HK$24.2 billion was recognised in 2018.

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to consolidated statement of cash flows

(a) Reconciliation of operating profit to cash generated from operations are as follows:

	2019 HK$'000	2018 HK$'000
Operating profit	3,430,927	3,551,742
Depreciation and amortisation	3,079,672	3,076,015
Net loss on disposal of fixed assets and investments	3,205	17,069
Dividend income	(25,749)	(49,799)
Interest income	(142,898)	(108,429)
Operating profit before working capital changes	6,345,157	6,486,598
Decrease in inventories	761	6,477
(Increase)/decrease in trade and other receivables	(38,544)	149,158
Movement in balances with associated companies and joint ventures	(60,284)	27,192
Increase/(decrease) in trade and other payables	98,938	(631,020)
Increase in pension obligations	23,378	16,864
Cash generated from operations	6,369,406	6,055,269

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

	Dividend payable to non-controlling interests HK$'000	Bank loans repayable not exceeding 1 year HK$'000	Bank loans repayable more than 1 year HK$'000	Guaranteed notes HK$'000	Cross currency interest rate swaps contract and interest rate swap contracts held to hedge against foreign currency risks and fair value risks of Guaranteed notes and Bank loans HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2019	–	2,517,506	21,268,658	7,705,463	157,579	–	31,649,206
Cash flows (Note)	(1,424,044)	(2,519,040)	(2,398,775)	3,867,941	–	(4,379)	(2,478,297)
Foreign exchange adjustments	(9,114)	(80)	(1,500)	–	–	–	(10,694)
Fair value adjustments	–	–	–	56,672	–	–	56,672
Transfer between categories	–	202,545	(202,545)	–	–	–	–
Dividends to non-controlling interests	1,433,158	–	–	–	–	–	1,433,158
Increase in lease liabilities	–	–	–	–	–	44,132	44,132
Other non-cash movements	–	1,614	42,831	15,058	(12,778)	969	47,694
At 31 December 2019	–	202,545	18,708,669	11,645,134	144,801	40,722	30,741,871

Note: The total cash outflow for the leases in 2019 was HK$74,791,000.

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to consolidated statement of cash flows (Continued)

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

	Dividend payable to non-controlling interests HK$'000	Bank loans repayable not exceeding 1 year HK$'000	Bank loans repayable more than 1 year HK$'000	Guaranteed notes HK$'000	Cross currency interest rate swaps contract and interest rate swap contracts held to hedge against foreign currency risks and fair value risks of Guaranteed notes and Bank loans HK$'000	Total HK$'000
At 1 January 2018	–	347,140	20,552,169	11,590,772	60,627	32,550,708
Cash flows	(1,340,089)	(347,010)	3,201,975	(3,900,000)	–	(2,385,124)
Foreign exchange adjustments	10,911	(130)	(2,900)	–	–	7,881
Fair value adjustments	–	–	–	(906)	–	(906)
Transfer between categories	–	2,517,506	(2,517,506)	–	–	–
Dividends to non-controlling interests	1,329,178	–	–	–	–	1,329,178
Other non-cash movements	–	–	34,920	15,597	96,952	147,469
At 31 December 2018	–	2,517,506	21,268,658	7,705,463	157,579	31,649,206

28 Commitments

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

	2019 HK$'000	2018 HK$'000
Contracted but not provided for	106,275	32,230
Authorised but not contracted for (Note)	881,479	724,415
	987,754	756,645

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.

NOTES TO THE FINANCIAL STATEMENTS

28 Commitments (Continued)

(a) The Group's share of capital commitments of the joint ventures are as follows:

	2019 HK$'000	2018 HK$'000
Contracted but not provided for	–	17,860
Authorised but not contracted for	79,746	84,492
	79,746	102,352

(b) The Group leases various offices premises and port facilities under non-cancellable leases (2018: operating leases) expiring within one month to ten months. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

	2019 HK$'000	2018 HK$'000
Within one year	602	7,591
Between two to five years	–	178
	602	7,769

(c) At 31 December 2019, the Group had future aggregate minimum lease receivable under non-cancellable operating leases for office premises and port facilities as follows:

	2019 HK$'000	2018 HK$'000
Within one year	36,532	37,631
Between one and two years	25,354	32,023
Between two and three years	18,597	19,745
Between three to four years	16,528	11,985
Between four to five years	8,525	9,040
	105,536	110,424

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties transactions

Significant transactions between the Group and related parties during the year that are carried out in the normal course of business are disclosed below. Outstanding balances with associated companies, joint ventures and Group companies are disclosed in Notes 15, 16, 20 and 21.

