



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

## HUTCHISON PORT HOLDINGS TRUST (“HPH Trust”) FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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Footnote:

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

1(a)(i) Consolidated income statements for the year ended 31 December 2016

	Group					
	01/10/2016 to 31/12/2016	01/10/2015 to 31/12/2015	Favorable/ (Unfavorable)	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015	Favorable/ (Unfavorable)
	HK\$'M	HK\$'M	%	HK\$'M	HK\$'M	%
<b>Revenue and other income</b>	2,957.5	3,034.7	(2.5)	11,912.3	12,612.8	(5.6)
Cost of services rendered	(1,097.5)	(1,049.5)	(4.6)	(4,251.1)	(4,575.1)	7.1
Staff costs	(70.6)	(74.6)	5.4	(297.4)	(306.6)	3.0
Depreciation and amortisation	(732.1)	(716.7)	(2.1)	(2,916.5)	(2,821.2)	(3.4)
Other operating income <sup>(a)</sup>	81.0	203.6	(60.2)	88.8	232.0	(61.7)
Other operating expenses <sup>(b)</sup>	(164.5)	(202.4)	18.7	(312.0)	(789.2)	60.5
<b>Total operating expenses</b>	(1,983.7)	(1,839.6)	(7.8)	(7,688.2)	(8,260.1)	6.9
<b>Operating profit</b>	973.8	1,195.1	(18.5)	4,224.1	4,352.7	(3.0)
Interest and other finance costs	(180.3)	(156.8)	(15.0)	(701.2)	(624.2)	(12.3)
Share of profits less losses after tax of associated companies	2.4	6.3	(61.9)	17.7	22.4	(21.0)
Share of profits less losses after tax of joint ventures	9.2	26.9	(65.8)	59.2	118.6	(50.1)
<b>Profit before tax</b>	805.1	1,071.5	(24.9)	3,599.8	3,869.5	(7.0)
Taxation <sup>(c)</sup>	(87.7)	(210.9)	58.4	(645.8)	(824.9)	21.7
<b>Profit for the quarter/year</b>	717.4	860.6	(16.6)	2,954.0	3,044.6	(3.0)
Allocated as:						
Profit attributable to non-controlling interests	(331.6)	(327.3)	1.3	(1,240.4)	(1,299.7)	(4.6)
Profit attributable to unitholders of HPH Trust	385.8	533.3	(27.7)	1,713.6	1,744.9	(1.8)
<b>Earnings per unit attributable to unitholders of HPH Trust</b>	<b>HK cents</b> 4.43	<b>HK cents</b> 6.12	(27.7)	<b>HK cents</b> 19.67	<b>HK cents</b> 20.03	(1.8)

As in footnote (e), the comparable profit for the quarter/year, profit attributable to unitholders of HPH Trust and earnings per unit attributable to unitholders of HPH Trust excluding the gain from cessation of Jiuzhou's economic benefits, HIT's rent and rates refund, YICT's tax saving from its "High and New Technology Enterprise" status and additional depreciation due to change of an accounting estimate as stated in below footnotes (a) – (d), are as follows:

Profit for the quarter/year	646.9	705.1	(8.3)	2,588.4	2,914.9	(11.2)
Profit attributable to unitholders of HPH Trust	346.0	377.8	(8.4)	1,365.8	1,609.9	(15.2)
<b>Earnings per unit attributable to unitholders of HPH Trust</b>	<b>HK cents</b> 3.97	<b>HK cents</b> 4.34	(8.4)	<b>HK cents</b> 15.68	<b>HK cents</b> 18.48	(15.2)

Footnotes:

- (a) Other operating income was HK\$88.8 million for the year ended 31 December 2016 whereas it was HK\$232.0 million for the year ended 31 December 2015. The decrease was mainly due to the gain of HK\$155.5 million from the cessation of River Ports Economic Benefits in Zhuhai International Container Terminals (Jiuzhou) Limited ("Jiuzhou's economic benefits") in October 2015.
- (b) Other operating expenses were HK\$312.0 million for the year ended 31 December 2016 whereas it was HK\$789.2 million for the year ended 31 December 2015. The decrease was mainly due to a government rent and rates refund of HK\$430.0 million to HIT during the first quarter of 2016.

## 1(a)(i) Consolidated income statements for the year ended 31 December 2016 (Continued)

Footnotes (Continued) :

- (c) Taxation was HK\$87.7 million for the quarter ended 31 December 2016 whereas it was HK\$210.9 million for the quarter ended 31 December 2015. YICT Phase I & II qualified as "High and New Technology Enterprise" in fourth quarter of 2016 which entitles YICT to a preferential corporate income tax rate for 3 years with effect from 1 January 2016. Retrospective adjustment was reflected in this quarter resulting in a decrease in taxation.
- (d) Effective from August 2015, the estimated useful life of container handling equipment was changed from 10 - 35 years to 10 - 30 years and hence additional depreciation of HK\$76.2 million (2015: HK\$31.6 million) was provided for the year.
- (e) This analysis is provided as additional information and is not directly extracted from the financial statements of HPH Trust and its subsidiary companies for the year ended 31 December 2016 ("Financial Statements").

## 1(a)(ii) Consolidated statements of comprehensive income for the year ended 31 December 2016

Group						
	01/10/2016 to 31/12/2016	01/10/2015 to 31/12/2015	Favorable/ (Unfavorable)	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015	Favorable/ (Unfavorable)
	HK\$'M	HK\$'M	%	HK\$'M	HK\$'M	%
<b>Profit for the quarter/year</b>	717.4	860.6	(16.6)	2,954.0	3,044.6	(3.0)
<b>Other comprehensive loss<sup>(a)</sup>:</b>						
<b>Item that will not be reclassified to profit or loss:</b>						
Remeasurement of defined benefit plans	(60.3)	(86.5)	30.3	(60.3)	(39.4)	(53.0)
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Investments						
Valuation gain/(losses) taken to reserves	1.7	(22.2)	107.7	(6.4)	(27.6)	76.8
Currency translation differences	(141.4)	(33.4)	(323.4)	(275.2)	(153.9)	(78.8)
<b>Total other comprehensive loss for the quarter/year</b>	(200.0)	(142.1)	(40.7)	(341.9)	(220.9)	(54.8)
<b>Total comprehensive income for the quarter/year</b>	517.4	718.5	(28.0)	2,612.1	2,823.7	(7.5)
Allocated as:						
Attributable to non-controlling interests	(267.3)	(312.2)	(14.4)	(1,115.0)	(1,229.8)	(9.3)
Attributable to unitholders of HPH Trust	250.1	406.3	(38.4)	1,497.1	1,593.9	(6.1)

