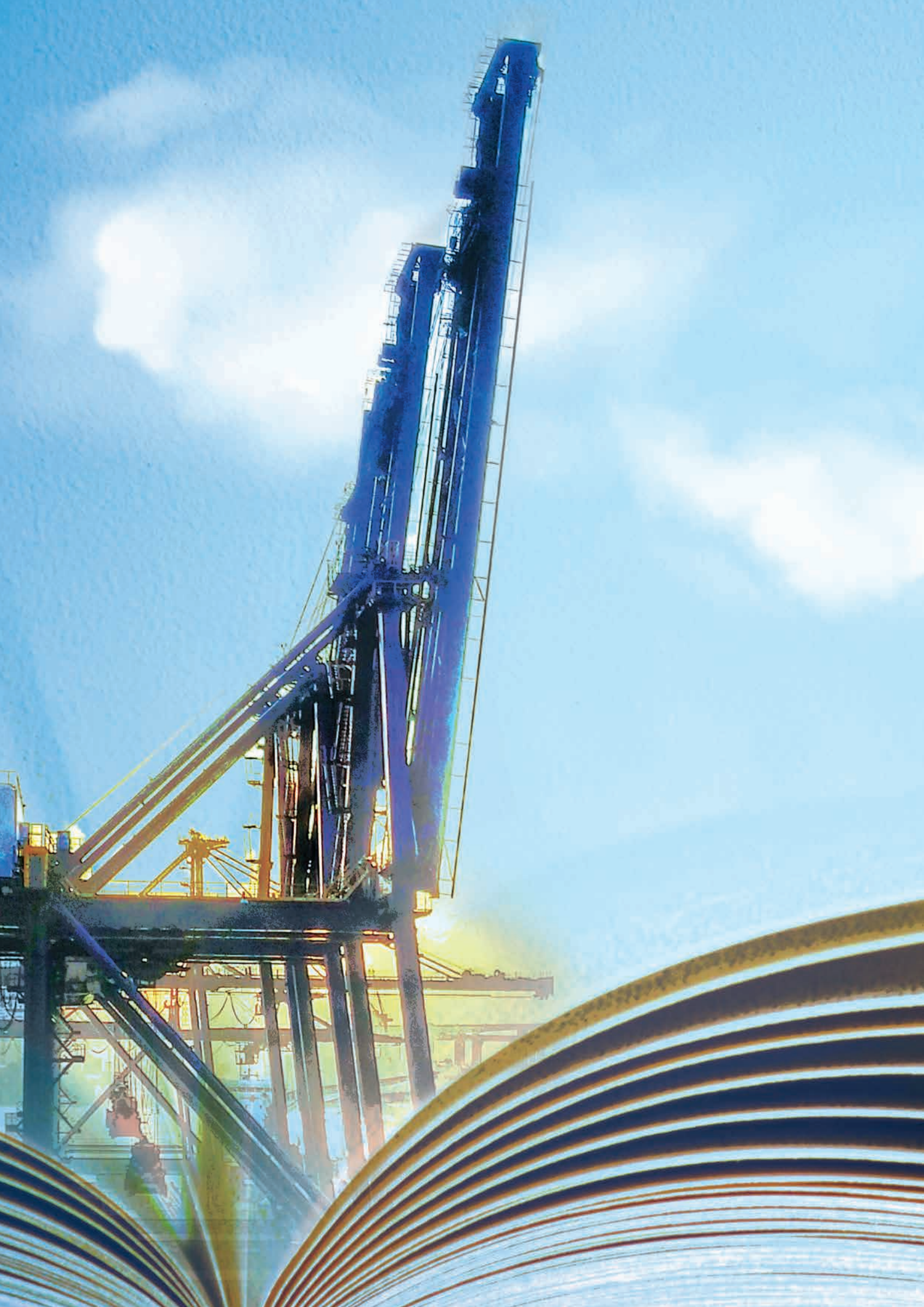




HUTCHISON PORT HOLDINGS TRUST
ANNUAL REPORT 2020

SAILING WITH AGILITY AND RESILIENCE





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TRUST PROFILE

HPH TRUST

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

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

HPH Trust operates Hongkong International Terminals (“HIT”), COSCO-HIT Terminals (“COSCO-HIT”) and Asia Container Terminals (“ACT”) in Hong Kong, and Yantian International Container Terminals (“YANTIAN”) and Huizhou International Container Terminals (“HICT”) in Mainland China. HPH Trust operates 38 berths across 647 hectares of land. In 2020, the Trust delivered a combined throughput of approximately 23.7 million twenty-foot equivalent units (“TEU”).

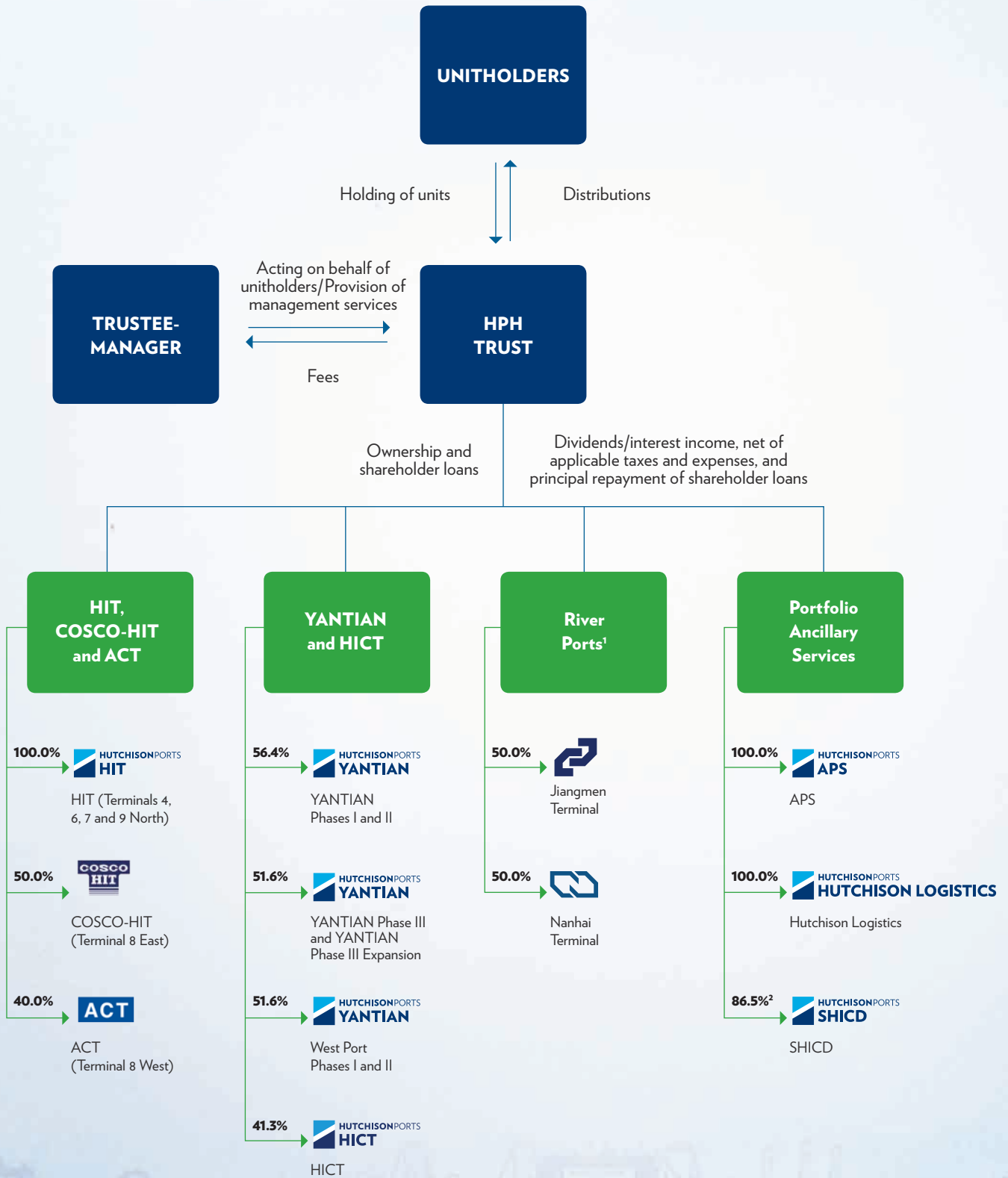
The core port operations of the Trust are complemented by river port facilities and ancillary services, which aim to provide customers with seamless logistics supply chain solutions for imports and exports. HPH Trust holds economic benefits (“River Ports Economic Benefits”)¹ in two river ports in Mainland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

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

THE TRUSTEE-MANAGER

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

CORPORATE STRUCTURE



¹ HPH Trust holds River Ports Economic Benefits, but not the shares of the River Ports' holdings companies.

² The effective shareholding was increased from 81.7% to 86.5%, with effect from 17 July 2020.

PORTFOLIO OVERVIEW

HONG KONG

A HIT

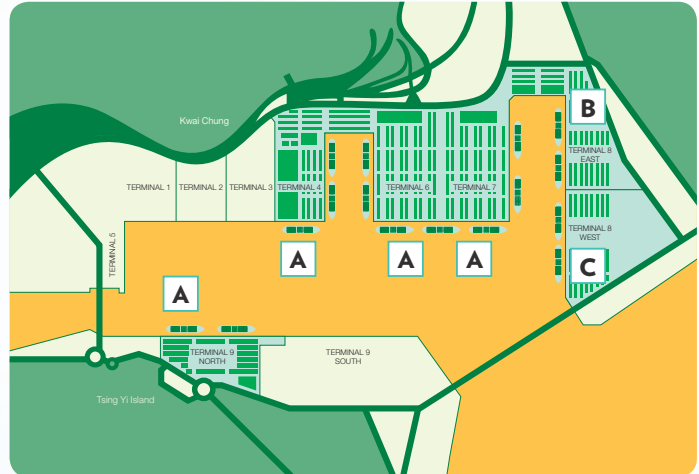
- 12 container berths across Terminals 4, 6, 7 and 9 North with a combined land area of 111 hectares
- 100% ownership

B COSCO-HIT

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

C ACT

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



SHENZHEN AND HUIZHOU

A YANTIAN Phases I and II

- Effective interests: 56.4%
- 5 container berths with a combined land area of 130 hectares