(i) Income from and expenses to related parties

	2019 HK$'000	2018 HK$'000
Income:		
Container handling fees received from joint ventures, an associated company and related companies (Note a)	36,772	41,553
Management, service and support fee received from related companies (Note b)	48,500	50,189
Transportation management services fee income from a joint venture and related companies (Note c)	38,215	35,778
Interest income from a joint venture and an associated company (Note d)	19,068	20,040
Expenses:		
Container handling charges paid to joint ventures, associated companies and related companies (Note e)	23,149	28,531
Lease rentals on premises and port facilities paid to a joint venture, an associated company and related companies (Note e)	35,419	6,306
Trustee-Manager management fees (Note f)		
- Base fee	24,618	23,988
Global support services fees to a related company (Note g)	147,706	141,787
Information technology ("IT") support and maintenance service fees paid to a joint venture and related companies (Note h)	46,973	40,154
Telecommunication charges paid to related companies (Note i)	1,339	1,527
Security guards service fees paid to a related company (Note j)	4,630	9,517

Notes:

(a) Container handling fees received from joint ventures, an associated company and related companies were charged at terms pursuant to the relevant agreements.

(b) Management, service and support fee received from 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) A loan of HK$120,000,000 (2018: HK$120,000,000) provided to a joint venture is interest bearing at HIBOR plus 2.1% per annum (2018: HIBOR plus 2.1% per annum). Another loan of RMB420,000,000, approximate to HK$466,200,000 (2018: RMB300,000,000, approximate to HK$342,000,000) provided to an associated company is unsecured, interest bearing at a fixed rate of 4.0% per annum (2018: fixed rate of 4.0% per annum).

(e) Container handling charges and lease rentals paid to joint ventures, associated companies and related companies were charged at terms pursuant to relevant agreements.

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties transactions (Continued)

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

(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 2019 is payable in cash. As the December 2019 figure for the Hong Kong Composite Consumer Price Index is yet to be published as at the date of preparation of these financial statements, the adjustment to the base fee, if required, will be accounted for in the subsequent financial year.

(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 a joint venture 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.

(ii) Other transactions with related parties

During the year ended 31 December 2019, the Group sold and acquired fixed assets to/from an associated company and related companies which were charged at prices and terms mutually agreed as below:

	2019 HK$'000	2018 HK$'000
Sales of fixed assets to an associated company and a related company	–	15,399
Purchases of fixed assets from an associated company and related companies	7,082	28,049

(iii) Joint Operating Alliance of the Kwai Tsing container terminals

Pursuant to the Hong Kong Seaport Joint Operating Alliance Agreement entered into by Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited, with effect from 1 April 2019, they collaborate with each other for the efficient management and operation of the 23 berths across Terminals 1, 2, 4, 5, 6, 7, 8 and 9 (together the "Combined Terminal Facilities") in Kwai Tsing. The revenue and costs from the management and operation of the facilities of the Combined Terminal Facilities are shared among the parties at a pre-agreed ratio.

(iv) 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:

	2019 HK$'000	2018 HK$'000
Salaries and employee benefits	27,890	30,158

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management

(a) Cash management and funding

The major financial instruments of the Group include liquid funds, investments, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risk management programme of the Group is designed to minimise the financial risks of the Group. These risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

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

(b) Capital management

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

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

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

At 31 December 2019, total equity amounted to HK$45,563,323,000 (2018: HK$46,668,159,000), and consolidated net debt, which represents cash less bank and other debts, of the Group was HK$23,638,684,000 (2018: HK$25,123,116,000).

(c) Credit exposure

The Group's holdings of cash and cash equivalents, cross currency interest rate swaps contract and interest rate swaps contract with financial institutions 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.

The ECL on trade receivables are calculated using a provision matrix where a provision rate applies based on its historical observed default rates. On that basis, no material additional ECL was recognised as at 31 December 2019 and 2018.