Footnote:

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

**1(b)(i) Statements of financial position as at 31 December 2016**

	<b>Group</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	HK\$'M	HK\$'M
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	25,026.5	24,480.8
Projects under development	1,846.9	2,966.2
Leasehold land and land use rights	40,925.1	41,269.8
Railway usage rights	12.4	13.9
Customer relationships	6,504.4	6,838.6
Goodwill	22,629.0	22,629.0
Associated companies <sup>(a)</sup>	842.5	161.3
Joint ventures	3,869.9	3,898.5
Other non-current assets <sup>(b)</sup>	773.5	1,272.1
Deferred tax assets	12.5	12.7
<b>Total non-current assets</b>	<b>102,442.7</b>	<b>103,542.9</b>
<b>Current assets</b>		
Cash and bank balances <sup>(c)</sup>	6,999.9	6,840.8
Trade and other receivables	3,818.2	3,723.4
Inventories	112.3	123.5
<b>Total current assets</b>	<b>10,930.4</b>	<b>10,687.7</b>
<b>Current liabilities</b>		
Trade and other payables	7,648.3	7,295.0
Bank and other debts	4,242.2	8,911.2
Current tax liabilities	259.1	312.7
<b>Total current liabilities</b>	<b>12,149.6</b>	<b>16,518.9</b>
<b>Net current liabilities<sup>(d)</sup></b>	<b>(1,219.2)</b>	<b>(5,831.2)</b>
<b>Total assets less current liabilities</b>	<b>101,223.5</b>	<b>97,711.7</b>
<b>Non-current liabilities</b>		
Bank and other debts	29,240.6	24,082.3
Pension obligations	279.1	200.3
Deferred tax liabilities	10,932.7	11,204.7
Other non-current liabilities	89.2	56.8
<b>Total non-current liabilities</b>	<b>40,541.6</b>	<b>35,544.1</b>
<b>Net assets</b>	<b>60,681.9</b>	<b>62,167.6</b>
<b>EQUITY</b>		
Units in issue	68,553.8	68,553.8
Reserves	(27,305.1)	(25,953.7)
<b>Net assets attributable to unitholders of HPH Trust</b>	<b>41,248.7</b>	<b>42,600.1</b>
Non-controlling interests	19,433.2	19,567.5
<b>Total equity</b>	<b>60,681.9</b>	<b>62,167.6</b>

*Footnotes:*

- (a) Associated companies were HK\$842.5 million as at 31 December 2016 whereas they were HK\$161.3 million as at 31 December 2015. The increase was mainly due to the acquisition of 41.3% effective interest in Huizhou International Container Terminals Limited ("HICT").
- (b) The other non-current assets were HK\$773.5 million as at 31 December 2016 whereas they were HK\$1,272.1 million as at 31 December 2015. The decrease was mainly due to the prepayment of leasehold land for YICT's West Port Phase II project being transferred to the leasehold land and land use rights.
- (c) Cash and bank balances were HK\$6,999.9 million as at 31 December 2016 which consisted of HK\$6,957.9 million cash and cash equivalents and HK\$42.0 million restricted deposit.
- (d) Net current liabilities were HK\$1,219.2 million as at 31 December 2016 which mainly consisted of the US\$0.5 billion (approximately HK\$3.9 billion) 2-year term loan facility, expiring in May 2017.

1(b)(i) Statements of financial position as at 31 December 2016 (Continued)

	Trust	
	31/12/2016	31/12/2015
	HK\$'M	HK\$'M
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment in a subsidiary company	54,675.0	57,561.3
<b>Total non-current asset</b>	54,675.0	57,561.3
<b>Current assets</b>		
Cash and bank balances	3.2	3.7
Trade and other receivables	1.1	1.3
<b>Total current assets</b>	4.3	5.0
<b>Current liability</b>		
Trade and other payables	50.3	52.3
<b>Total current liability</b>	50.3	52.3
<b>Net current liabilities</b>	(46.0)	(47.3)
<b>Total assets less current liabilities</b>	54,629.0	57,514.0
<b>Net assets</b>	54,629.0	57,514.0
<b>EQUITY</b>		
Units in issue	68,553.8	68,553.8
Reserves	(13,924.8)	(11,039.8)
<b>Total equity</b>	54,629.0	57,514.0

**1(b)(ii) Aggregate amount of the Group's borrowings and debt securities as at 31 December 2016**

<b>Group</b>	<b>Current portion HK\$'M</b>	<b>Non-current portion HK\$'M</b>	<b>Total HK\$'M</b>
Unsecured bank loans	4,240.0	21,525.4	25,765.4
Secured bank loan	4.5	71.7	76.2
Guaranteed notes	-	7,800.0	7,800.0
<b>Total principal amount of bank and other debts</b>	4,244.5	29,397.1	33,641.6
Unamortised loan facilities fees and discounts related to debts	(2.3)	(112.7)	(115.0)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	-	(43.8)	(43.8)
	4,242.2	29,240.6	33,482.8

**Aggregate amount of the Group's borrowings and debt securities as at 31 December 2015**

<b>Group</b>	<b>Current portion HK\$'M</b>	<b>Non-current portion HK\$'M</b>	<b>Total HK\$'M</b>
Unsecured bank loans	8,819.2	16,420.0	25,239.2
Secured bank loan	108.0	-	108.0
Guaranteed notes	-	7,800.0	7,800.0
<b>Total principal amount of bank and other debts</b>	8,927.2	24,220.0	33,147.2
Unamortised loan facilities fees and discounts related to debts	(16.0)	(98.9)	(114.9)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	-	(38.8)	(38.8)
	8,911.2	24,082.3	32,993.5

**Details of any collateral at HPH Trust**

Bank loan of HK\$76.2 million (31 December 2015: HK\$108.0 million) is secured by a charge over certain assets of subsidiary companies.