B YANTIAN Phase III and YANTIAN Phase III Expansion

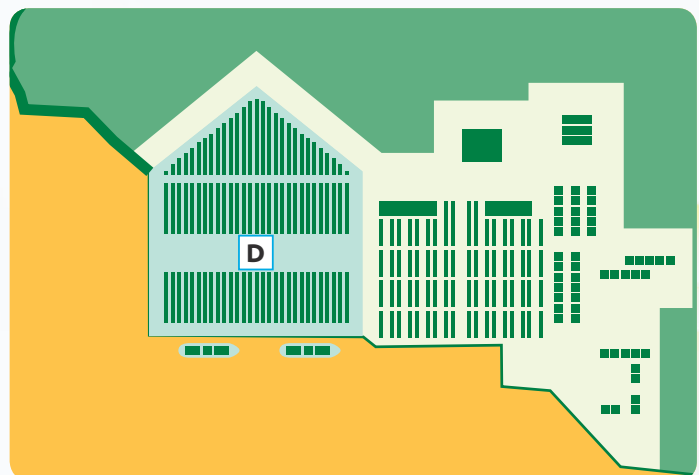
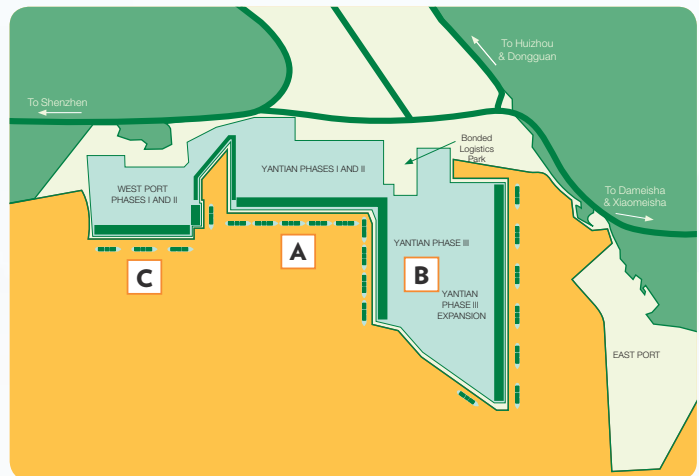
- Effective interests: 51.6%
- 11 container berths with a combined land area of 226 hectares

C West Port Phases I and II

- Effective interests: 51.6%
- 4 container berths with a combined land area of 61 hectares

D HICT

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



PORTFOLIO OVERVIEW

HONG KONG

- HIT
- COSCO-HIT
- ACT

SHENZHEN

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

HUIZHOU

- HICT



PORTFOLIO OVERVIEW

HONG KONG

HIT, COSCO-HIT and ACT

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

On 8 January 2019, Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited (“MTL”) established the Hong Kong Seaport Alliance (“HKSPA”), on which they collaborate to ensure the efficient management and operation of the 23 berths in Kwai Tsing.



16
CONTAINER
BERTHS

170
HECTARES
OF LAND

AROUND
1,700
EMPLOYEES

62
QUAY
CRANES

10.1¹
MILLION TEU
HANDLED
IN 2020

AROUND
2,700
EXTERNAL
CONTRACTOR
WORKERS
ON-SITE DAILY

Figures as at 31 December 2020

¹ Represents the allocated throughput from HKSPA.

PORTFOLIO OVERVIEW

SHENZHEN AND HUIZHOU

YANTIAN

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

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

HICT

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

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



22
CONTAINER
BERTHS

477
HECTARES
OF LAND

AROUND
2,300
EMPLOYEES

91
QUAY
CRANES

13.6
MILLION TEU
HANDLED
IN 2020

AROUND
4,500
EXTERNAL
CONTRACTOR
WORKERS
ON-SITE DAILY

Figures as at 31 December 2020

ADAPTING TO A CHALLENGING BUSINESS ENVIRONMENT

The global economic downturn and continuing uncertainty caused by the COVID-19 pandemic have placed immense pressure on businesses. To weather the challenging market conditions, HPH Trust has adapted its business operations and is exploring initiatives to improve performance, build operational efficiency, streamline processes and tighten cost management. The Trust will continue to explore new business opportunities to adapt to new economic realities.





LETTER TO UNITHOLDERS

The unprecedented challenges brought by the COVID-19 pandemic made 2020 a very tough year for businesses around the globe. Governments imposed lockdowns and border controls, and production was halted in many factories, heavily disrupting global supply chains and business operations. The crisis was a critical test of strength and resilience for businesses.

HPH Trust has extensive container port operations in China's Pearl River Delta. This meant it had to intelligently respond to the economic impact of both the pandemic and the prolonged trade tensions between the United States and China. With its resilience and agility, the Trust seized new business opportunities, successfully weathering the storm of 2020.

BUSINESS RESURGENCE

HPH Trust's ports experienced a 10% rebound in throughput in the second half of 2020, after falling 8% in the first six months of the year compared to the same period last year. As a result of pent-up demand following lockdowns, outbound cargoes from YANTIAN to the United States and Europe grew 24% and 18% after sliding 17% and 10% respectively in the first half of 2020. Across 2020, HPH Trust recorded total throughput of 23.7 million twenty-foot equivalent units (TEU), representing an increase of 2% on the previous year.

The Trust reported net profit after tax ("NPAT") of HK\$2,012.5 million – an increase of 10% compared to HK\$1,821.7 million in 2019, while NPAT attributable to unitholders rose by 57% to HK\$831.4 million. Distribution per unit ("DPU") to unitholders was 12.0 HK cents in 2020.

SHOWCASING RESILIENCE

Since its inception in early 2019, the Hong Kong Seaport Alliance ("HKSPA") – which includes Hongkong International Terminals ("HIT"), COSCO-HIT Terminals ("COSCO-HIT") and Asia Container Terminals ("ACT") among its members – has consistently raised the competitiveness and resilience of the port of Hong Kong. During the year, HKSPA continued its remarkable efforts to improve operational efficiencies. Moreover, the Competition Commission of Hong Kong issued a Notice of Acceptance of HKSPA's commitments offered under the Competition Ordinance on 30 October 2020. This marks an end to its investigation and represented a key development that enables HKSPA to focus on strengthening its operations to capture future opportunities.

The Trust's resilience was tested when a COVID-19 cluster was identified at Hong Kong Port in August 2020. Prioritising the health and safety of staff members, and being determined to bring the outbreak swiftly under control, the Trust implemented a host of measures to minimise infection risks in the workplace, including regular distribution of face masks, periodic COVID-19 tests for staff members and external contractor workers, especially front-line workers, and operational solutions such as work-from-home arrangements, electronic data interchange to reduce the time personnel spent on board vessels, and point-to-point transport for crew changes. HPH Trust also took care of staff members' emotional well-being by addressing their needs and concerns.

In another demonstration of resilience, the Trust has consistently invested in efficiency and capability enhancements over the past few years to meet the worldwide trend towards using mega-vessels in container shipping. This investment is now bearing fruit. In May, YANTIAN witnessed a historic moment in global shipping when it received five 400-metre-long container vessels. This was the first time a quintet of mega-vessels, each with a 17,722–23,656 TEU range, simultaneously berthed at a Chinese port. In July, the port of Hong Kong once again reinforced its status as the port of choice for global carriers when HKSPA welcomed *HMM GDANSK*, the world's largest container vessel, on its maiden call to the port.

In terms of technology advances, the Trust firmly believes that innovation is key to building resilience. The fast-changing global business landscape increased the Trust's determination to stay competitive by accelerating efficiency enhancements.

At YANTIAN, four remote-controlled and semi-automated cranes have begun operating 24x7, making it the first container terminal in Shenzhen to benefit from these improvements. Meanwhile, in Hong Kong, remote operations of rubber-tyred gantry cranes ("RTGCs") were extended to Terminal 8 following their success at Terminal 9 North. Together, these changes have enhanced the working environment for crane operators, enabled more flexible deployment of manpower and raised yard productivity.

LETTER TO UNITHOLDERS

SEIZING OPPORTUNITIES

The COVID-19 pandemic highlighted the agility of the Trust's operations as it turned challenges into opportunities. While the crisis disrupted global supply chains, HPH Trust quickly capitalised on shifting trends in trade.

With many countries imposing lockdowns to contain the pandemic, there was a significant increase in online consumption across the world. Today, a notable amount of cross border e-commerce volume in South China takes place in Shenzhen, and the demand for such volume is expected to increase in near future. With many traders using YANTIAN to export sea cargo, the terminal was perfectly placed to take advantage of the upsurge in business due to its cross border e-commerce express service to the United States, the first such dedicated service in South China.

In Hong Kong, HPH Trust worked hard to maintain its vaunted efficiency and reliable service quality. When other ports in South China faced a shortage of reefer facilities because of the pandemic, the Kwai Tsing terminals responded swiftly, working with shipping lines to relocate their reefer shipments to the city. And with the combined facilities of HKSPA offering more than 7,800 reefer points – twice the capacity of any other terminal in South China – the alliance is in a prime position to capture the growth of the cold chain market on the mainland. This has made Hong Kong the port of choice for fruit shipments to China.

The disruption of global supply chains caused a serious shortage of empty containers in China. Shipping lines responded by repositioning empty containers from non-transpacific and European trades via Hong Kong to meet needs in South China. As a surge of empty containers began arriving in Hong Kong, the Trust was able to play to its strengths. Leveraging its vast coverage and versatility, the Trust served as a reliable and efficient hub for repositioning empty containers, helping carriers maintain their critical connections with different parts of the world.

Keen to expand its connectivity, HKSPA continued to enhance the port's status as one of the busiest major transshipment hubs in the world. It launched 17 new intra-Asia services during the year. Its comprehensive network, with over 220 weekly liner calls, makes the alliance the largest intra-Asia hub in South China. Meanwhile, 11 new services called at YANTIAN in 2020. Furthermore, with

the strong support of shipping lines, YANTIAN was proud to set new throughput records two months in a row, receiving 1.42 million TEU and 1.46 million TEU in August and September, respectively. These milestones set the stage for the terminal to celebrate a cumulative throughput of 200 million TEU, a record it achieved in February 2021 – in just over 25 years – to consolidate its status as one of the world's busiest container terminals.

LOOKING AHEAD WITH RENEWED PURPOSE AND CONFIDENCE

As the COVID-19 pandemic continues to unfold, the full implications of the crisis are still to emerge. What is certain is a redrawing of global trade and supply chain trends. In the coming years, it will be vital for companies to proactively respond to trends linked to COVID-19 to ensure business sustainability.

As HPH Trust continues to strengthen its business and operations, the health and safety of employees, external contractor workers and port users remains a top priority. The Trust is responsible for preventing the spread of COVID-19 in its ports and maintaining the stability of port operations. Above all, it will continue to respond with its customary agility and resilience to the tide of changes set off by the pandemic.