(d) Interest rate exposure

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

The impact of a hypothetical 5 basis points increase in market interest rate at the end of the reporting period would reduce the Group's profit and unitholders' equity by HK$9,661,000 (2018: HK$11,344,000).

The Group has entered into cross currency interest rate swap contracts and interest rate swap contracts to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

30 Financial risk and capital management (Continued)

(d) Interest rate exposure (Continued)

The effects of the interest rate swap contracts and cross currency interest rate swap contracts on the Group's financial position and performance are as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount (liabilities)	(175,551)	(146,496)
Notional amount	11,700,000	11,700,000
Maturity date	March 2020 to March 2023	March 2020 to March 2023
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	67,424	(74,620)
Change in value of hedged item used to determine hedge effectiveness	(67,424)	74,620

(e) Foreign currency exposure

The Group has entered into cross currency interest rate swap contracts to hedge its foreign currency exposure in respect of bank borrowings denominated in United States dollars.

The effects of the cross currency interest rate swap contracts on the Group's financial position and performance are as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount (liabilities)	(89,283)	(80,725)
Notional amount	7,800,000	7,800,000
Maturity date	September 2022 to March 2023	September 2022 to March 2023
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	46,136	(26,416)
Change in value of hedged item used to determine hedge effectiveness	(46,136)	26,416

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

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

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

	Hypothetical increase/ (decrease) in profit	
	2019 HK$'000	2018 HK$'000
Renminbi	(26,379)	26,059
United States dollar	(1,052,552)	(1,108,387)
Singapore dollar	(28)	(103)
Others	8	3
	(1,078,951)	(1,082,428)

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(f) Liquidity exposure

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

Group	Contractual maturities				
	Carrying Amounts HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	Within 2 to 5 years HK$'000	After 5 years HK$'000
2019					
Trade and other payables	5,783,133	5,783,133	5,783,133	–	–
Bank and other debts	30,556,348	30,678,850	4,102,545	26,576,305	–
Other non-current liabilities	200,921	128,657	57,875	70,782	–
	36,540,402	36,590,640	9,943,553	26,647,087	–
2018					
Trade and other payables	5,928,221	5,928,221	5,928,221	–	–
Bank and other debts	31,491,627	31,689,470	2,519,120	29,163,510	6,840
Other non-current liabilities	262,210	(8,019)	38,807	(46,826)	–
	37,682,058	37,609,672	8,486,148	29,116,684	6,840

The table for the Group above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$1,127,446,000 (2018: HK$943,504,000) in "within 1 year" maturity band, HK$4,778,601,000 (2018: HK$1,731,732,000) in "within 2 to 5 years" maturity band, nil (2018: HK$152,000) in "after 5 years" maturity band, and after assuming the effect of interest rates with respect to variable rate financial liabilities remaining constant and no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Trust	Contractual maturities			
	Carrying amounts HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	Within 2 to 5 years HK$'000
2019				
Trade and other payables	16,836	16,836	16,836	–
2018				
Trade and other payables	20,555	20,555	20,555	–

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(g) Financial instruments by category

The following table shows the classification category and carrying amount as at 31 December 2019 and 31 December 2018 under HKFRS 9 for the Group's financial assets and financial liabilities:

	Note	Classification	2019 HK$'000	2018 HK$'000
Financial assets				
Listed equity security	17	FVOCI	38,813	39,150
River Ports Economic Benefits	17	FVOCI	338,600	428,600
Cross currency interest rate swaps	17	Fair value-hedges	30,750	–
Cash and cash equivalents	19	Amortised cost	7,040,166	6,566,354
Trade and other receivables	20	Amortised cost	3,056,031	3,060,915
			10,504,360	10,095,019

	Note	Classification	2019 HK$'000	2018 HK$'000
Financial liabilities				
Bank and other debts	22	Amortised cost	30,556,348	31,491,627
Trade and other payables	21	Amortised cost	5,767,781	5,928,221
Lease liabilities	21,24	Amortised cost	40,722	–
Cross currency interest rate swaps	24	Fair value-hedges	120,033	80,725
Interest rate swaps	24	Fair value-hedges	55,518	76,854
			36,540,402	37,577,427
Representing :				
Financial assets measured at				
FVOCI			377,413	467,750
Amortised cost			10,096,197	9,627,269
Fair value-hedges			30,750	–
Financial liabilities measured at				
Amortised cost			36,364,851	37,419,848
Fair value-hedges			175,551	157,579