1(c) Consolidated statements of cash flows for the year ended 31 December 2016

	Group			
	01/10/2016 to 31/12/2016	01/10/2015 to 31/12/2015	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
<b>Operating activities</b>				
Cash generated from operations	1,625.2	1,816.5	6,769.8	6,778.5
Interest and other finance costs paid	(162.1)	(139.1)	(638.0)	(568.1)
Tax paid <sup>(a)</sup>	(255.2)	(337.6)	(967.8)	(1,225.7)
<b>Net cash from operating activities</b>	<b>1,207.9</b>	<b>1,339.8</b>	<b>5,164.0</b>	<b>4,984.7</b>
<b>Investing activities</b>				
Purchase of fixed assets, projects under development, leasehold land and land use rights	(254.5)	(325.0)	(1,765.1)	(2,042.0)
Proceeds on disposal of fixed assets	28.6	1.3	31.8	13.1
Dividends received from investments	-	-	22.6	35.6
Dividends received from associated companies and joint ventures	18.0	44.7	83.0	137.7
Interest received	10.7	9.2	42.2	73.1
Repayment of loans by joint ventures	0.6	0.8	1.6	241.8
Restricted deposit	(42.0)	-	(42.0)	-
Proceeds on cessation of economic benefits of an investment <sup>(b)</sup>	-	347.2	-	347.2
<b>Net cash (used in)/from investing activities</b>	<b>(238.6)</b>	<b>78.2</b>	<b>(1,625.9)</b>	<b>(1,193.5)</b>
<b>Financing activities</b>				
New borrowings <sup>(c)</sup>	1,545.4	-	9,426.6	14,013.3
Repayment of borrowings <sup>(c)</sup>	(1,666.5)	(146.0)	(8,926.5)	(14,642.4)
Upfront debt transaction costs and facilities fees of borrowings	-	(0.8)	(59.5)	(69.8)
Capital contribution from non-controlling interests	-	-	-	345.3
Distributions to unitholders of HPH Trust	-	-	(2,848.5)	(3,310.2)
Dividends to non-controlling interests	(219.9)	(209.0)	(1,013.1)	(1,085.4)
<b>Net cash used in financing activities</b>	<b>(341.0)</b>	<b>(355.8)</b>	<b>(3,421.0)</b>	<b>(4,749.2)</b>
<b>Net changes in cash and cash equivalents</b>	<b>628.3</b>	<b>1,062.2</b>	<b>117.1</b>	<b>(958.0)</b>
Cash and cash equivalents at beginning of the quarter/year	6,329.6	5,778.6	6,840.8	7,798.8
Cash and cash equivalents at end of the quarter/year	6,957.9	6,840.8	6,957.9	6,840.8

Footnotes:

- (a) Tax paid was HK\$967.8 million for the year ended 31 December 2016 whereas it was HK\$1,225.7 million for the year ended 31 December 2015. The decrease was mainly due to timing difference of YICT's 2014 profits tax payment in 2015.
- (b) Represented the proceeds on cessation of Jiuhou's economic benefits in 2015.
- (c) New bank loans of US\$1.0 billion (approximately HK\$7.8 billion), RMB70.0 million (approximately HK\$81.2 million) and HK\$1.5 billion were drawn down during the year ended 31 December 2016 to refinance the existing bank borrowings, whereas for the year ended 31 December 2015, the Group issued US\$500 million 2.25% guaranteed notes due 2018 and US\$500 million 2.875% guaranteed notes due 2020 and drew down US\$800 million bank loans to refinance the bank borrowings.

