



## **HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED**

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

(Company registration number: 201100749W)

**ANNUAL REPORT**  
FOR THE YEAR ENDED 31 DECEMBER 2016

# GENERAL INFORMATION

HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

## DIRECTORS

Mr. FOK Kin Ning, Canning (Chairman)  
Mr. IP Sing Chi  
Ms. Edith SHIH  
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

## SECRETARY

Ms. Lynn WAN Tiew Leng

## REGISTERED OFFICE

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

## AUDITOR

PricewaterhouseCoopers LLP

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# DIRECTORS' STATEMENT

The directors of Hutchison Port Holdings Management Pte. Limited (the "Company") present their statement to the shareholders, together with the audited financial statements of the Company for the year ended 31 December 2016.

## Directors

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

Mr. Fok Kin Ning, Canning (Chairman)  
 Mr. Ip Sing Chi  
 Ms. Edith Shih (appointed with effect from 1 January 2017)  
 Ms. Tsim Sin Ling, Ruth (appointed with effect from 1 January 2017)  
 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

Dr. John Edward Wenham Meredith and Mr. Frank John Sixt were directors of the Company during the year up to their resignations which took effect from 1 January 2017.

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares or debentures

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

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	At 31.12.2016	At 1.1.2016
<b>Hutchison Telecommunications (Australia) Limited</b>				
<b>- Number of ordinary shares</b>				
Mr. Fok Kin Ning, Canning	100,000	100,000	5,000,000	5,000,000
Mr. Frank John Sixt <sup>(1)</sup>	—	—	1,000,000	1,000,000
<b>Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH")</b>				
<b>- Number of ordinary shares</b>				
Mr. Fok Kin Ning, Canning	—	—	1,202,380	1,202,380
<b>- American Depositary Shares</b>				
Mr. Frank John Sixt <sup>(1)</sup>	—	—	17,000 <sup>(2)</sup>	17,000 <sup>(2)</sup>

# DIRECTORS' STATEMENT

## Directors' interests in shares or debentures (Continued)

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	At 31.12.2016	At 1.1.2016
<b>Cheung Kong Infrastructure Holdings Limited</b>				
<b>- Number of ordinary shares</b>				
Mr. Kevin Anthony Westley	–	–	4,000	4,000
Mr. Wong Kwai Lam	–	65,000	–	–
<b>Hutchison Whampoa International (09/19) Limited</b>				
<b>- 5.75% Notes due 2019</b>				
Mr. Fok Kin Ning, Canning	–	–	–	A nominal amount of US\$4,000,000
<b>CK Hutchison Holdings Limited</b>				
<b>- Number of ordinary shares</b>				
Mr. Fok Kin Ning, Canning	–	–	5,111,438	4,111,438
Mr. Frank John Sixt <sup>(1)</sup>	–	–	136,800	136,800
Dr. John Edward Wenham Meredith <sup>(1)</sup>	25,951	25,951	9,874	9,874

(1) Resigned with effect from 1 January 2017

(2) Each representing 15 HTHKH ordinary shares

## Share options

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

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

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

## Independent auditor

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

# DIRECTORS' STATEMENT

## Statement by directors

In the opinion of the directors,

- (a) the financial statements as set out on pages 7 to 18 are drawn up so as to give a true and fair view of the financial position and performance of the Company for the period covered by the financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

**Ip Sing Chi**  
Director

**Tsim Sin Ling, Ruth**  
Director

10 February 2017

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

## Report on the Audit of the Financial Statements

### Our opinion

In our opinion, the accompanying financial statements of Hutchison Port Holdings Management Pte. Limited (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

#### *What we have audited*

The financial statements of the Company comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

### Basis for Opinion

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

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

#### *Independence*

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

### Other Information

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

## Responsibilities of Management and Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

## Report on Other Legal and Regulatory Requirements

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

### **PricewaterhouseCoopers LLP**

Public Accountants and Chartered Accountants  
Singapore, 10 February 2017

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue and other income	3	28,325	22,663
Staff costs		(2,741)	(2,439)
Other operating expenses		(5,296)	(5,899)
Total operating expenses		(8,037)	(8,338)
Profit before tax	4	20,288	14,325
Taxation	5	(2,665)	(1,652)
Profit and total comprehensive income for the year		17,623	12,673
Dividend	6	10,000	20,000

# STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current asset</b>			
Fixed assets	7	–	3
<b>Current assets</b>			
Cash and cash equivalents	8	14,492	11,072
Trade and other receivables	9	17,818	12,515
		<u>32,310</u>	<u>23,587</u>
<b>Current liabilities</b>			
Trade and other payables	10	3,232	2,660
Current tax liabilities		3,479	2,954
		<u>6,711</u>	<u>5,614</u>
<b>Net current assets</b>		<u>25,599</u>	<u>17,973</u>
<b>Net assets</b>		<u>25,599</u>	<u>17,976</u>
<b>EQUITY</b>			
Share capital	11	100	100
Retained profits		25,499	17,876
<b>Total equity</b>		<u>25,599</u>	<u>17,976</u>

# STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>Operating activities</b>			
Net cash generated from operations	12	15,560	12,719
Tax paid		(2,140)	(2,747)
<b>Net cash from operating activities</b>		13,420	9,972
<b>Financing activities</b>			
Dividend paid	6	(10,000)	(20,000)
Issuance of shares		–	100
<b>Net cash used in financing activities</b>		(10,000)	(19,900)
<b>Net changes in cash and cash equivalents</b>		3,420	(9,928)
<b>Cash and cash equivalents at beginning of the year</b>		11,072	21,000
<b>Cash and cash equivalents at end of the year</b>		14,492	11,072

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
2016			
Balance at 1 January 2016	100	17,876	17,976
Profit and total comprehensive income for the year	–	17,623	17,623
Transactions with owners:			
Dividend (Note 6)	–	(10,000)	(10,000)
Balance at 31 December 2016	100	25,499	25,599
2015			
Balance at 1 January 2015	–	25,203	25,203
Profit and total comprehensive income for the year	–	12,673	12,673
Transactions with owners:			
Issuance of shares	100	–	100
Dividend (Note 6)	–	(20,000)	(20,000)
Balance at 31 December 2015	100	17,876	17,976

# NOTES TO THE FINANCIAL STATEMENTS

## 1 General information

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

The Company acts as the Trustee-Manager of Hutchison Port Holdings Trust (“HPH Trust”) and manages HPH Trust’s business with the key objective of providing unitholders of HPH Trust with stable and regular distributions as well as long-term distribution per unit growth.

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

## 2 Significant accounting policies

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

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

### Adoption of amendments to existing standards

In the current year, the Company has adopted all of the new and revised standards, amendments and interpretations that are relevant to the Company’s operations and mandatory for annual period beginning 1 January 2016. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Company’s results or financial position.

### Standards and amendments which are not yet effective

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

Amendments to FRS 110 <sup>(2)</sup> , FRS 112 <sup>(1)</sup> and FRS 28 <sup>(2)</sup>	Improvements to FRSs (December 2016)
FRS 109 <sup>(2)</sup>	Financial Instruments
FRS 115 <sup>(2)</sup>	Revenue from Contracts with Customers
Amendments to FRS 115 <sup>(2)</sup>	Revenue from Contracts with Customers
Amendments to FRS 102 <sup>(2)</sup>	Classification and Measurement of Share-based Payment Transactions
FRS 116 <sup>(3)</sup>	Leases
Amendments to FRS 110 and FRS 28 <sup>(4)</sup>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2017

(2) Effective for annual periods beginning 1 January 2018

(3) Effective for annual periods beginning 1 January 2019

(4) Effective date to be determined

The adoption of standards and amendments listed above is not expected to result in substantial changes to the Company’s accounting policies.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 Significant accounting policies (Continued)

### (a) Fixed assets

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

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

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

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

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

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

### (b) Asset impairment

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

### (c) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits.

### (e) Trade and other payables

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

### (f) Provisions

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2 Significant accounting policies (Continued)

### (g) Foreign exchange

#### (i) Functional and presentation currency

The financial statements are presented in Hong Kong dollar whereas the functional currency of the Company is in United States dollar.

#### (ii) Transactions and balances

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

### (h) Current tax

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

### (i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership of assets remains with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

### (j) Revenue recognition

Management and service fee income is recognised when the service is rendered.

## 3 Revenue and other income

	2016 HK\$'000	2015 HK\$'000
Revenue		
Management and service fee income	28,289	22,613
Other income		
Interest income	36	50
	28,325	22,663

# NOTES TO THE FINANCIAL STATEMENTS

## 4 Profit before tax

Profit before tax is stated after charging the following:

	2016 HK\$'000	2015 HK\$'000
Depreciation of fixed assets	3	7
Operating lease rentals on office premise	167	155
Staff costs	2,741	2,439
Directors' fees	4,758	4,758

## 5 Taxation

	2016 HK\$'000	2015 HK\$'000
Current tax:		
Current tax on profits for the year	3,305	2,313
Over provision in prior year	(640)	(661)
	<u>2,665</u>	<u>1,652</u>