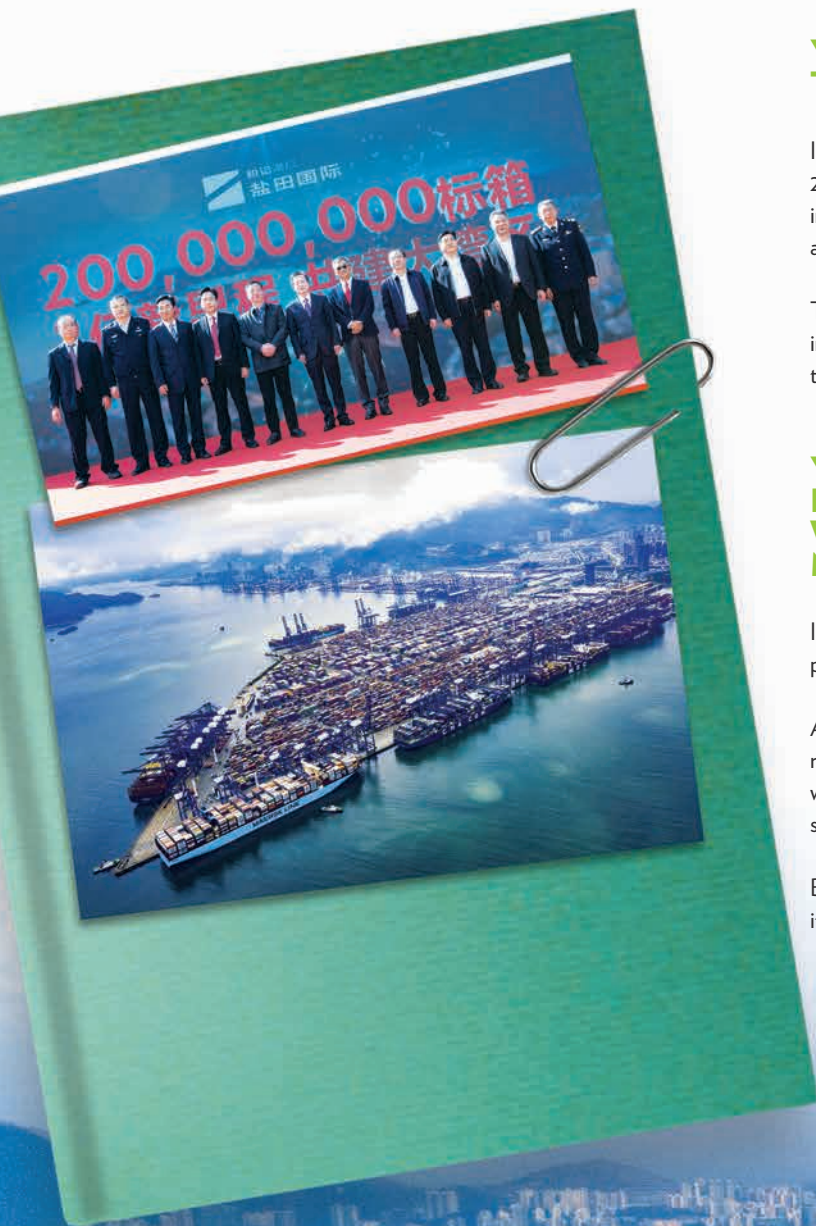
Moving forward, HPH Trust will stay true to its vision of building sustainable ports. Over the past years, HPH Trust has been implementing various sustainability initiatives such as the expanded use of electricity-driven equipment and YANTIAN's shore power project, and its strong efforts are well recognised by third parties and government authorities. HPH Trust will continue to actively contribute to a sustainable future.

As always, the management will make both short- and long-term plans to overcome future challenges and take decisive actions to capture opportunities ahead, including but not limited to the recent regional comprehensive economic partnership formed by China and 14 Asia-Pacific nations in November. It is only by keeping a relentless pursuit of excellence that the Trust can ensure business continuity and success.

FOK Kin Ning, Canning

Chairman

KEY EVENTS



YANTIAN HITS 200 MILLION TEU THROUGHPUT

In February 2021, YANTIAN celebrated reaching total throughput of 200 million TEU in just over 25 years. This is a milestone for the port industry. YANTIAN's customers and partners, as well as government and port supervisory officials, attended a ceremony to celebrate.

This achievement sends a positive signal to the port and logistics industry as it navigates the challenging global conditions caused by the COVID-19 pandemic.

YANTIAN BREAKS NEW RECORDS FOR CONTAINER THROUGHPUT WHILE SETTING NEW OPERATIONAL MILESTONE

In September, YANTIAN loaded 1.46 million TEU, breaking its previous monthly record of 1.42 million TEU achieved in August.

Along with its new operational milestones, YANTIAN was proud to receive five 400-metre-long container vessels in May. The event, which saw vessels ranging between 17,722 and 23,656 TEU berth simultaneously, is a rare occurrence at ports globally.

Both events strengthen YANTIAN's position as a world class port and its capabilities in serving mega-vessels.



HKSPA CONTINUES TO FOCUS ON SUSTAINING BUSINESS COMPETITIVENESS

During the year, HKSPA continued to deliver greater efficiency and enhanced services to customers. The Competition Commission of Hong Kong's acceptance of HKSPA's commitments on 30 October marked an end to its investigation and represented a key development which enables HKSPA to focus on seizing future business opportunities.

Terminals under HKSPA have long and solid experience handling shipments of fresh produce, and have set an unrivalled standard in the cold chain market, due to its unique free port status and comprehensive service network. Throughout this challenging year, when other ports have encountered various disruptions, HKSPA has been able to maintain the high level of operational efficiency and flexibility that many stakeholders expect, while achieving significant growth in fruit shipment handling, especially of durians and cherries.



On 5 November, HKSPA hosted a webinar titled "Tapping into the fast growing fruit markets". Speakers from key industry players highlighted the competitive advantages of the port of Hong Kong as a reliable and agile cold chain product gateway to China.

CORPORATE MILESTONES

MEGA-VESSEL CALLS



YANTIAN WELCOMES HMM ALGECIRAS

In May, YANTIAN welcomed *HMM ALGECIRAS* during its maiden voyage. The vessel is in the world's largest container vessel class, and is 400 metres long and 61 metres wide, with a carrying capacity of 23,964 TEU. The vessel has been deployed as part of THE Alliance's Asia-Europe service, with YANTIAN as its last port of call in China before it sails to Europe.



HIT WELCOMES HMM GDANSK

In July, HIT, a member of HKSPA, welcomed *HMM GDANSK* on its maiden call to Hong Kong. *HMM GDANSK* is in the world's largest container vessel class, featuring a length of 400 metres, a width of 61 metres and carrying capacity of 23,964 TEU. *HMM GDANSK* operates THE Alliance's Far East Europe 3 service, connecting major ports in China, Asia and Europe.



YANTIAN RECEIVES WORLD'S FIRST LNG-POWERED 23,000-TEU CONTAINER VESSEL

In October, the world's first LNG-powered container vessel, *CMA CGM JACQUES SAADE*, made its inaugural call at YANTIAN. Measuring 400 metres long and 61 metres wide, with a capacity of 23,112 TEU, it is the first of nine mega-vessels of the same type in CMA CGM's fleet.

NEW RECORDS



HKSPA ACHIEVES RECORD FOR LARGEST VOLUME HANDLED FOR A SINGLE VESSEL IN HONG KONG

In February, at Terminal 8, HKSPA performed 139 moves an hour for EVERGREEN's vessel *THALASSA DOXA*, loading and unloading 7,591 containers (equivalent to 13,582 TEU), setting the record for the largest number of moves handled for a single vessel in Hong Kong. This handling volume surpassed the previous record of 6,988 containers set in 2017.



TERMINAL 8 BREAKS NEW PRODUCTIVITY RECORD

In June, Terminal 8 achieved a new productivity record with a vessel operating rate of 187.4 moves an hour during the handling of the 14,568-TEU *COSCO SHIPPING HIMALAYAS*. This was made possible by the concerted efforts of the Hong Kong operations team, despite the hot weather and restrictions caused by the COVID-19 pandemic.



YANTIAN SETS NEW OPERATING RECORD

In September, YANTIAN achieved a new single-vessel operating record by handling a total of 10,188 containers while serving *MSC ISABELLA*. By harnessing its strengths in berth and quay cranes ("QCs"), YANTIAN came up with successful loading and storage plan to guarantee the efficiency and safety of the operation.

CORPORATE MILESTONES

AWARDS



YANTIAN AWARDED AS “THE KEY LOGISTICS COMPANY OF SHENZHEN”

In January, YANTIAN was awarded as “The Key Logistics Company of Shenzhen”, which proved that YANTIAN is an iconic enterprise in Shenzhen, the Pearl River Delta and China. It has won recognition from the market and the government with its well-developed management system in operation, safety production and emergency handling.



HPH TRUST TERMINALS AWARDED CARING COMPANY LOGO 2020

In August, HPH Trust terminals were once again awarded the Caring Company Logo. This attests to the Trust’s continued commitment to corporate social responsibility (“CSR”). HIT and APS obtained the 15 Years Plus Logo; ACT received the 10 Years Plus Logo; and Hutchison Logistics achieved the 5 Years Plus Logo. COSCO-HIT was honoured to receive the logo for the third time.



HIT RECEIVES GREEN TITLE FROM ENVIRONMENTAL CAMPAIGN COMMITTEE (“ECC”)

In October, HIT received Hong Kong Green Organisation Certification. The title was awarded for successfully renewing ISO 14001 certification, being a signatory to the Carbon Reduction Charter and for continuing IAQwi\$e certification. The ECC leads the programme, working with the Environmental Protection Department.

CORPORATE MILESTONES



HIT WINS MANPOWER DEVELOPER AWARD

In October, HIT once again received the Manpower Developer award (April 2020–March 2022) from the Employees Retraining Board. HIT's signature talent development initiative, "Start Your Journey@Port" programme was highlighted during the professional renewal assessment. Launched in October 2014, the programme, in collaboration with education institutions, provides a variety of learning opportunities, industrial placements and job opportunities to nurture young talent for a career in the port and logistics industry.



YANTIAN RECEIVES AWARDS FROM THE CONTAINER BRANCH OF THE CHINA PORTS AND HARBOURS ASSOCIATION

In October, YANTIAN was honoured with five awards:

- Container Terminal with Annual Throughput Exceeding 13 Million TEU in China
- Container Terminal with Intermodal Volume Exceeding 200,000 TEU in China
- Container Terminal with Transshipment Throughput Exceeding 2.1 Million TEU in China
- Container Terminal with International Transshipment Throughput Exceeding 1.8 Million TEU in China
- Container Terminal with Single Vessel Productivity Exceeding 100 Containers per Hour in China



YANTIAN RECEIVES OUTSTANDING CONTRIBUTION AWARD

In November, YANTIAN received the 2020 Outstanding Contribution Award of China Cross Border E-commerce Logistics presented by the China Cross Border E-commerce Logistics Conference, which was to appreciate YANTIAN's contribution and services to cross border e-commerce in 2020.

CORPORATE MILESTONES



YANTIAN GAINS RECOGNITION FOR ITS FOREIGN INVESTMENT

In November, YANTIAN received the award of “National Excellent Enterprise with Foreign Investment Excellent Tax Payment and Turnover 2019” presented by China Association of Enterprises with Foreign Investment and Shenzhen Association of Enterprises with Foreign Investment.



HIT RECOGNISED BY GOOD EMPLOYER CHARTER 2020

In November, HIT became a signatory of the “Good Employer Charter 2020”. Organised by the Labour Department in Hong Kong, this recognition showcases HIT’s efforts in promoting exemplary human resources management and employee-oriented care for its employees.

Moving forward, the Family-friendly Good Employer logo will act as an acknowledgement of HIT’s dedication to implement family-friendly employment measures.



YANTIAN WINS THE SHENZHEN MAYOR'S QUALITY AWARD

In December, YANTIAN received the Shenzhen Mayor’s Quality Award (Silver Award in Economics Category) at the 2020 Shenzhen Quality Conference hosted by the Shenzhen Municipal People’s Government. The award recognises leading enterprises that have made a significant social or economic contribution in terms of quality innovation and management.

REMOTE-CONTROLLED AND SEMI-AUTOMATED TECHNOLOGY



A. QUAY CRANE

In January, YANTIAN launched its remote-controlled and semi-automated QCs. In June, with four units in operation 24x7, YANTIAN is the first container terminal in Shenzhen to make use of them. At the same time, HIT also equipped two new Post-Panamax and one Super-Post-Panamax QCs with a semi-automated system, the first of its kind at the terminal. The system includes functions that improve the accuracy of container positioning and enhance operational safety, which are essential for mega-vessel operations.