1(d)(i) Statements of changes in equity for the year ended 31 December 2016

Group

	Units in issue	Exchange and other reserves	Revaluation reserve	Pension reserve	Accumulated losses	Attributable to unitholders	Non-controlling interests	Total
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
At 1 October 2016	68,553.8	(105.9)	(48.7)	(19.0)	(27,381.6)	40,998.6	19,622.0	60,620.6
Profit for the quarter	-	-	-	-	385.8	385.8	331.6	717.4
Other comprehensive (loss)/income:								
Remeasurement of defined benefit plans	-	-	-	(60.3)	-	(60.3)	-	(60.3)
Investments:								
Valuation gain taken to reserves	-	-	1.7	-	-	1.7	-	1.7
Currency translation differences	-	(77.1)	-	-	-	(77.1)	(64.3)	(141.4)
Total other comprehensive (loss)/income	-	(77.1)	1.7	(60.3)	-	(135.7)	(64.3)	(200.0)
Total comprehensive (loss)/income	-	(77.1)	1.7	(60.3)	385.8	250.1	267.3	517.4
Transaction with owners:								
Dividends	-	-	-	-	-	-	(456.1)	(456.1)
<b>At 31 December 2016</b>	<b>68,553.8</b>	<b>(183.0)</b>	<b>(47.0)</b>	<b>(79.3)</b>	<b>(26,995.8)</b>	<b>41,248.7</b>	<b>19,433.2</b>	<b>60,681.9</b>
At 1 January 2016	68,553.8	(33.2)	(40.6)	(19.0)	(25,860.9)	42,600.1	19,567.5	62,167.6
Profit for the year	-	-	-	-	1,713.6	1,713.6	1,240.4	2,954.0
Other comprehensive loss:								
Remeasurement of defined benefit plans	-	-	-	(60.3)	-	(60.3)	-	(60.3)
Investments:								
Valuation losses taken to reserves	-	-	(6.4)	-	-	(6.4)	-	(6.4)
Currency translation differences	-	(149.8)	-	-	-	(149.8)	(125.4)	(275.2)
Total other comprehensive loss	-	(149.8)	(6.4)	(60.3)	-	(216.5)	(125.4)	(341.9)
Total comprehensive (loss)/income	-	(149.8)	(6.4)	(60.3)	1,713.6	1,497.1	1,115.0	2,612.1
Transactions with owners:								
Distributions	-	-	-	-	(2,848.5)	(2,848.5)	-	(2,848.5)
Dividends	-	-	-	-	-	-	(1,249.3)	(1,249.3)
<b>At 31 December 2016</b>	<b>68,553.8</b>	<b>(183.0)</b>	<b>(47.0)</b>	<b>(79.3)</b>	<b>(26,995.8)</b>	<b>41,248.7</b>	<b>19,433.2</b>	<b>60,681.9</b>
At 1 October 2015	68,553.8	(14.9)	(18.4)	67.5	(26,394.2)	42,193.8	19,464.3	61,658.1
Profit for the quarter	-	-	-	-	533.3	533.3	327.3	860.6
Other comprehensive loss:								
Remeasurement of defined benefit plans	-	-	-	(86.5)	-	(86.5)	-	(86.5)
Investments:								
Valuation losses taken to reserves	-	-	(22.2)	-	-	(22.2)	-	(22.2)
Currency translation differences	-	(18.3)	-	-	-	(18.3)	(15.1)	(33.4)
Total other comprehensive loss	-	(18.3)	(22.2)	(86.5)	-	(127.0)	(15.1)	(142.1)
Total comprehensive (loss)/income	-	(18.3)	(22.2)	(86.5)	533.3	406.3	312.2	718.5
Transaction with owners:								
Dividends	-	-	-	-	-	-	(209.0)	(209.0)
<b>At 31 December 2015</b>	<b>68,553.8</b>	<b>(33.2)</b>	<b>(40.6)</b>	<b>(19.0)</b>	<b>(25,860.9)</b>	<b>42,600.1</b>	<b>19,567.5</b>	<b>62,167.6</b>
At 1 January 2015	68,553.8	50.8	(13.0)	20.4	(24,295.6)	44,316.4	19,077.8	63,394.2
Profit for the year	-	-	-	-	1,744.9	1,744.9	1,299.7	3,044.6
Other comprehensive loss:								
Remeasurement of defined benefit plans	-	-	-	(39.4)	-	(39.4)	-	(39.4)
Investments:								
Valuation losses taken to reserves	-	-	(27.6)	-	-	(27.6)	-	(27.6)
Currency translation differences	-	(84.0)	-	-	-	(84.0)	(69.9)	(153.9)
Total other comprehensive loss	-	(84.0)	(27.6)	(39.4)	-	(151.0)	(69.9)	(220.9)
Total comprehensive (loss)/income	-	(84.0)	(27.6)	(39.4)	1,744.9	1,593.9	1,229.8	2,823.7
Transactions with owners:								
Equity contribution from non-controlling interests	-	-	-	-	-	-	345.3	345.3
Distributions	-	-	-	-	(3,310.2)	(3,310.2)	-	(3,310.2)
Dividends	-	-	-	-	-	-	(1,085.4)	(1,085.4)
<b>At 31 December 2015</b>	<b>68,553.8</b>	<b>(33.2)</b>	<b>(40.6)</b>	<b>(19.0)</b>	<b>(25,860.9)</b>	<b>42,600.1</b>	<b>19,567.5</b>	<b>62,167.6</b>



**1(d)(i) Statements of changes in equity for the year ended 31 December 2016 (Continued)**

**Trust**

	Units in issue HK\$'M	Accumulated losses HK\$'M	Attributable to unitholders HK\$'M
At 1 October 2016	68,553.8	(13,912.3)	54,641.5
Loss and total comprehensive loss for the quarter	-	(12.5)	(12.5)
<b>At 31 December 2016</b>	<b>68,553.8</b>	<b>(13,924.8)</b>	<b>54,629.0</b>
At 1 January 2016	68,553.8	(11,039.8)	57,514.0
Loss and total comprehensive loss for the year	-	(36.5)	(36.5)
Transaction with owners:			
Distributions	-	(2,848.5)	(2,848.5)
<b>At 31 December 2016</b>	<b>68,553.8</b>	<b>(13,924.8)</b>	<b>54,629.0</b>
At 1 October 2015	68,553.8	(11,032.6)	57,521.2
Loss and total comprehensive loss for the quarter	-	(7.2)	(7.2)
<b>At 31 December 2015</b>	<b>68,553.8</b>	<b>(11,039.8)</b>	<b>57,514.0</b>
At 1 January 2015	68,553.8	(7,696.0)	60,857.8
Loss and total comprehensive loss for the year	-	(33.6)	(33.6)
Transaction with owners:			
Distributions	-	(3,310.2)	(3,310.2)
<b>At 31 December 2015</b>	<b>68,553.8</b>	<b>(11,039.8)</b>	<b>57,514.0</b>

**1(d)(ii) Details of any changes in units for the year ended 31 December 2016**

	Group			
	01/10/2016 to 31/12/2016	01/10/2015 to 31/12/2015	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015
At beginning and at end of the quarter/year	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022

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

The financial information set out in Item 1 (except the table of excluding the gain from cessation of Jiuzhou's economic benefits, HIT's rent and rates refund, YICT's tax saving from its "High and New Technology Enterprise" status and additional depreciation due to change of an accounting estimate – see footnote 1(a)(i)(e)) and 6 of this announcement was extracted from the Financial Statements which have been audited in accordance with International Auditing Standards issued by International Auditing and Assurance Standards Board.

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

The auditor's report on the Financial Statements dated 10 February 2017 issued by PricewaterhouseCoopers LLP is enclosed in Appendix 1.

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

The accounting policies and methods of computation used in the preparation of the Financial Statements for the current year are consistent with those specified in the audited financial statements of HPH Trust and its subsidiary companies (the "Group") for the year ended 31 December 2015 except for the adoption of the standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2016. The effect of the adoption of these new standards and amendments was not material to the Group's results of operations or financial position.