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(h) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2019					
Listed equity security	17	38,813	–	–	38,813
River Ports Economic Benefits	17	–	–	338,600	338,600
Cash flow hedges					
Cross currency interest rate swaps	17	–	30,750	–	30,750
Fair value hedges					
Interest rate swaps	24	–	(3,647)	–	(3,647)
Cash flow hedges					
Cross currency interest rate swaps	24	–	(120,033)	–	(120,033)
Interest rate swaps	24	–	(51,871)	–	(51,871)
		38,813	(144,801)	338,600	232,612

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2018					
Listed equity security	17	39,150	–	–	39,150
River Ports Economic Benefits	17	–	–	428,600	428,600
Fair value hedges					
Interest rate swaps	24	–	(60,319)	–	(60,319)
Cash flow hedges					
Cross currency interest rate swaps	24	–	(80,725)	–	(80,725)
Interest rate swaps	24	–	(16,535)	–	(16,535)
		39,150	(157,579)	428,600	310,171

The fair value of the cross currency interest rate swaps and interest rate swaps included in level 2 category above are estimated using the present value of the estimated future cash flows based on observable yield curves. The fair value of financial instruments that are not traded in active market (level 3) is determined by discounted cash flow analysis with reference to inputs such as dividend stream.

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

During the years ended 31 December 2019 and 2018, there were no transfers between the Level 1, Level 2 and Level 3 fair value measurements.

At 31 December 2019, the fair value of bank and other debts (Note 22) was HK$30,641.0 million (31 December 2018: HK$31,403.9 million). The carrying amounts of the remaining financial assets and financial liabilities approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group

(a) Details of principal subsidiary companies of the Group at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held 2019	Effective interest held 2018
HPHT Limited[1]	Hong Kong	Investment holding	HK$10,000,000	100%	100%
Giantfield Resources Limited[2]	British Virgin Islands	Investment holding	2 ordinary shares of US$1 each	100%	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%	100%
Pearl Spirit Limited[2]	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%	100%
Hongkong International Terminals Limited[1]	Hong Kong	Development and operation of container terminals	HK$20	100%	100%
Yantian International Container Terminals Limited[1]	China	Development and operation of container terminals	HK$2,400,000,000	56.41%	56.41%
Yantian International Container Terminals (Phase III) Limited[1]	China	Development and operation of container terminals	HK$6,056,960,000	51.64%	51.64%
Shenzhen Pingyan Multimodal Company Limited[1]	China	Provision of various transportation services	RMB150,000,000	51.64%	51.64%
Shenzhen Yantian West Port Terminals Limited[1]	China	Development and operation of container terminals	RMB2,343,300,000	51.64%	51.64%

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group (Continued)

(a) Details of principal subsidiary companies of the Group at 31 December 2019 and 2018 are as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held 2019	Effective interest held 2018
Hutchison Ports Yantian Limited(1)	Hong Kong	Investment holding	HK$10,000,000	79.45%	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%	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%	79.45%
Hutchison Ports Yantian Investments Limited(2)	British Virgin Islands	Investment holding	200 ordinary shares of US$1 each	100%	100%
Birrong Limited(2)	British Virgin Islands	Investment holding	10,000 ordinary shares of US$1 each	100%	100%
Hutchison Shenzhen East Investments Limited(2)	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%	100%

(1) Audited by PricewaterhouseCoopers network firms

(2) Not required to be audited under the laws of the country of incorporation

Appointment of auditors

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

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group (Continued)

(b) Material non-controlling interests

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

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

Summarised statement of financial position

	2019 HK$'000	2018 HK$'000
Non-current assets	63,729,101	65,581,163
Current assets	6,850,540	6,597,197
Total assets	70,579,641	72,178,360
Non-current liabilities	8,353,015	8,401,928
Current liabilities	3,856,242	4,908,406
Total liabilities	12,209,257	13,310,334

Summarised income statement

	2019 HK$'000	2018 HK$'000
Revenue and other income	7,359,662	7,403,373
Net profit for the year	2,909,678	2,957,592

Summarised statement of cash flows

	2019 HK$'000	2018 HK$'000
Net change in cash and cash equivalents	213,827	242,387
Dividends paid to non-controlling interests	1,424,044	1,340,089

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

32 Approval of the financial statements

The financial statements set out on pages 93 to 147 were approved by the Board of Directors of the Trustee-Manager for issue on 10 February 2020.