B. RUBBER-TYRED GANTRY CRANE

Leveraging the successful experience of the HIT Terminal 9 North, HPH Trust expanded the operation of remote-controlled RTGCs to Terminal 8 in Hong Kong. In December, it put four RTGC blocks into production, with an additional 14 blocks to follow in 2021. Similarly, YANTIAN is set to receive eight new remote-controlled RTGCs in 2021. These will enhance the efficiency and the working environment of crane operations at both ports.



C. RAIL-MOUNTED GANTRY CRANE

HIT continues its efforts to enhance remote operations. The upgrade of aged rail-mounted gantry cranes (“RMGCs”) to new remote-controlled RMGCs is separated into six batches, with the first batch of three new RMGCs having commenced operations in 2019. The second batch of three new RMGCs were manufactured in 2020 and were delivered in March 2021.

OPERATIONAL REVIEW

A firm commitment to constant improvements and a strong readiness to respond to complex challenges drives operational excellence at HPH Trust. The demands presented by the COVID-19 pandemic brought these qualities to the fore, with the Trust sparing no effort to maintain the smooth operations of its terminals.

To strengthen its competitive advantage, HPH Trust adopts new technologies and strives for improved efficiency in its day-to-day operations. At the heart of its quest to operate premier ports with top container handling capabilities is a determination to provide services that meet or even surpass customer needs and expectations.

TACKLING THE CHALLENGES OF COVID-19

COVID-19 operational precautions

HPH Trust has put in place a full set of precautionary measures to safeguard the well-being of its employees, external contractor workers and port users. In addition to stepping up cleaning arrangements and proactively adopting social distancing measures, the Trust's terminals rolled out special work arrangements for office workers and conducted weekly COVID-19 testing for staff and external contractor workers working on board vessels.

HKSPA adapted positively to government regulations requiring ship crews to stay on board during port stays and point-to-point transportation for crew changes. Electronically exchanging stowage plans and documents with vessels also enabled HKSPA to minimise the need for its staff to board visiting vessels. At YANTIAN, in line with increasing container quarantine inspection requirements, it ensured timely allocation of adequate and additional resources to cope with these special arrangements.

Reefer shipments and repositioning hub

HKSPA responded nimbly to meet new customer needs that arose during the early stages of the pandemic. When other ports were temporarily closed or had a shortage of reefer facilities, HIT worked proactively with shipping lines to divert and relocate reefer shipments to Hong Kong. At YANTIAN, changes in trade patterns brought on by the pandemic led to a temporary shortage of reefer points. With the sharp increase in reefer inventory, up by as much as 254% in July, fast responses were required to maintain stable operations. To solve a shortage of reefer points in the terminals, YANTIAN added 1,200 reefer points within one month.

Due to slow bookings in the export market, carriers looked to terminals in Asia and China to store their empty inventory. As a result, HKSPA stepped in proactively to serve as a carriers' empty

repositioning hub. When delays in production or delivery of shipments resulted in a longer cargo dwell time at other terminals, HKSPA became a preferred port of call for the industry's detention-in-transit solution.

Swift and smart solutions

The sharp rebound in cargo volume in the second half of 2020 presented a host of challenges for YANTIAN's operations. With more than 80% of berths utilised and the inventory level hitting over 95% of yard density, YANTIAN had to respond swiftly to tackle a possible shortage of yard space, equipment and staff, to prevent increased vessel waiting times, customer complaints and any reduction in overall service quality.

YANTIAN embraced the challenges by decisively and quickly adjusting its resource and planning strategies. For example, it reorganised yard space to maximise yard utilisation and worked with the engineering team to maximise equipment deployment.

A YEAR OF OPERATIONAL EXCELLENCE

Port connectivity

HPH Trust is always looking to expand the connectivity of its ports and consolidate their status as major international shipping hubs. In December, YANTIAN committed to further strategic co-operation in intermodal services with China Railway Guangzhou Group Co., Ltd. (Guangzhou Railway Group) and five logistics companies. The deepened relationships will open new opportunities not only in Guangdong province, but also in Hunan, Jiangxi and other regions.

Reefer, cold chain and fruit logistics

Hong Kong's strategic location, free port status, and simple and fast import customs declaration procedures are attractive to shipping lines in handling reefer, dangerous and non-containerised cargoes. Indeed, Hong Kong is now widely recognised as the port of choice for fruit shipments into Mainland China.

HKSPA's ability to allow direct pick-up after container discharge makes it possible to reach major fruit markets in South China within hours, a favourable advantage for worldwide fruit traders eager to serve the growing Mainland China market.

In deploying more than 7,800 reefer points – twice the capacity of other terminals in South China – HKSPA has demonstrated its commitment to creating a reliable and agile logistics gateway for partners, ensuring that temperature-controlled commodities such as fruit, other foods and bio-pharmaceutical products stay fresh throughout their journey.

YANTIAN has installed new cold chain inspection facilities – in addition to the 1,200 reefer points mentioned above – to strengthen its long-term reefer hub position, enhancing reefer inspection capacity to meet any sudden increase in customs inspections. Cold chain co-operation with Dapeng Customs also sped up cargo inspections, facilitating efficient port operations.

E-commerce boom

The pandemic has caused a major change in consumer behaviour, with many turning to shopping online and businesses following suit, creating an e-commerce boom. HPH Trust responded quickly by working closely with carriers to provide an extensive shipping service network and launching cross border e-commerce express routes to meet customer demand. ZIM Integrated Shipping Services made its maiden call at YANTIAN in June 2020, becoming the first cross border e-commerce express service in South China. With the stable and smooth customs procedures for e-commerce cargoes, it now takes only 12 days for cargoes to reach Los Angeles in the United States from YANTIAN.

Innovation and technology

A spirit of invention drives HPH Trust's long-term business growth. This is demonstrated by HIT's enhancement of its gate operations with two technological advances: Electronic Release Order ("eRO") and Remote Container Inspection ("RCI"). These two systems have reduced the time required to inspect containers leaving the terminal, and shortened gate-out processing time by 25%.

Ever keen to achieve higher levels of efficiency and productivity, HKSPA also launched the Remote Reefer Monitoring System at HIT in 2020. The digitalisation of the process is expected to allow greater visibility and accuracy around reefer container conditions, reduce the frequency of manual inspections in the yard and ensure workers complete tasks in a safer working environment. Before digitalisation, reefer workers needed to go on-site to check reefer temperatures and alarms every four hours.

In October 2020, YANTIAN launched a new smart logistics platform known as 156yt. The platform, available to all terminal users, integrates five systems into a one-stop integrated terminal information service platform. This is part of YANTIAN's wider effort to combine related services – including terminal, customs, shipping and trucking services – into one platform.

The newly launched Electronic Terminal Receipt allows truck drivers exiting YANTIAN to view their receipt and obtain a customs electronic gate QR code via their smartphone and the "Pre-Advice System" App.

Remote-controlled and semi-automated facilities

Long-term planning has always been at the core of HPH Trust's business philosophy, as demonstrated by its continued investment in remote-controlled and semi-automated facilities. The increased adoption of remote-controlled and semi-automated QCs, remote-controlled RTGCs and remote-controlled RMGCs in 2020 has created a wide range of far-reaching benefits. These include a better working environment for crane operators, enhanced occupational safety and health, improved yard productivity and reduced carbon dioxide emissions.

Mega-vessels and new records

Despite fluctuations in global trade in 2020, mega-vessels continued to call at HPH Trust's ports, in landmark events that reaffirmed its mega-vessel handling capacity. In a bid to constantly scale new operational heights, HPH Trust broke multiple records in 2020.

At Terminal 8, HKSPA performed at 139 moves an hour for EVERGREEN's *THALASSA DOXA*, the largest number of moves handled for a single vessel in Hong Kong. HKSPA loaded and unloaded 7,591 containers – equivalent to 13,582 TEU – during the vessel's visit in February. In June, it set its new productivity record at 187.4 moves an hour in handling the 14,568-TEU *COSCO SHIPPING HIMALAYAS*, which was made possible by the concerted efforts of Hong Kong operations team.

YANTIAN worked with the 14,000-TEU *ONE CYGNUS* to successfully load 13,703 TEU in June 2020, at a record loading rate of 97.9%. In September, it set a new single-vessel operational record while serving the *MSC ISABELLA*, handling a total of 10,188 containers.

As trade rebounded, YANTIAN breaks its own previous record for the respective month successfully in each of the seven months between June and December 2020. Remarkably, it set two consecutive record highs in monthly throughput, achieving 1.42 million and 1.46 million TEU in August and September 2020 respectively.

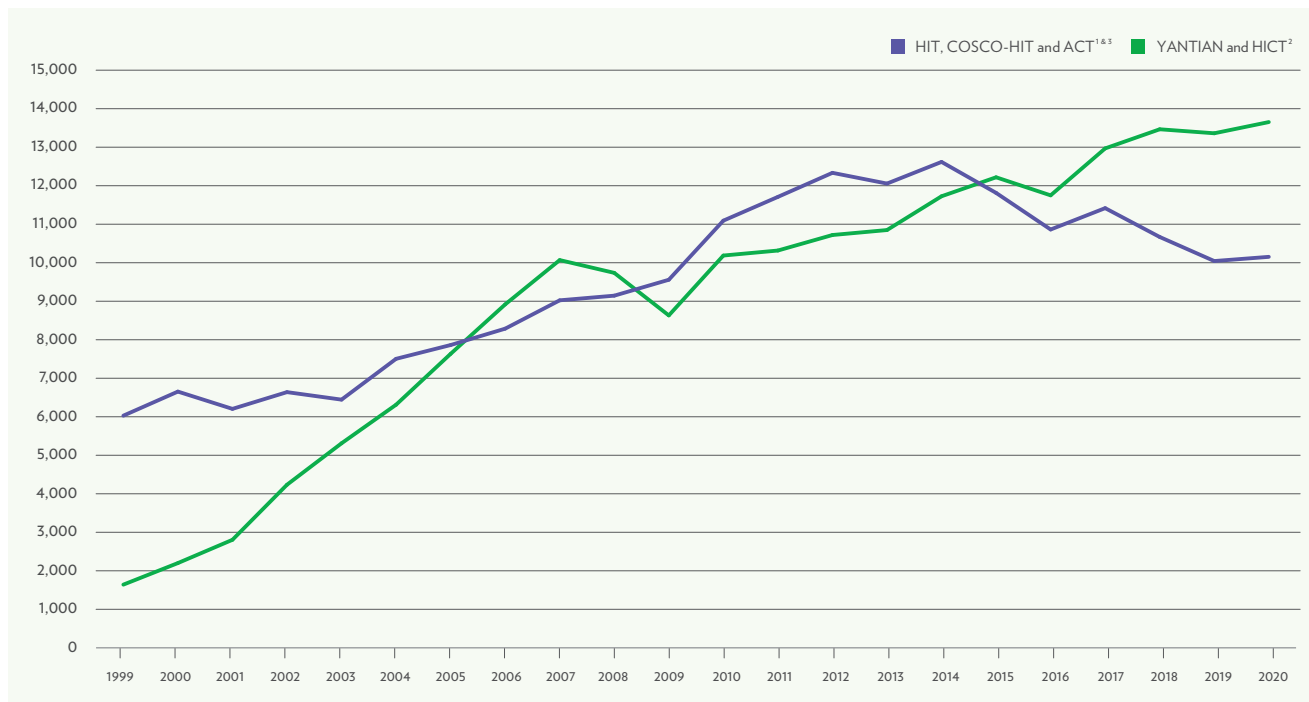
These achievements showcase the enviable ability of HPH Trust's terminals to efficiently handle huge volumes, cementing their status as leading global shipping hubs.