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

The accounting policies and methods of computation used in the preparation of the Financial Statements for the current year are consistent with those specified in the audited financial statements of HPH Trust and its subsidiary companies for the financial year ended 31 December 2015 except for the adoption of the standards, amendments and interpretations issued by the HKICPA that are effective and applicable for the Financial Statements. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

6. **Group's earnings per unit ("EPU") and distribution per unit ("DPU") for the year ended 31 December 2016**

	01/10/2016 to 31/12/2016	01/10/2015 to 31/12/2015	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015
(i) Weighted average number of units in issue	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022
(ii) Earnings per unit for the quarter/year based on the weighted average number of units in issue (HK cents)				
- Basic and diluted	4.43	6.12	19.67	20.03
(iii) Number of units issued at end of the quarter/year	8,711,101,022	8,711,101,022	8,711,101,022	8,711,101,022
(iv) Distribution per unit for the quarter/year (HK cents) <sup>(a)</sup>	16.60	18.70	30.60	34.40

Footnote:

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

7(a) **Net asset value ("NAV") attributable to unitholders per unit based on units issued as at 31 December 2016<sup>(a)</sup>**

	Group		Trust	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net asset value attributable to unitholders per unit (HK\$) <sup>(a)</sup>	4.74	4.89	6.27	6.60
Net asset value attributable to unitholders per unit before deducting distribution per unit for the financial year ended (HK\$) <sup>(a)</sup>	4.88	5.05	6.41	6.76
Net asset value attributable to unitholders per unit after deducting distribution per unit for the financial year ended (HK\$) <sup>(a)</sup>	4.57	4.70	6.11	6.42

Footnote:

(a) The number of units used for computation of NAV per unit is 8,711,101,022 which is the number of units in issue as at 31 December 2016 (31 December 2015: 8,711,101,022).

## 7(b) Rate of return<sup>(a)</sup>

Year	Rate of Return (%)
For the year ended 31 December 2016	3.7

Footnote:

(a)  $\text{Rate of Return (\%)} = (A-B)/B \times 100$

A = NAV per unit before interim distribution per unit as of the end of the year

B = NAV per unit as of the beginning of the year (after deducting total distribution per unit for the financial period ended 31 December 2015)

## 8. Value of assets by region as at 31 December 2016

### Trust

Kind of assets	Region	Net Asset Value (HK\$'M)	Investment Ratio
Investment in a subsidiary <sup>(a)</sup>	Hong Kong	54,675.0	100.1%
Cash and other assets (after deduction of liabilities)	Singapore	(29.9)	-0.1%
Other liabilities	Hong Kong	(16.1)	0.0%
Total net assets		54,629.0	100.0%

### Group

Region <sup>(b)</sup>	Net Asset Value (HK\$'M)	Investment Ratio
Singapore	(29.9)	-0.1%
Hong Kong <sup>(c)</sup>	(2,334.8)	-3.8%
People's Republic of China	63,046.6	103.9%
Total net assets	60,681.9	100.0%

Footnotes:

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

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

(c) US\$3.8 billion bank loans and notes (equivalent to HK\$29,640 million) are grouped under Hong Kong region.

## 9. Review of performance

### Consolidated income statement (01/10/2016-31/12/2016 vs 01/10/2015-31/12/2015)

Revenue and other income for the quarter was HK\$2,957.5 million, HK\$77.2 million or 2.5% below last year. The container throughput of HIT<sup>(a)</sup> increased by 4.1% as compared to the same quarter in 2015, primarily due to higher transshipment cargoes. The container throughput of YICT<sup>(b)</sup> decreased by 4.3% as compared to the same quarter in 2015, primarily due to weaker empty and transshipment cargoes partially compensated by the growth in US and EU cargoes. The average revenue per TEU for Hong Kong was below last year mainly due to adverse throughput mix from liners. For China, the average revenue per TEU was below last year, mainly due to RMB depreciation.

Cost of services rendered was HK\$1,097.5 million, HK\$48.0 million or 4.6% above last year. The increase was primarily due to inflation, the increase in external contractors' costs and higher repairs and maintenance expenses but partially offset by lower throughput handled and RMB depreciation. Staff costs were HK\$70.6 million, HK\$4.0 million or 5.4% below last year. Depreciation and amortisation was HK\$732.1 million, HK\$15.4 million or 2.1% above last year. The increase was mainly due to YICT's Phase III Expansion South Berth and West Port Phase II being put into operation in 2016. Other operating income was HK\$81.0 million, HK\$122.6 million or 60.2% below last year. The decrease was largely due to the gain of HK\$155.5 million arising from the cessation of Jiuzhou's economic benefits in 2015.

Other operating expenses were HK\$164.5 million, HK\$37.9 million or 18.7% below last year. The decrease was mainly due to the saving in rent and rates. With the aforesaid, total operating expenses were HK\$1,983.7 million, HK\$144.1 million or 7.8% above last year.

As a result, the operating profit was HK\$973.8 million, HK\$221.3 million or 18.5% below last year.

Interest and other finance costs were HK\$180.3 million, HK\$23.5 million or 15.0% above last year. It was primarily due to higher HIBOR/ LIBOR for the bank loans' interest rates.

Share of profits less losses after tax of associated companies was HK\$2.4 million, HK\$3.9 million or 61.9% below last year, mainly due to weaker performance of tugboat operations of an associated company.

#### *Footnotes:*

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

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

## 9. Review of performance (Continued)

Share of profits less losses after tax of joint ventures was HK\$9.2 million, HK\$17.7 million or 65.8% below last year, primarily due to weaker performance of COSCO-HIT<sup>(a)</sup> as its revenue was below last year due to 9.7% decrease in volume and lower revenue per TEU.

Taxation was HK\$87.7 million, HK\$123.2 million or 58.4% below last year, mainly due to saving in taxation after YICT's Phase III Expansion South Berth and West Port Phase II were put into operation in 2016 and started enjoying preferential corporate income tax treatment. In addition, YICT's Phase I & II qualified as "High and New Technology Enterprise" in November 2016 which entitles YICT to a preferential corporate income tax for 3 years with effect from 1 January 2016. 2016's full year impact to corporate income tax of HK\$70.5 million was reflected in this quarter.