STATISTICS OF UNITHOLDINGS

As at 16 March 2020

There were 8,711,101,022 units (voting rights: 1 vote per unit) in issue as at 16 March 2020. There is only one class of units in HPH Trust. There were no treasury units held by HPH Trust.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	12	0.03	263	0.00
100 - 1,000	3,099	9.06	2,967,380	0.04
1,001 - 10,000	17,897	52.30	90,649,231	1.04
10,001 - 1,000,000	13,091	38.25	835,524,082	9.59
1,000,001 AND ABOVE	123	0.36	7,781,960,066	89.33
TOTAL	**34,222**	**100.00**	**8,711,101,022**	**100.00**

SUBSTANTIAL UNITHOLDERS

Based on Register of Substantial Unitholders as at 16 March 2020

		Direct interest		Deemed interest	
Unitholders		No.of Units	%	No. of Units	%
1.	CK Hutchison Holdings Limited (1)	–	–	2,619,246,222	30.07
2.	Hutchison Port Group Holdings Limited	2,406,227,022	27.62	–	–
3.	CK Hutchison Global Investments Limited (2)	–	–	2,406,227,022	27.62
4.	PortCapital Limited	905,364,000	10.39	–	–
5.	PSA International Pte Ltd (3)	315,764,400	3.62	905,364,000	10.39
6.	Temasek Holdings (Private) Limited (4)	–	–	1,221,272,773	14.02

Notes:

(1) CK Hutchison Holdings Limited ("CKHH"), through its wholly-owned subsidiary, CK Hutchison Global Investments Limited ("CKHGI"), is deemed to have the interest held by Hutchison Port Group Holdings Limited ("HPGH") in HPH Trust. CKHH, through its wholly-owned subsidiary, Cheung Kong (Holdings) Limited ("Cheung Kong"), has a deemed interest in 2.45% of the units in HPH Trust held by Cheung Kong's subsidiaries.

(2) CKHGI, being the immediate holding company of HPGH, is deemed to have the same interest in HPH Trust as HPGH.

(3) PortCapital Limited ("PortCapital") is a wholly-owned subsidiary of PSA International Pte Ltd ("PSA"). PSA is deemed interested in the HPH Trust units held by PortCapital.

(4) PSA is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). Temasek is deemed interested in the HPH Trust units held by PortCapital and Temasek's various other subsidiaries and associated companies.

STATISTICS OF UNITHOLDINGS

As at 16 March 2020

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	HUTCHISON PORT GROUP HOLDINGS LIMITED	2,406,227,022	27.62
2	CITIBANK NOMINEES SINGAPORE PTE LTD	1,514,135,333	17.38
3	DBS NOMINEES (PRIVATE) LIMITED	963,405,272	11.06
4	PORTCAPITAL LIMITED	905,364,000	10.39
5	RAFFLES NOMINEES (PTE.) LIMITED	386,042,802	4.43
6	PSA INTERNATIONAL PTE LTD	330,814,600	3.80
7	DBSN SERVICES PTE. LTD.	187,191,318	2.15
8	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	167,958,989	1.93
9	HSBC (SINGAPORE) NOMINEES PTE LTD	165,679,077	1.90
10	OCBC SECURITIES PRIVATE LIMITED	107,832,711	1.24
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	95,750,900	1.10
12	DB NOMINEES (SINGAPORE) PTE LTD	61,923,589	0.71
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	39,713,700	0.46
14	UOB KAY HIAN PRIVATE LIMITED	38,196,739	0.44
15	PHILLIP SECURITIES PTE LTD	30,475,010	0.35
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	25,867,577	0.30
17	BPSS NOMINEES SINGAPORE (PTE.) LTD.	20,017,658	0.23
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	19,441,503	0.22
19	GOH KIA SENG	19,136,500	0.22
20	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	14,690,884	0.17
	TOTAL	**7,499,865,184**	**86.10**

FREE FLOAT

Based on the information made available to the Trustee-Manager, as at 16 March 2020, approximately 55.88% were held in the hands of the public. Accordingly, HPH Trust complied with Rule 723 of the Listing Manual of the SGX-ST.