SUMMARY

In an ever-changing market landscape, HPH Trust is always working to improve its game as a dynamic and innovative port operator. It has been able to weather the storm brought by COVID-19 thanks to a unique combination of operational excellence; a nimble and precise problem-solving mindset; and consistent investment in its people, infrastructure, technology and equipment. By confidently setting its sights beyond the horizon, the Trust is well positioned to embrace new challenges and opportunities in the port industry.

OPERATIONAL REVIEW

Throughput of HPH Trust's assets (1999–2020) (thousand TEU)



Notes:

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

¹ Includes throughput volume of ACT after the acquisition in March 2013

² Includes throughput volume of HICT after the acquisition in December 2016

³ Represents the allocated throughput from HKSPA with effect from 1 April 2019

In 2020, the world shipping trade was largely shaped by the COVID-19 pandemic. In the first half of the year, global supply chains and business activities were severely disrupted by government-imposed lockdowns and border control measures, and the suspension of factory production. This resulted in a slump in cargo volume. In contrast, the second half of 2020 brought welcome improvements as global cargo trade rebounded with the help of pent-up demand following lockdowns. Facing these unprecedented challenges, HPH Trust proved its resilience and competitive edge by driving much of this resurgence.

To navigate through the turbulence of the year, HPH Trust embraced the ever-changing cargo trends with resilience and agility, exercising robust financial control, being disciplined in keeping costs down, and improving efficiency through co-operation and alliances. This versatility in the face of fast-changing situations and a dedication to providing the best customer service form the basis for the continued success of the Trust.

A STRONG REBOUND OFFSET COVID-19 EARLY DISRUPTION

Throughput for the ports of HPH Trust decreased in the first half of 2020 as the pandemic took hold. Kwai Tsing terminals' throughput slowed with the reduction in intra-Asia, US and transshipment cargoes. As the pandemic dented global supply and demand for goods, outbound cargoes from YANTIAN to the US and Europe in first half of 2020 slid 17% and 10% respectively, compared to 2019 results.

However, in the second half of the year, pent-up demand following lockdowns and a rebound in global trade enabled HPH Trust to recover much of the lost throughput. Demand from the US and Europe began to pick up at the end of May, driving a resurgence in exports from South China, with YANTIAN being the preferred export gateway for these markets. Outbound cargoes from YANTIAN to the US and Europe in the second half of 2020 improved markedly on 2019 figures, by 24% and 18% respectively. Meanwhile, Kwai Tsing terminals continued to hold its status as a key transshipment hub.

With both YANTIAN and Kwai Tsing terminals posting year-on-year throughput growth, overall throughput for HPH Trust in 2020 reached 23.7 million TEU, a rise of 2% compared to 2019.

Average revenue per TEU for both Hong Kong and China slid slightly below the 2019 levels. This was mainly attributed to a greater transshipment mix at both ports and an increased empty mix at Hong Kong.

As a result, revenue and other income for the year under review was HK\$10,705.8 million – a decrease of 4% compared to HK\$11,120.9 million in 2019.

STRENGTHENING OPERATING RESULTS THROUGH COST SAVINGS

The cost of services rendered for the year under review was HK\$3,568.4 million, down 8% on a result of HK\$3,881.6 million last year. This decrease in costs was attributed to efficiencies created by HKSPA and other cost-control initiatives, as well as lower fuel costs and a reduction in operating costs due to the PRC government's supportive measures to COVID-19. These were partially offset by the increase in throughput and external contractors' costs.

Staff costs dropped by 11% to HK\$256.4 million. Contributing factors included a lower headcount, a reduction in employee activities and the PRC government's measures to support businesses during the pandemic.

Depreciation and amortisation remained relatively stable at HK\$3,054.0 million.

Other operating income was around double that of 2019, at HK\$193.2 million. The increase was largely due to the wages subsidy from the Hong Kong Government's anti-epidemic Employment Support Scheme and a higher gain on disposal of fixed assets. Other operating expenses totalled HK\$513.3 million, marking a 4% reduction on last year's HK\$537.1 million. This was attributed to savings in general overheads and depot rental at HIT but were partially offset by the government's rates refund to HIT received in 2019.

Total operating profit was HK\$3,506.9 million, representing a HK\$76.0 million or 2% increase on 2019 results. Profit for the year was HK\$2,012.5 million, up HK\$190.8 million or 10% compared to the previous year. The increase was mainly due to higher operating profit, and a 29% decrease in interest and other finance costs, to HK\$766.3 million, resulting from a lower LIBOR applied on bank loan's interest rates. However, these were offset by a 50% increase in taxation, caused by higher profit, and an increase in the tax rate following the expiry of the High and New Technology Enterprise status at YANTIAN Phase III at the end of 2019.

Profit attributable to HPH Trust unitholders posted a noteworthy growth of 57% from 2019, increasing by HK\$303.2 million to HK\$831.4 million.

CONSOLIDATING FOUNDATIONS THROUGH DISCIPLINED CAPITAL MANAGEMENT AND PRUDENT SPENDING

Despite the challenges brought on by the pandemic, the Trust has persisted with its long-term capital management efforts and continued to maintain a healthy financial position. As of 31 December 2020, the Trust had a total cash balance of HK\$7,766.6 million, or HK\$726.4 million more than the previous year. This resulted in net debt of HK\$21,653.4 million by year end, a 8% decrease against the previous year.

With a strategic commitment to reduce overall indebtedness, the Trust has been diligently implementing a five-year debt repayment plan since 2017, to repay a minimum of HK\$1 billion of debt annually. Total borrowings dropped to HK\$29,420.0 million as of 31 December 2020, down from HK\$30,678.9 million a year ago. During the year, the Trust obtained a new bank loan of approximately HK\$3,870.8 million, and repaid bank loans of approximately HK\$5,159.3 million.

The Trustee-Manager has approved a total payout of HK\$1,045.3 million for 2020, which translates to a distribution per unit of 12.0 HK cents. Based on the US\$0.198 market price as at 31 December 2020, the distribution yield is approximately 7.8%.

OUTLOOK

As the impact of COVID-19 continues to evolve, the backdrop for the port and cargo shipping industry will continue to be reshaped in 2021 and onwards. HPH Trust will embrace the challenges and opportunities of the new year with renewed purpose. Most importantly, it will continue to build on its strengths while maintaining prudent financial management. The Trust has the agility to seize emerging opportunities and the right foundations in place to continue building a long-term sustainable business.

REINFORCING THE FOUNDATIONS TO HARNESS RESILIENCE

Supported by strong client relationships, well-established operations experience, and its notable deep-water terminals, HPH Trust's ports have a reputation as reliable gateways for shipping lines and alliances across the world. The Trust remains focused on enhancing port management and bolstering its capabilities to harness long-term resilience.





BOARD OF DIRECTORS



MR. FOK KIN NING, CANNING, aged 69
Chairman and
Non-executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Date of appointment as Chairman:	23 February 2011
Length of service as Director (as at 31 December 2020):	9 years 10 months

Board committee served on:

- Remuneration Committee of the Trustee-Manager (member)

Academic & Professional Qualifications

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

Present Directorships or Chairmanships

Listed companies

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

Other Principal Commitments

- Nil

Other Information

- All the aforesaid companies are either subsidiaries or associated companies of CKHH Group of which Mr. Fok has oversight

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- Husky Energy Inc. (delisted on 5 January 2021 following its combination with Cenovus Energy) (co-chairman)



MR. IP SING CHI, aged 67
Executive Director

Trustee-Manager

Date of appointment as Director:	14 February 2011
Length of service as Director (as at 31 December 2020):	9 years 10 months

Board committee served on:

- Nil

Academic & Professional Qualifications

- Bachelor of Arts degree

Present Directorships or Chairmanships

Listed companies

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

Other Principal Commitments

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

Other Information

- A member of the Hong Kong Port Development Council until the end of December 2014
- Founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited
- Over 40 years of experience in the maritime industry

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- COSCO SHIPPING Energy Transportation Co., Ltd. (independent non-executive director)

BOARD OF DIRECTORS



MS. EDITH SHIH, aged 69
Non-executive Director

Trustee-Manager

Date of appointment as Director: 1 January 2017
Length of service as Director (as at 31 December 2020): 4 years

Board committee served on:

- Nil

Academic & Professional Qualifications

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

Present Directorships or Chairmanships

Listed companies

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

Other Principal Commitments

- Company Secretary of CKHH

Other Information

- Chairman of the Process Review Panel for the Financial Reporting Council and panel member of the Securities and Futures Appeals Tribunal
- Immediate past International President and current member of the Executive Committee of CGI (2018-2020)
- Past President of HKICS (2011-2014)
- Immediate past Chairman of the Governance Committee and past council member of the Hong Kong Institute of Certified Public Accountants (2007-2013)

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- Nil



MS. TSIM SIN LING, RUTH, aged 64
Non-executive Director

Trustee-Manager

Date of appointment as Director: 1 January 2017
Length of service as Director (as at 31 December 2020): 4 years

Board committee served on:

- Nil

Academic & Professional Qualifications

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

Present Directorships or Chairmanships

Listed company

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

Other Principal Commitments

- Group chief financial officer of Hutchison Port Holdings Limited

Other Information

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

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- Nil

BOARD OF DIRECTORS



MR. CHAN TZE LEUNG, ROBERT, aged 74
Independent
Non-executive Director

Trustee-Manager

Date of appointment as Director: 14 February 2011
Length of service as Director (as at 31 December 2020): 9 years 10 months

Board committee served on:

- Audit Committee of the Trustee-Manager (member)
- Remuneration Committee of the Trustee-Manager (chairman)

Academic & Professional Qualifications

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

Present Directorships or Chairmanships

Listed company

- TOM Group Limited (independent non-executive director)

Other Principal Commitments

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

Other Information

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

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- Nil



DR. FONG CHI WAI, ALEX, aged 64
Independent
Non-executive Director

Trustee-Manager

Date of appointment as Director: 11 February 2020
Length of service as Director (as at 31 December 2020): 10 months

Board committee served on:

- Nil

Academic & Professional Qualifications

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

Present Directorships or Chairmanships

Listed companies

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

Other Principal Commitments

- Director of The Hongkong Electric Company, Limited

Other Information

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

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- Nil

BOARD OF DIRECTORS



MR. GRAEME ALLAN JACK, aged 70
Independent
Non-executive Director

Trustee-Manager

Date of appointment as Director: 14 February 2011
Length of service as Director (as at 31 December 2020): 9 years 10 months

Board committee served on:

- Audit Committee of the Trustee-Manager (chairman)

Academic & Professional Qualifications

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

Present Directorships or Chairmanships

Listed companies

- The Greenbrier Companies, Inc. (independent non-executive director)
- COSCO SHIPPING Development Co., Ltd. (independent non-executive director)
- Hutchison China MediTech Limited (independent non-executive director)

Other Principal Commitments

- Nil

Other Information

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

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- Nil



MRS. SNG SOW-MEI (ALIAS POON SOW MEI), aged 79
Independent Non-executive Director &
Lead Independent Director

Trustee-Manager

Date of appointment as Director: 14 January 2011
Length of service as Director (as at 31 December 2020): 9 years 11 months

Board committee served on:

- Audit Committee of the Trustee-Manager (member)
- Remuneration Committee of the Trustee-Manager (member)

Academic & Professional Qualifications

- Bachelor of Arts degree

Present Directorships or Chairmanships

Listed companies

- CK Infrastructure Holdings Limited (independent non-executive director)
- ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) (independent non-executive director)

Other Principal Commitments

- Nil

Other Information

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

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- Nil

BOARD OF DIRECTORS



MR. WONG KWAI LAM, aged 71
Independent
Non-executive Director

Trustee-Manager

Date of appointment as Director:	2 December 2015
Length of service as Director (as at 31 December 2020):	5 years

Board committee served on:

- Nil

Academic & Professional Qualifications

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

Present Directorships or Chairmanships

Listed companies

- ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) (independent non-executive director)
- K. Wah International Holdings Limited (independent non-executive director)
- Langham Hospitality Investments Limited (independent non-executive director)
- LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments) (independent non-executive director)
- CK Hutchison Holdings Limited (independent non-executive director)

Other Principal Commitments

- Chairman of IncitAdv Consultants Limited
- Chairman of The Chamber of Hong Kong Listed Companies
- Vice chairman of the board of trustees and a member of the investment sub-committee of the board of trustees of New Asia College of the Chinese University of Hong Kong
- Director of CUHK Medical Centre Limited

Other Information

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

Past Directorships or Chairmanships in listed companies held over the preceding 3 years (from 1 January 2018 to 31 December 2020)

- China Merchants Bank Co., Ltd. (independent non-executive director)

SENIOR MANAGEMENT

MR. LAM HING MAN, PATRICK

*Chief Executive Officer of the Trustee-Manager and
Managing Director of YANTIAN*

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

MS. LEE TUNG WAN, DIANA

*Chief Financial Officer and
Investor Relations Officer*

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

SENIOR MANAGEMENT

MR. FUNG KAM HUNG, LEONARD

Managing Director of HIT

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

MR. SHUM KAI SHING, LAWRENCE

*Managing Director of COSCO-HIT and
Deputy Managing Director of ACT*

Mr. Shum is the Managing Director of COSCO-HIT, Deputy Managing Director of ACT and a member of the HPH Trust Exco. He has held various executive positions at HPH since joining in 1996. Before appointment as his current positions in May 2016, Mr. Shum spent more than 15 years at HPH in China. He assumed the role of CFO at YANTIAN and then took up a number of executive positions in Shanghai, most recently as the HPH Regional Director – North and East China. Mr. Shum has been appointed by the Hong Kong Government as a member of the Hong Kong Maritime and Port Board with effect from 1 April 2020. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants. He is also an Associate of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

MR. TANG HIN KEE, EDWARD

Operations Director

Mr. Tang has more than 40 years of experience in port operations and is a member of the HPH Trust Exco. He has been the Operations Director of HPH Trust since 2013 and oversees the overall port operations within the Trust. He is also the General Manager of Operations at YANTIAN. He joined HIT in 1979 and has held various executive positions at HPH, including General Manager of three HPH ports in China. He is also a member of the Chartered Institute of Logistics and Transport in the UK.

DR. SU YU NIN, ERIC

Engineering Director

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



FORTIFY FOR FUTURE GROWTH

Amid the effects of the COVID-19 pandemic and rising global economic uncertainties, HPH Trust continues to navigate a stable course by staying agile and vigilant while advancing its capabilities. The Trust continues to invest in the latest technologies and constantly keeps abreast of new technology trends to stay relevant. The Trust remains steadfast in its dedication to leveraging greater opportunities and increasing the competitiveness of its ports.



SUSTAINABILITY REPORT

ABOUT THIS REPORT

This Sustainability Report sets out the sustainability approach of the Trust as well as its practices and performance in managing environmental, social and governance issues related to operations and stakeholders for the year ended 31 December 2020. Performance indicators, targets and achievement progress, are disclosed under each section for material issues. As part of the Annual Report, the Sustainability Report plays an integral role in providing more transparent communication to stakeholders of the Trust. It has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards: Core option, and Rule 711A and 711B of the SGX Listing Manual. This report has been reviewed by the Board of Directors (“Board”) of HPH Trust, and is published on the HPH Trust corporate website.

REPORTING SCOPE

The content of this report covers the most important sustainability issues for HPH Trust and its stakeholders. Report disclosures were decided after considering the materiality of these issues. Data disclosed covers the core port operations of HPH Trust at HIT (Terminals 4, 6, 7 and 9 North) in Hong Kong and YANTIAN (Phases I and II; Phase III and Phase III Expansion; and West Port Phases I and II), which are the majority-owned terminals of the Trust and contribute around 85% of the total throughput handled during the year.

CONTACT US

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

CORE VALUES

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

UNRIVALLED
STANDARDS



NETWORK
STRENGTH



INFORMED
DECISIONS



TRUSTED AND
HONEST



YOUR
PARTNERS



MANAGING SUSTAINABILITY

BOARD STATEMENT

Committed to sustainability, the Board of HPH Trust incorporates sustainability factors into its decision-making and strategy formulation. With overall responsibility for the sustainable development of the Trust, the Board constantly reviews and evaluates the relevance and importance of sustainability topics. It ensures accountability and oversees the management of the most material topics. It also evaluates the performance of the Trust in relation to sustainability.

SUSTAINABILITY GOVERNANCE

Sustainability covers all facets of the business. Therefore a robust and effective governance framework is key to managing sustainability-related issues in the organisation. The Trust has embedded sustainability considerations in decision-making by establishing a sustainability governance structure. This assigns different key roles and responsibilities across all levels, functions and operations. More information about corporate governance at the Trust can be found on pages 63-84.



RISK MANAGEMENT

The integrated Enterprise Risk Management (“ERM”) framework of HPH Trust, which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework, helps it identify, assess and mitigate risks through a series of internal control procedures and countermeasures. Covering all business units, the ERM framework monitors all key risks in the short-, medium- and long-term development of the Trust. By applying the same framework to sustainability risks, the Trust ensures it gives thorough consideration to sustainability in its risk management and decision-making processes.

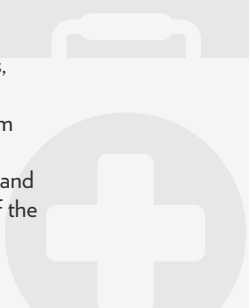
SUSTAINABILITY REPORT

RESPONDING TO COVID-19

It was a year of challenges and uncertainties for the Trust and its stakeholders. Prioritising the well-being and safety of its stakeholders, the Trust swiftly introduced a series of precautionary and supportive measures in response to the public health hazard presented by COVID-19. As the pandemic evolves, HPH Trust will continue to address the needs of its stakeholders with perseverance and determination. The following summarises examples of measures taken in response to COVID-19 during the year.

PROVIDED MEDICAL SUPPLIES AND VOLUNTEERING SUPPORT

HPH Trust sourced and distributed personal hygiene supplies amid the COVID-19 outbreak to its employees, external contractor workers and the community. The Trust's volunteer team joined hands with its CSR partner to pack more than 1,000 preventive kits and delivered them to elderly members of the community who were in need.



MINIMISED OPERATIONAL IMPACTS UNDER COVID-19

HPH Trust worked to maintain its 24x7 operations in both HIT and YANTIAN. The Trust worked with shipping lines to divert and relocate reefer shipments to maintain normal operations. It also promoted the use of electronic solutions to reduce unnecessary in-person interactions.



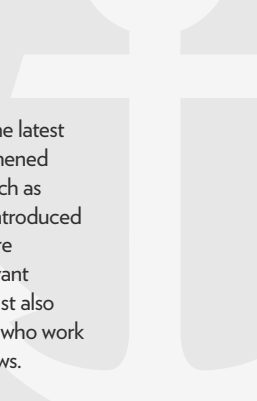
INTRODUCED WORKPLACE PRECAUTIONARY MEASURES

To minimise in-person contact among employees, HPH Trust introduced precautionary measures and flexible work arrangements, such as allowing employees to work from home or to work in shifts. The Trust also provided them with face masks. To facilitate remote working, an innovative e-learning and working platform was developed.



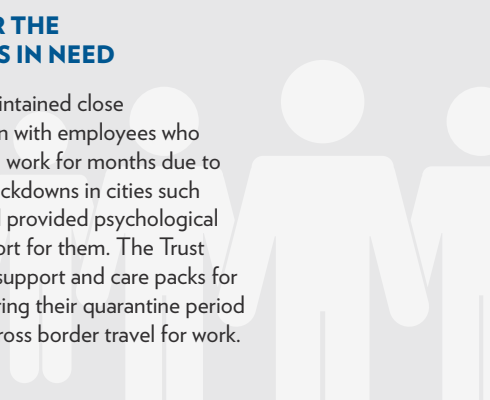
TIGHTENED PRECAUTIONARY MEASURES FOR PORT USERS

To protect the safety of all port users and employees, and ensure compliance with the latest government regulations, the Trust strengthened its quarantine and inspection measures, such as specific crew change arrangements, and introduced procedures for taking people's temperature at port entrances. In conjunction with relevant governmental health departments, the Trust also provides regular COVID-19 tests for staff who work on board vessels or are in contact with crews.



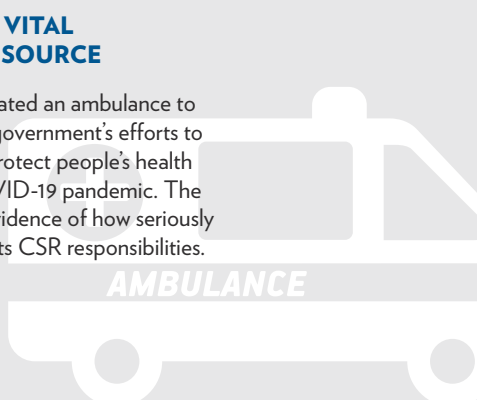
CARED FOR THE EMPLOYEES IN NEED

HPH Trust maintained close communication with employees who were unable to work for months due to government lockdowns in cities such as Wuhan, and provided psychological care and support for them. The Trust also provided support and care packs for employees during their quarantine period as a result of cross border travel for work.



DONATED A VITAL MEDICAL RESOURCE

YANTIAN donated an ambulance to assist the local government's efforts to save lives and protect people's health during the COVID-19 pandemic. The donation was evidence of how seriously the Trust takes its CSR responsibilities.