Overall, profit was HK\$717.4 million, HK\$143.2 million or 16.6% below last year. Profit attributable to unitholders of HPH Trust was HK\$385.8 million, HK\$147.5 million or 27.7% below last year. Excluding the gain from cessation of Jiuzhou's economic benefits in 2015 and YICT's tax saving from its "High and New Technology Enterprise" status in 2016, profit was 8.3% below last year and profit attributable to unitholders of HPH Trust was 8.4% below last year.

### Consolidated income statement (01/01/2016-31/12/2016 vs 01/01/2015-31/12/2015)

Revenue and other income for the year was HK\$11,912.3 million, HK\$700.5 million or 5.6% below last year. The container throughput of HIT decreased by 6.2% as compared to the same period in 2015, mainly due to weaker intra-Asia and transshipment cargoes. The container throughput of YICT decreased by 3.9% as compared to the same period in 2015, primarily due to lower empty and transshipment cargoes but which were partially offset by the growth in US and EU cargoes. The average revenue per TEU for Hong Kong was in line with last year. For China, the average revenue per TEU was below last year, mainly due to RMB depreciation.

Cost of services rendered was HK\$4,251.1 million, HK\$324.0 million or 7.1% below last year. The decrease was mainly due to lower throughput handled, lower fuel price and saving in operation costs due to better deployment and RMB depreciation, but partially offset by inflation and the increase in external contractors' costs. Staff costs were HK\$297.4 million, HK\$9.2 million or 3.0% below last year. Depreciation and amortisation was HK\$2,916.5 million, HK\$95.3 million or 3.4% above last year. The increase was mainly due to YICT's Phase III Expansion South Berth and West Port Phase II being put into operation in 2016 and additional depreciation arising from the change of estimated useful life of container handling equipment. Other operating income was HK\$88.8 million, HK\$143.2 million or 61.7% below last year. The decrease was mainly due to the gain of HK\$155.5 million arising from the cessation of Jiuzhou's economic benefits in 2015.

#### *Footnote:*

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

## 9. Review of performance (Continued)

Other operating expenses were HK\$312.0 million, HK\$477.2 million or 60.5% below last year. It was because HIT received a government rent and rates refund of HK\$430.0 million during the first quarter of 2016. With the aforesaid, total operating expenses were HK\$7,688.2 million, HK\$571.9 million or 6.9% below last year.

As a result, the operating profit was HK\$4,224.1 million, HK\$128.6 million or 3.0% below last year.

Interest and other finance costs were HK\$701.2 million, HK\$77.0 million or 12.3% above last year. It was primarily due to higher HIBOR/ LIBOR for the bank loans' interest rates.

Share of profits less losses after tax of associated companies was HK\$17.7 million, HK\$4.7 million or 21.0% below last year, mainly due to weaker performance of tugboat operations of an associated company.

Share of profits less losses after tax of joint ventures was HK\$59.2 million, HK\$59.4 million or 50.1% below last year, mainly due to weaker performances of COSCO-HIT and ACT<sup>(a)</sup> as both their throughput were 13.8% below last year.

Taxation was HK\$645.8 million, HK\$179.1 million or 21.7% below last year, mainly due to saving in taxation after YICT's Phase III Expansion South Berth and West Port Phase II were put into operation in 2016 and started enjoying preferential corporate income tax treatment. In addition, YICT's Phase I & II qualified as "High and New Technology Enterprise" in November 2016 which entitles YICT to a preferential corporate income tax rate for 3 years with effect from 1 January 2016.

Overall, profit was HK\$2,954.0 million, HK\$90.6 million or 3.0% below last year. Profit attributable to unitholders of HPH Trust was HK\$1,713.6 million, HK\$31.3 million or 1.8% below last year. Excluding the gain from cessation of Jiuzhou's economic benefits in 2015, additional depreciation due to the change of an accounting estimate effective from August 2015, HIT's rent and rates refund and YICT's tax saving from its "High and New Technology Enterprise" status in 2016, profit was 11.2% below last year and profit attributable to unitholders of HPH Trust was 15.2% below last year.

### Material changes in statements of financial position and statements of cash flows

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

*Footnote:*

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

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

No forecast statement for the financial year 2016 has been disclosed.

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

As a result of the strong rebound in economic activity in the US in the second half of 2016 supported by robust employment data, outbound cargoes to the US escalated in the fourth quarter of 2016. However, there remains a high level of uncertainty on the policy stance of the new US administration and its domestic and global ramifications on the US economy and trade in 2017.

The moderate uplift in outbound cargoes to Europe when compared to 2015 is largely supported by the stable, albeit slower pace of growth of the European economies in 2016. However, continued weak consumer sentiment and high unemployment rate is expected to hinder the speed of economic recovery in Europe and the pickup of the European trade in 2017.

In addition to the economic performances of the US and Europe, HPH Trust's performance is also impacted by the outcomes of the structural consolidation within the container shipping industry. The service rationalization of various global shipping alliances has negatively impacted the transshipment volume of both HIT and YICT in 2016.

Shipping lines continue to deploy mega-vessels to achieve economies of scale, reform their carrier alliances to improve efficiency, control costs and expand the coverage of vessel-sharing schemes to enhance competitiveness as seen by the recent announcement by Japan's big three shipping groups, Kline, MOL and NYK to merge their container shipping businesses. HPH Trust is well positioned to be the preferred port of call for mega-vessels given its natural deep-water channels and unparalleled mega-vessel handling capabilities.

The recently signed co-management arrangement for the 16 berths across Terminals 4, 6, 7, 8 and 9 in Kwai Tsing, Hong Kong is expected to deliver cost and operational synergies as a result of a more efficient use of the facilities and manpower resources which will enhance the overall competitiveness of the services offered by HPH Trust in 2017.

The acquisition of HICT in 2016 is expected to provide additional handling capacity and generate operational synergies with Yantian International Container Terminals through sharing of resources and better utilization of port and related facilities in 2017.