ADDITIONAL INFORMATION

	Total volume	Highest Price		Lowest Price	
	('000)	(US$)	(S$)	(US$)	(S$)
Unit performance in financial year 2019	1,890,176	0.265	0.355	0.149	0.205

GLOSSARY

A	
ABAC	Anti-bribery and anti-corruption
AC or Audit Committee	Audit Committee of the Trustee-Manager
ACRA Code	Accounting and Corporate Regulatory Authority Code
ACT	Asia Container Terminals
AFLAS	Asian Freight, Logistics and Supply Chain
APS	Asia Port Services Limited
AR	Augmented reality
B	
Board	Board of Directors
BTA	Business Trusts Act, Chapter 31A of Singapore
BTR	Business Trust Regulations 2005
C	
Capital Contribution	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
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGI	The Chartered Governance Institute
CGU	Cash-generating-units
China Med	Hutchison China MediTech Limited
CKHH	CK Hutchison Holdings Limited
CKI	CK Infrastructure Holdings Limited
Code	The Code of Corporate Governance 2018
Combined Terminal Facilities	23 berths across Terminals 1, 2, 4, 5, 6, 7, 8 and 9
COSCO-HIT	COSCO-HIT Terminals
COSCO SHIPPING Ports	COSCO SHIPPING Ports Limited
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPD	Continuous Professional Development
D	
DPU	Distribution per unit
E	
ECC	Environmental Campaign Committee
ECL	Expected credit loss
ERM	Enterprise risk management
eRO	Electronic release order
F	
FVOCI	Fair value through other comprehensive income

GLOSSARY

G	
Group	HPH Trust group of companies / Hutchison Port Holdings Trust and its subsidiaries
GHG	Greenhouse gas
GRI	Global Reporting Initiative
H	
HIBOR	Hong Kong Interbank Offered Rate
HICT	Huizhou International Container Terminals
HIT	Hongkong International Terminals
HKAS	Hong Kong Accounting Standards
HKFRS	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
HKICS	The Hong Kong Institute of Chartered Secretaries
HKMD	Hong Kong Marine Department
HKSPA	Hong Kong Seaport Alliance
HPH	Hutchison Port Holdings Limited
HPH Trust	Hutchison Port Holdings Trust
HTHKH	Hutchison Telecommunications Hong Kong Holdings Limited
Hutchison Logistics	HPH E.Commerce Limited
I	
IFRS	International Financial Reporting Standard
ISAs	International Standards on Auditing
ISO	International Organization for Standardization
IT	Information technology
J	
Jiangmen Terminal	Jiangmen International Container Terminals
M	
Management	The management of HPH Trust
Moblie CMS	Mobile container movement slip
MTL	Modern Terminals Limited
N	
Nanhai Terminal	Nanhai International Container Terminals
NPAT	Net profit after tax
O	
ORSO	Occupational Retirement Schemes Ordinance

GLOSSARY

P	
PRD	Pearl River Delta
PwC	PricewaterhouseCoopers LLP
Q	
QC(s)	Quay crane(s)
R	
River Ports	Jiangmen Terminal and Nanhai Terminal
RMGC(s)	Rail-mounted gantry crane(s)
ROFR Agreement	Right of first refusal agreement
RTGC(s)	Rubber-tyred gantry crane(s)
S	
SDG(s)	Sustainable development goal(s)
SGX	Singapore Exchange
SGX-ST	Singapore Exchange Securities Trading Limited
SGX-ST Listing Manual	The Listing Manual of Singapore Exchange Securities Trading Limited
SHICD	Shenzhen Hutchison Inland Container Depots Co., Limited
T	
TEU(s)	Twenty-foot equivalent unit(s)
Trust	Hutchison Port Holdings Trust
Trust Deed	The deed of trust dated 25 February 2011 and amended by the first supplemental deed dated 28 April 2014
Trustee-Manager	Hutchison Port Holdings Management Pte. Limited
Y	
Yantian	Yantian district in Shenzhen
YANTIAN	Yantian International Container Terminals

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