MATERIALITY

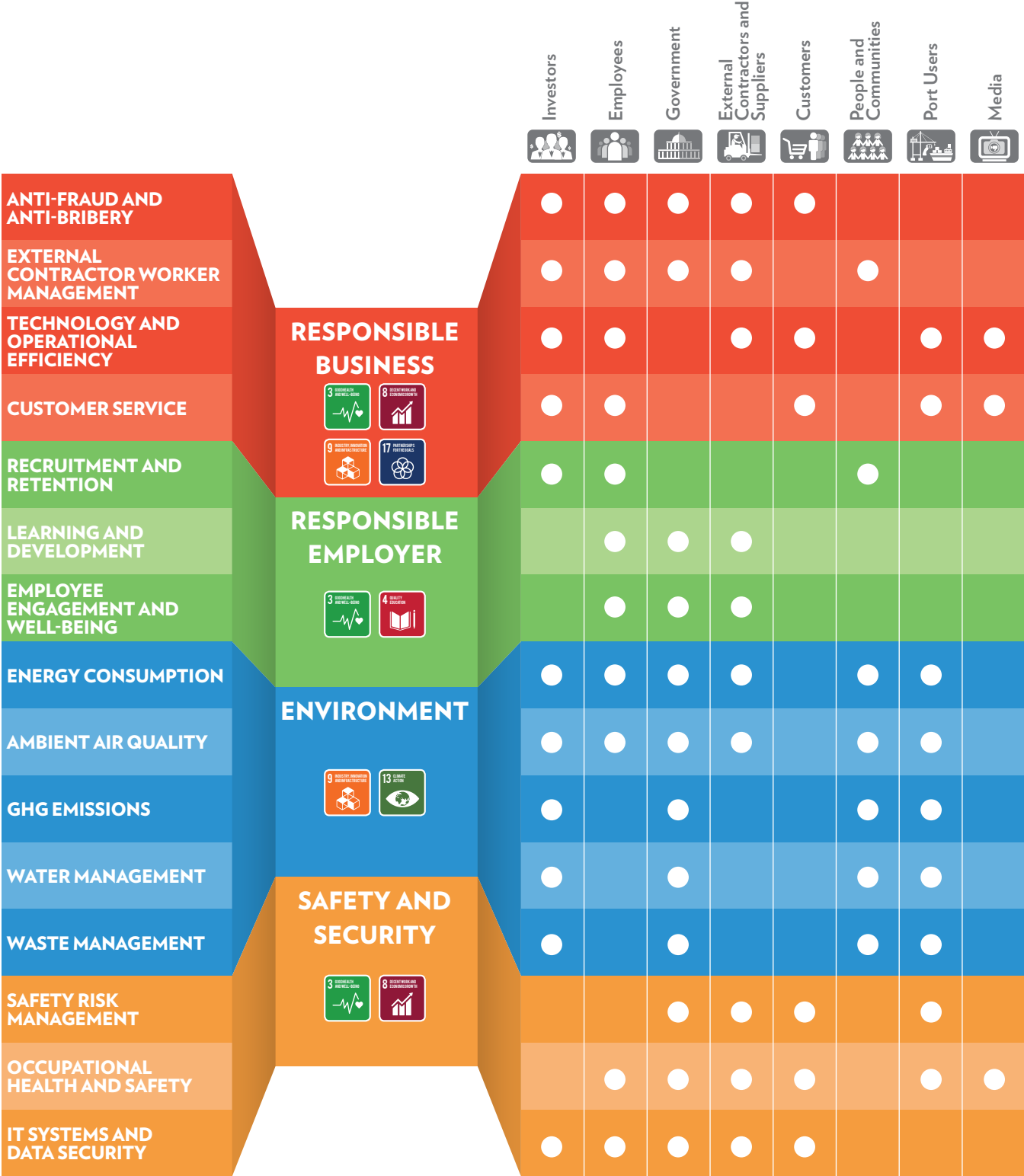
Defining what is material guides the Trust to focus on sustainability issues that have a significant impact on its business and stakeholders. HPH Trust conducted a comprehensive materiality assessment through surveys and interviews in 2017 with reference to the GRI Standards and the Sustainability Reporting Guide under Practice Note 7.6 of the SGX Listing Manual. The Trust regularly evaluates and identifies the importance and relevance of the material sustainability topics, to keep abreast of the specific sustainability trends and challenges to the industry.

After an independent consultant conducted a benchmarking study in 2019 and following internal discussions with function heads, the Board in 2020 added two new material sustainability topics, namely water and waste management.

SUSTAINABILITY REPORT

To align its corporate efforts with the international objectives for global sustainable development, the Trust also mapped its material sustainability topics against the United Nations Sustainable Development Goals (“SDGs”).

The chart below summarises the material sustainability topics of HPH Trust and their boundaries in 2020. They are grouped under four main headings: Responsible Business; Responsible Employer; Environment; and Safety and Security.



SUSTAINABILITY REPORT

STAKEHOLDERS AND ENGAGEMENT CHANNELS

An important way to enhance the Trust's transparency is through proactive stakeholder engagement. This allows the Trust to gain a better understanding of the changing stakeholder concerns and expectations, aligning its policies and efforts with stakeholder priorities and values.

Stakeholder Groups



Investors



Employees



Government



External Contractors & Suppliers



Customers



People & Communities



Port Users



Media

Engagement Channels

Key Areas of Concern

- Investor meetings and calls
- Conference days • Port visits¹
- Annual General Meeting
- Dedicated email communications
- Announcements and publications via corporate website

- Unit price • Financial performance • Impact of US–China trade tension • Latest terminal development • Throughput trends • HKSPA • Impact of COVID-19 on the business

- Port visits¹ • Town hall talks and the General Manager Open Day • In-house magazines
- Company intranet • Notices and bulletins
- Performance appraisals • LINK Committee
- Mobile app

- Financial performance • Key initiatives • Career prospects
- Personal development • Well-being • Health and safety
- HKSPA • COVID-19 preventive measures and confirmed cases at the terminals

- Meetings • Calls • Discussions and responses
- Port visits¹

- Key government maritime policies • Competitiveness of port of Hong Kong and YANTIAN • HKSPA • Environment presentations
- COVID-19 preventive measures

- Induction and safety training • Compliance with Code of Conduct and Anti-Fraud and Anti-Bribery (“AFAB”) Policy
- Supplier evaluations

- Workplace safety • Service performance • Tendering process and results • HKSPA • COVID-19 preventive measures

- Mobile app • Customer meetings
- Port visits¹ • Terminal news releases
- Exhibitions • Webinar • Brochures

- Performance of terminals • Shore power implementation
- Updates to customs processes and local regulations
- Digitalisation and automation • Cargo coverage and connectivity • HKSPA • COVID-19 preventive measures
- Market updates

- Recycling and waste reduction initiatives
- Visits to elderly homes • Online greetings and events for the elderly • Port visits¹
- Internship programmes

- Introducing the port industry • Building relationships with the local community • Environment presentations
- COVID-19 community support

- Mobile communication platform
- Safety information sharing • Help desk hotline • Meetings with trade associations

- Turnaround time at ports • Berth availability and arrangements
- Operational safety • Customs declarations • HKSPA
- COVID-19 preventive measures

- Press releases • Press briefings
- Corporate website

- Latest terminal developments • Competitiveness of port of Hong Kong and YANTIAN • Service-related concerns
- HKSPA • COVID-19 confirmed cases at the terminals

¹ As a result of COVID-19, port visits were suspended since February 2020.

RESPONSIBLE BUSINESS

HPH Trust strives to uphold the highest standards in ethics and integrity as well as operational and service excellence, as we believe these are the cornerstones of a sustainable business. Through continuous improvement, the Trust hopes to create long-term value for all stakeholders in the value chain.

WHY IT MATTERS

Business integrity and transparency are the cornerstones of business credibility and stakeholder trust. Businesses that proactively improve on operational excellence and customer relationships often receive direct business benefits, creating long-term shared value for the business and its stakeholders.

HOW HPH TRUST RESPONDS

While stringent ethical standards are imperative for a responsible business, HPH Trust also strives to continuously improve its corporate governance practices, optimise daily business operations and enhance service quality through technology, process enhancement and strategic partnerships.

RELATED SDGs



ANTI-FRAUD AND ANTI-BRIBERY

HPH Trust takes a zero-tolerance approach to corruption and bribery in any form. All employees must strictly follow the relevant policies, guidelines and standards. The Trust's AFAB Policy, Code of Conduct and Staff Handbook for employees are distributed to all business units. New joiners receive related information during induction training. The Trust also communicates its AFAB Policy to all suppliers and conducts periodic compliance evaluations. In 2020, HIT and YANTIAN required all employees to declare their compliance with the policy.

To communicate the AFAB Policy and make all employees accountable, the AFAB Policy has been translated into Chinese for employees of YANTIAN. Staff at HIT and YANTIAN receive email reminders stressing the importance of AFAB during major festivals when gift giving is common.

The Trust also uses training to reinforce awareness of the importance of staff behaving ethically. In addition to the AFAB training provided to managers and supervisors every two years, HPH Trust conducted online staff training through quizzes and reading materials on its e-learning platform in 2020.

HPH Trust has a Whistleblowing Policy¹ and has established specific channels and procedures that employees and other stakeholders can use to confidentially report any suspected acts of misconduct or malpractice. No cases were reported in 2020.

AFAB-Related Training and Communications in 2020 ²		
	No. of employees	% of employee category ³
Employees receiving AFAB-related training and communications	2,145	61.8
By employee category		
Senior management	23	69.7
Middle management	85	43.1
Functional areas (administration, technical, production, etc.)	2,037	62.8

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

¹ For details regarding the HPH Trust Whistleblowing Policy, please refer to hphtrust.com/corporate_governance.html

² Both HIT and YANTIAN conducts AFAB trainings in every two years.

³ The percentages represent the number of employees in each category who received AFAB-related training divided by the total number of employees in the respective categories.

SUSTAINABILITY REPORT

SUPPLY CHAIN AND EXTERNAL CONTRACTOR WORKER MANAGEMENT

HPH Trust works with its suppliers to achieve sustainable supply chain practices. By integrating environmental and social considerations into the procurement process, the Trust further promotes responsible practices to its suppliers. Clear policies and management systems are in place, and the Trust holds suppliers accountable for any non-conformance in areas such as employment practices, human rights and environmental sustainability.

Adhering to the principles of fairness and transparency in the procurement process, the Trust has systematic internal controls that standardise tendering processes, supplier evaluation and specialist selection, ensuring that suppliers are selected based on experience, quality, pricing and ability, as well as mitigating associated risks in the process. The Trust sources most of the major equipment required for terminal operations – including quay cranes and yard cranes – from Mainland China. Where necessary, the Engineering and Operations departments work with suppliers to optimise the design and construction of cranes, adapting the technology to the operations of HPH Trust ports.

Meanwhile, the Trust's operations depend on a significant outsourced labour force that includes front-line workers such as equipment operators, stevedores, truck drivers, and maintenance and security personnel. The Trust strictly adheres to responsible employment practices for external contractors, such as including clauses that prohibit the use of child and forced labour in service contracts. Regular audits are conducted to ensure its operations and supply chains comply with local labour regulations and procedures. The Trust also has a comprehensive contractor service management system, which is responsible for staff supervision, performance management, engagement and support. It is also responsible for ensuring that fair labour practices apply to external contractor workers. By doing so, it enables better quality control and relationships with external contractor workers, improving operational efficiency.

OPERATIONAL EXCELLENCE

Optimising its human and natural capital, and ensuring efficiency and reliability, enables HPH Trust to pursue operational excellence in its daily business. The Trust achieves this by applying technology and digitalising its operating processes. Alongside the management of operations, the Process Excellence team at HIT and the Operations department at YANTIAN oversee and review operational performance. In addition to the strategic plan developed every year, the Trust periodically reviews the utilisation of resources and other indicators to evaluate the progress and identify improvements. A full review of HPH Trust's operational achievements is available on pages 20-22.



In August and September, the throughput of YANTIAN exceeded 1.42 million TEU and 1.46 million TEU respectively, breaking its monthly throughput record in two consecutive months.