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

	2016 HK\$'000	2015 HK\$'000
Profit before tax	20,288	14,325
Tax calculated at Singapore standard rate of income tax of 17% (2015: 17%)	3,449	2,435
Tax exemption	(139)	(143)
Expenses not deductible for tax purposes	–	20
Income not subject to tax	(5)	–
Temporary differences not recognised	–	1
Over provision in prior year	(640)	(661)
	<u>2,665</u>	<u>1,652</u>

## 6 Dividend

	2016 HK\$'000	2015 HK\$'000
Interim dividend paid of HK\$1 (2015: HK\$20,000,000) per share	10,000	20,000

# NOTES TO THE FINANCIAL STATEMENTS

## 7 Fixed assets

	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Total HK\$'000
2016			
At 1 January 2016	–	3	3
Depreciation	–	(3)	(3)
At 31 December 2016	–	–	–
At 31 December 2016			
Cost	124	34	158
Accumulated depreciation	(124)	(34)	(158)
Net book value	–	–	–
2015			
At 1 January 2015	–	10	10
Depreciation	–	(7)	(7)
At 31 December 2015	–	3	3
At 31 December 2015			
Cost	124	34	158
Accumulated depreciation	(124)	(31)	(155)
Net book value	–	3	3
At 1 January 2015			
Cost	124	34	158
Accumulated depreciation	(124)	(24)	(148)
Net book value	–	10	10

## 8 Cash and cash equivalents

	2016 HK\$'000	2015 HK\$'000
Cash at bank	3,492	5,072
Short-term bank deposits	11,000	6,000
	14,492	11,072

Cash and cash equivalents are denominated in the following currencies:

	2016 Percentage	2015 Percentage
Hong Kong dollar	77%	77%
United States dollar	2%	11%
Singapore dollar	21%	12%
	100%	100%

# NOTES TO THE FINANCIAL STATEMENTS

## 9 Trade and other receivables

	2016 HK\$'000	2015 HK\$'000
Trade receivables from HPH Trust	17,807	12,502
Other receivables	11	13
	<u>17,818</u>	<u>12,515</u>

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

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

## 10 Trade and other payables

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

## 11 Share capital

	Number of shares	HK\$
At 31 December 2015 and 2016	<u>10,000,000</u>	<u>100,001</u>

There was only 1 share of HK\$1 at 1 January 2015. During 2015, the Company allotted and issued 9,999,999 new shares to CK Hutchison Global Investments Limited.

## 12 Net cash generated from operations

Reconciliation of profit before tax to net cash generated from operations:

	2016 HK\$'000	2015 HK\$'000
Profit before tax	20,288	14,325
Depreciation	3	7
Profit before tax before working capital changes	<u>20,291</u>	<u>14,332</u>
(Increase)/decrease in trade and other receivables	(5,303)	27
Increase/(decrease) in trade and other payables	572	(1,640)
Net cash generated from operations	<u>15,560</u>	<u>12,719</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Operating lease commitments

The Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	165	50
Between two to five years	221	–
	386	50

### 14 Related parties transactions

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

(i) Income from and expense to related parties

	2016 HK\$'000	2015 HK\$'000
Income:		
Management fees received from HPH Trust (Note a):		
Base fee	22,954	22,613
Acquisition fee	5,335	–
	28,289	22,613
Expense:		
Rental expenses (Note b)	167	155

Notes:

- (a) Management fees were charged in accordance with the trust deed dated 25 February 2011 and the first supplemental deed dated 28 April 2014 for HPH Trust (collectively, "Trust Deed"). The base fee was charged at a fixed fee of US\$2,500,000 (equivalent to approximately HK\$19,500,000) per annum which is subject to increase each year from 2012 by such percentage representing the percentage increase in the Hong Kong Composite Consumer Price Index. The base fee for the year ended 31 December 2016 is payable in cash. As the December 2016 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 period.

Acquisition fee was related to the acquisition of 41.31% effective interests in Huizhou International Container Terminals Limited in December 2016. It was calculated based on 0.5% of the enterprise value (as defined in the Trust Deed) of such investments.

- (b) Operating lease rental paid to a related company was charged at terms pursuant to the relevant agreement.

# NOTES TO THE FINANCIAL STATEMENTS

## 14 Related parties transactions (Continued)

### (ii) Key management compensations

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

	2016 HK\$'000	2015 HK\$'000
Salaries and directors' fees	6,289	6,566

## 15 Financial risk and capital management

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

### (a) Cash management and funding

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

### (b) Capital management

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

### (c) Credit exposure

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

### (d) Foreign currency exposure

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

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

## 16 Approval of the financial statements

The financial statements set out on pages 7 to 18 were approved by the Board of Directors of the Company for issue on 10 February 2017.

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