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

Given the uncertainty around global trade outlook, management remains cautious on the expected cargo volume for 2017 and will continue to focus on better cost control through improvements in productivity and efficiency.

Given its strong fundamentals, the Trustee-Manager is confident that HPH Trust is well-equipped to respond promptly and effectively to any adverse external developments and challenges.

## 12. Distribution

### (a) Current financial period

Any distribution recommended for the : current financial period	Yes
Amount	HK\$1,446.0 million
Distribution type	Cash
Distribution rate	16.60 HK cents per unit for the period 1 July 2016 to 31 December 2016
Par Value	Not applicable
Tax rate	Distributions received by either Singapore tax resident Unitholders or non-Singapore tax resident Unitholders are exempted from Singapore income tax and also not subject to Singapore withholding tax. The Unitholders are not entitled to tax credits of any taxes paid by the Trustee-Manager of HPH Trust.

## 12. Distribution (Continued)

### (b) Corresponding period of the immediately preceding financial period

Any distribution declared for the previous corresponding period	:	Yes
Amount	:	HK\$1,629.0 million
Distribution type	:	Cash
Distribution rate	:	18.70 HK cents per unit for the period 1 July 2015 to 31 December 2015
Par Value	:	Not applicable
Tax rate	:	Distributions received by either Singapore tax resident Unitholders or non-Singapore tax resident Unitholders are exempted from Singapore income tax and also not subject to Singapore withholding tax. The Unitholders are not entitled to tax credits of any taxes paid by the Trustee-Manager of HPH Trust.

**12. Distribution (Continued)**

**(c) Date Payable** 30 March 2017

**(d) Books closure date** The Transfer Books and Register of HPH Trust will be closed at 5:00 p.m. on 20 February 2017 for the purposes of determining each unitholder's entitlement to the Distribution. Registered unitholders (other than The Central Depository (Pte) Limited ("CDP")), and unitholders whose securities accounts with CDP are credited with units, at 5:00 p.m. on 20 February 2017 will be entitled to the Distribution to be paid on or about 30 March 2017.

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

Not applicable.

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

No IPT general mandate has been obtained.

15. **Segmented revenue and results for the business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Management considers the business from geographic segment perspective.

	Revenue and other income		Non-current assets	
	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015	31/12/2016	31/12/2015
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Hong Kong	4,820.4	5,093.3	28,655.0	29,403.3
Mainland China	7,091.9	7,519.5	73,787.7	74,139.6
	11,912.3	12,612.8	102,442.7	103,542.9

16. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to Item 9.

17. **A breakdown of Group's revenue and profit after tax before deducting non-controlling interest as follows:-**

	01/01/2016 to 31/12/2016 HK\$'M	01/01/2015 to 31/12/2015 HK\$'M	Favorable/ (Unfavorable) %
a) Revenue and other income			
- 1 <sup>st</sup> half year	5,689.6	6,076.4	(6.4)
- 2 <sup>nd</sup> half year	6,222.7	6,536.4	(4.8)
	11,912.3	12,612.8	(5.6)
b) Profit after tax before deducting non-controlling interest			
- 1 <sup>st</sup> half year	1,424.6	1,235.5	15.3
- 2 <sup>nd</sup> half year	1,529.4	1,809.1	(15.5)
	2,954.0	3,044.6	(3.0)

**18. Breakdown of the total distribution for the year ended 31 December 2016**

	01/01/2016 to 31/12/2016 HK\$'M	01/01/2015 to 31/12/2015 HK\$'M
Total distribution <sup>(a)</sup>		
- 1 January to 31 March	-	-
- 1 April to 30 June	1,219.5	1,367.6
- 1 July to 30 September	-	-
- 1 October to 31 December <sup>(b)</sup>	1,446.0	1,629.0
	<b>2,665.5</b>	<b>2,996.6</b>

*Footnotes:*

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

(b) For the quarter ended 31 December 2016, the Trustee-Manager recommended a distribution per unit of 16.60 HK cents totalling HK\$1,446.0 million to the unitholders of the Trust.

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

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

**20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) of the Listing Manual. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual, the Trustee-Manager confirms that there is no person occupying a managerial position in the Company or in any of HPH Trust's principal subsidiaries who is a relative of a director, chief executive officer, substantial shareholder of the Company or substantial unitholder of HPH Trust for the financial year ended 31 December 2016.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risk, uncertainties and assumptions. Representative examples of these factors included (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sales/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management of future events.

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

Ms Lynn Wan Tiew Leng  
Company Secretary  
10 February 2017

## **21. Outline of the Trustee-Manager**

### **(a) Amount of capital**

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

### **(b) Description of business and outline of operation**

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

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

### **(c) Miscellaneous**

Not applicable.



## 22. Financial information of the Trustee-Manager

### 22(a) Income statement for the year ended 31 December 2016

	01/01/2016 to 31/12/2016	01/01/2015 to 31/12/2015
	HK\$'M	HK\$'M
<b>Revenue and other income</b>	28.3	22.7
Cost of services rendered	-	-
Staff costs	(2.7)	(2.4)
Depreciation and amortisation	-	-
Other operating income	-	-
Other operating expenses	(5.3)	(5.9)
<b>Total operating expenses</b>	(8.0)	(8.3)
<b>Operating profit</b>	20.3	14.4
Interest and other finance costs	-	-
<b>Profit before tax</b>	20.3	14.4
Tax	(2.7)	(1.7)
<b>Profit for the year</b>	17.6	12.7

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

22(b) Statement of financial position as at 31 December 2016

	31/12/2016	31/12/2015
	HK\$'M	HK\$'M
<b>ASSETS</b>		
<b>Non-current asset</b>		
Fixed assets	-	-
<b>Total non-current asset</b>	-	-
<b>Current assets</b>		
Cash and cash equivalents	14.5	11.1
Trade and other receivables	17.8	12.5
<b>Total current assets</b>	32.3	23.6
<b>Current liabilities</b>		
Trade and other payables	3.2	2.6
Current tax liabilities	3.5	3.0
<b>Total current liabilities</b>	6.7	5.6
<b>Net current assets</b>	25.6	18.0
<b>Total assets less current liabilities</b>	25.6	18.0
<b>Net assets</b>	25.6	18.0
<b>EQUITY</b>		
Share capital	0.1	0.1
Reserves	25.5	17.9
<b>Total equity</b>	25.6	18.0



## 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 ("the Trust") and its subsidiaries ("the 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 ("the 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 2016 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 financial year ended on that date.

#### *What we have audited*

The financial statements of the Trust and the Group comprise:

- the consolidated statement of financial position of the Group as at 31 December 2016;
- the statement of financial position of the Trust as at 31 December 2016;
- the consolidated income statement of the Group for the year then ended;
- the consolidated statement of comprehensive income 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;
- the consolidated statement of cash flows of the Group 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 ("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.

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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST (CONTINUED)

### 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 judgments; 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 financial year ended 31 December 2016. 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
<p><b>Goodwill</b></p> <p><i>Refer to notes 3(b) and 14(b) to the financial statements.</i></p> <p>The Group has a significant amount of goodwill arising primarily from the acquisition of deep-water container ports in Shenzhen and Hong Kong in 2011. As at 31 December 2016, the carrying value of goodwill amounted to HK\$22,629 million.</p> <p>Goodwill is subject to impairment tests annually and when there is an indication of impairment.</p> <p>For the purpose of the Group's impairment assessment of goodwill, impairment was assessed using value in use model for deep-water container ports in Shenzhen and Hong Kong.</p>	<p>We have performed the following procedures to evaluate the Group's impairment assessment:</p> <ul style="list-style-type: none"><li>• Assessed the appropriateness of the valuation methodology used;</li><li>• Assessed the reasonableness of key assumptions based on our knowledge of the business and industry and with the involvement of our valuation specialists;</li><li>• 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</li></ul>



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="272 683 576 712"><b>Goodwill (Continued)</b></p> <p data-bbox="272 752 823 954">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.</p> <p data-bbox="272 994 823 1263">Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of goodwill. This conclusion was based on recoverable amounts, calculated under the value-in-use models, which exceeded the carrying value of goodwill as at 31 December 2016.</p> <p data-bbox="272 1303 823 1400">The significant assumptions are disclosed in note 14(b) to the consolidated financial statements.</p>	<p data-bbox="855 683 1417 779">We have performed the following procedures to evaluate the Group's impairment assessment: (Continued)</p> <ul data-bbox="906 846 1417 1003" style="list-style-type: none"><li data-bbox="906 846 1417 1003">• 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.</li></ul> <p data-bbox="855 1043 1417 1160">We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.</p>



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="284 678 571 705"><b>Revenue recognition</b></p> <p data-bbox="284 741 831 801"><i>Refer to notes 3(e) and 4 to the financial statements.</i></p> <p data-bbox="284 837 831 965">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.</p> <p data-bbox="284 1001 831 1285">For the year ended 31 December 2016, revenue from container handling services amounting to HK\$11,588 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.</p> <p data-bbox="284 1321 831 1570">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.</p>	<p data-bbox="863 678 1422 770">We have performed the following procedures in relation to the accuracy of revenue recognised and accrued:</p> <ul data-bbox="916 804 1422 1637" style="list-style-type: none"><li data-bbox="916 804 1422 898">• Understood, evaluated and tested the key controls over the tariff applied in container handling services.</li><li data-bbox="916 934 1422 1480">• We selected a sample of transactions and:<ul data-bbox="963 1032 1422 1480" style="list-style-type: none"><li data-bbox="963 1032 1422 1189">○ Agreed the applied tariff to the respective terms in the contracts or latest correspondence with customers where the tariff has been estimated by management.</li><li data-bbox="963 1225 1422 1352">○ Agreed throughput handled, used in the calculation of tariffs, to the operating system recording throughput.</li><li data-bbox="963 1388 1422 1480">○ Tested revenue calculations and agreed the revenue recognised to the underlying accounting records.</li></ul></li><li data-bbox="916 1516 1422 1637">• Checked to bank advices or credit notes on a sample basis for the net settlement and reviewed aged items for any disputed amounts.</li></ul> <p data-bbox="863 1673 1422 1794">We found the judgement made by management in estimating tariffs in the revenue recognized and accrued to be supportable and reasonable based on available evidence.</p>



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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST (CONTINUED)

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### Key Audit Matter

### How our audit addressed the Key Audit Matter

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#### Recoverability of trade receivables

*Refer to note 20 to the financial statements.*

The Group has net trade receivables of HK\$3,260 million after providing for impairment of HK\$61 million as at 31 December 2016.

Trade receivables of the Group comprise mainly receivables for port and related services rendered to shipping line customers. The challenging operating environment in the container shipping industry during the year has increased the risks of default on trade receivables from the Group's customers. In particular, in the event of insolvency of customers, the Group is exposed to a heightened risk of significant financial loss when the customers fail to meet their contractual obligations in accordance with the requirements of trade agreements.

For the purpose of impairment assessment, significant judgements and assumptions, including the credit risks of customers and the timing and amount of realisation of these receivables, are required for the identification of impairment events and the determination of any impairment charge.

We have performed the following procedures in relation to the recoverability of trade receivables:

- Tested the aging of trade receivables at year end on a sample basis.
- Obtained a list of long outstanding receivables and identified any debtors with financial difficulty through discussion with management as well as conducting market research on the industry.
- Assessed the recoverability of these outstanding receivables on a sample basis through our discussion with management and with reference to the credit profile, historical payment patterns, publicly available information and latest correspondence with customers.
- Tested settlement of trade receivables after the balance sheet date on a sample basis.

We found the judgement and assumptions used by management in determining the provision for impairment of trade receivables to be supportable and reasonable based on the available evidence.

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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST (CONTINUED)**

### **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 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.

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.

### **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.





## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST (CONTINUED)**

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.

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.



**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HUTCHISON PORT HOLDINGS TRUST (CONTINUED)**

**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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers' in a cursive style, with a large, sweeping flourish at the end.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 10 February 2017