HIT



Internal tractor productivity

+3%

compared with 2019

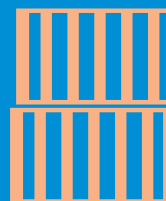
Gatehouse deployment efficiency

+12%

compared with 2019



YANTIAN



5

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

Gatehouse deployment efficiency

+10%

compared with 2019



SUSTAINABILITY REPORT

CUSTOMER SERVICE

Enhancing the continuity and resilience of the business of HPH Trust relies on quality customer service, ensuring that the Trust can live up to the expectations of customers and adapt to market dynamics. The Trust proactively obtains customer feedback and takes immediate action to address concerns and suggestions raised.

There were no reported fines or non-monetary sanctions due to non-compliance with laws or regulations concerning products and services in the reporting year. In 2020, we received the following major feedback and addressed it through different channels:

KEY CUSTOMER CONCERNS¹

“Efficiency is the core concern for the customers of HPH Trust. How can the Trust further increase its productivity and reduce the turnaround time?”

HPH Trust is constantly exploring the use of innovation and technology to improve its operating processes and create more value for its customers. The Trust deployed technological applications such as a Remote Reefer Monitoring system, eRO and RCI to streamline shipment processing procedures, and shorten container-handling and turnaround times.

HPH TRUST ACTIONS

“How can the customers of HPH Trust benefit from HKSPA, where HIT is one of the members?”

Under HKSPA, HIT enhanced its customer service levels by improving synergies among its container terminals in Hong Kong. It improved the productivity and vessel waiting time through co-ordinated resource planning, standardised best practices and streamlined communication.

“Given the changing market demands in the region, how will HPH Trust and its operations adapt to the emerging opportunities with its customers?”

HKSPA embraces opportunities in the growing cold chain market and has positioned itself as the global fresh fruit gateway to Mainland China through Hong Kong's free port status and fast customs procedures. The Trust strives to continuously streamline cold chain processes.

In Mainland China, YANTIAN has adapted to the expansion of cross border e-commerce fuelled by strong consumer demand, working with shipping lines to provide an extensive e-commerce service network and new clearance models to ensure timely and efficient fulfilment of orders.

GOING FORWARD

HPH Trust will continue to seek ways to strengthen its operational quality and efficiency through digitalisation and automation. In addition to remote-controlled applications for machinery, process automation and digital documentation plans at both HIT and YANTIAN. YANTIAN will trial the use of 5G at facilities such as remote-controlled QCs and RTGCs.

¹ The key concerns of customers are summarised based on the 35 customer feedback received in 2020, and ongoing engagement.

SUSTAINABILITY REPORT

RESPONSIBLE EMPLOYER

A dedicated and capable workforce is essential to the success of HPH Trust. Therefore, the Trust is committed to creating an equal, engaging and safe workplace, with growth opportunities to attract and retain talents. The Trust also strives to provide attractive welfare and remuneration, and to invest in training and employee well-being.

The Trust has a set of policies and procedures in place to ensure it complies with applicable and relevant regulatory requirements in relation to employment and labour practices, including child labour and forced labour. The Employment and Work Place Policy defines the common policies on human resources-related practices and labour standards for all employees and external contractor workers. In 2020, there were no reported cases of non-compliance with local labour laws and regulations, including cases of child labour or forced labour.

WHY IT MATTERS

Having a talented and resilient workforce is essential for business competitiveness. Empowering and developing HPH Trust's people within a positive workplace culture is key to attracting, retaining and cultivating talent.

HOW HPH TRUST RESPONDS

The Trust strives to develop the capacity and agility of its workforce to face any challenges in its operations. HPH Trust provides competitive remuneration and benefits, offers learning and development opportunities, and builds a fair and safe workplace.

RELATED SDGs



RECRUITMENT AND RETENTION

HPH Trust believes that diversity and inclusion in the workplace contribute to sustainable business growth. The Trust's recruitment approach is therefore based on merit and the business needs for long-term development, while adhering to the principles of fairness, equality and non-discrimination.

Maintaining a workforce that is satisfied, motivated and bonded is equally vital. To retain the best current talent and attract future talent, the Trust offers competitive remuneration packages and benefits to employees according to their category, local regulatory requirements and market practices. Appropriate fringe benefits are also provided to applicable employee groups; for example, health insurance is offered to full-time employees. Annual performance reviews are conducted for continuous performance improvement and understanding the needs and concerns of employees. In 2020, all employees completed their performance reviews.

Employee Profile as at 31 December 2020		
	No. of employees	% of total employees
By employment type		
Full time	3,402	98.0
Part time/temporary	70	2.0
By gender		
Male	3,072	88.5
Female	400	11.5
By age		
Below 30	196	5.7
30-50	2,397	69.0
Above 50	879	25.3
By employee category		
Senior management	33	0.9
Middle management	197	5.7
Functional areas (administration, technical, production, etc.)	3,242	93.4

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

SUSTAINABILITY REPORT

As a means of hearing the voices of employees, the Trust also tracks voluntary employee turnover and conducts interviews to better understand reasons for people leaving. In 2020, the overall new hire and turnover rates were 3.0% and 4.6% respectively.

The Trust uses a variety of channels to attract talent. These channels include a staff referral programme, advertisements, job fairs, graduate career talks, student internships and technical apprenticeships. In 2020, the Trust continued to collaborate with local vocational training institutes to offer scholarships and internships to expand the talent pool.

New Hires and Turnover in 2020				
	New hires		Turnover	
	No. of employees	% of employee category ¹	No. of employees	% of employee category ¹
Total	103	3.0	159	4.6
By gender				
Male	71	2.3	131	4.3
Female	32	8.0	28	7.0
By age				
Below 30	73	37.2	38	19.4
30-50	18	0.8	53	2.2
Above 50	12	1.4	68	7.7

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

LEARNING AND DEVELOPMENT

A competent workforce is crucial to the sustainable growth and long-term success of the Trust. HPH Trust continuously provides extensive job-related learning opportunities to equip staff with relevant job skills and knowledge, explore their potential and accelerate growth.

In order to provide training that meets the diverse needs of different departments and job functions, the Trust regularly conducts training need analysis with inputs from department heads. The findings of these engagements shape the wide range of training activities and development programmes the Trust organises. Grouped under four pillars, the Trust provided a total of 62,980 training hours at HIT and YANTIAN this year.

Average Training Hours per Employee in 2020	No. of hours
Overall	18.1
By gender	
Male	17.9
Female	19.6
By employee category	
Senior management	32.3
Middle management	29.6
Functional areas (administration, technical, production, etc.)	17.3

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



In October, the Employees Retraining Board recognised HIT as a "Manpower Developer" for another two-year period (April 2020 – March 2022), recognising outstanding performance in five aspects – Leading a Learning Culture, Resources Planning, Training & Development System, Performance Management, and Corporate Social Responsibility in Manpower Development.

¹ The percentages represent the number of new hires / employee turnover in each category divided by the total number of employees in the respective categories.

SUSTAINABILITY REPORT

LEARNING AND DEVELOPMENT AT HPH TRUST

- The Trust organised traineeship and apprenticeship programmes for talented young people for engineering and management roles. The training covered professional areas such as information services and roles such as engineering technician.
- Based on specific functional needs, the Trust provided professional skills training to staff in areas such as people management, project management, safety awareness, and technical skills training.

Young talents cultivation



Professional development



General training

- In view of COVID-19, the Trust offered training on basic COVID-19 preventive measures and psychological sharing for staff.
- The Trust offered regular compliance training on AFAB, anti-competition law, dawn raid, and the code of conduct.

Management and leadership

- To further develop its managers and leaders, the Trust organised online leadership development programmes and workshops on transformational leadership, questioning and problem-solving skills, and business decision-making.

SUSTAINABILITY REPORT

EMPLOYEE ENGAGEMENT AND WELL-BEING

The Trust aims to shape a cohesive and caring environment for its employees so they can better realise and reflect the Trust's core value of "UNITY". Regular staff engagement activities are organised to foster communication between management and staff, as well as to enhance team bonding and communication. Also, to promote awareness of mental well-being and to create a friendly workplace for employees with mental distress, HPH Trust has signed the Mental Health Workplace Charter initiated jointly by the Department of Health, the Labour Department and the Occupational Safety and Health Council in Hong Kong. In 2020, the Trust launched a number of initiatives to improve the well-being of its employees and strengthen management-employee relationships.

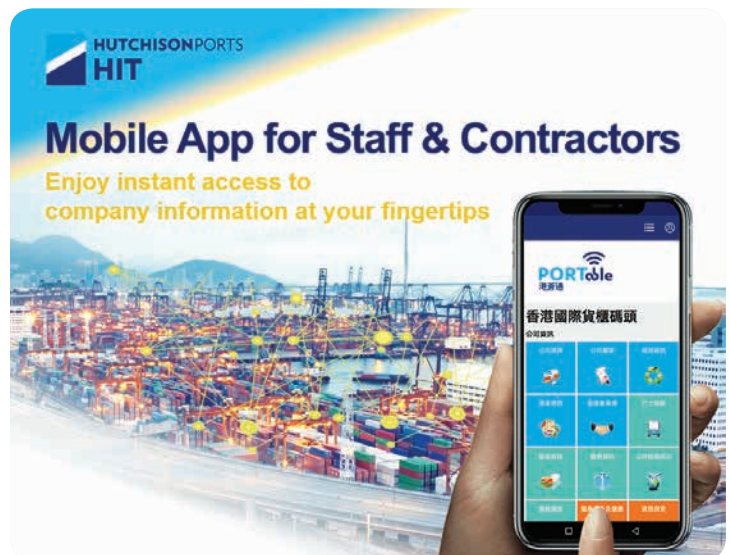
Senior leaders in YANTIAN participated in a cheer-up activity during the terminal's peak operating season to show appreciation for the hard work of employees and external contractor workers on hot summer days.



Online family summer workshops that included interactive activities and programmes were organised to strengthen the relationship between staff at YANTIAN and their children.



"Fun@Work" programme was organised to celebrate the Chinese Lantern Festival and Chinese New Year with its staff at HIT. Activities included distribution of Chinese soup dumplings and a Fai Chun graffiti workshop.



To enable instant communication, HIT launched a "PORTable" mobile app for staff and external contractor workers to browse the latest company information.

GOING FORWARD

As a result of COVID-19, HPH Trust will further strengthen its training programmes and explore ways of providing interactive e-Learning experiences for employees across all levels. This will focus on enhancing management and leadership ability, necessary job skills and language proficiency. In addition, the Trust will work closely with academic institutions to recruit new staff members and expand its talent pool.

SUSTAINABILITY REPORT

SAFETY AND SECURITY

Workers and users at container terminals frequently interact with heavy machinery, heavy loads and sometimes hazardous materials, exposing them to a range of health and safety hazards. At the same time, the digitalisation of port practices increases the risk of cyber security threats. As a responsible port operator, HPH Trust must have sound processes and policies to minimise and mitigate physical risks to on-site workers, and virtual risks to data relating to the Trust, employees, customers and business partners.

WHY IT MATTERS

Underlying work and safety hazards may lead to on-site accidents that damage workers' health and well-being as well as the communities in which HPH Trust operates.

Leaking confidential information can lead to reputational damage, loss of trust among stakeholders, financial loss and fines.

HOW HPH TRUST RESPONDS

The Trust integrates occupational safety standards in its areas of operation. As such, it sets in place a stringent health and safety management system to enhance on-site safety awareness and mitigate work-related injuries and accidents. The Trust also follows a series of rigorous policies and procedures to promote cyber security and protect confidential data.

RELATED SDGs

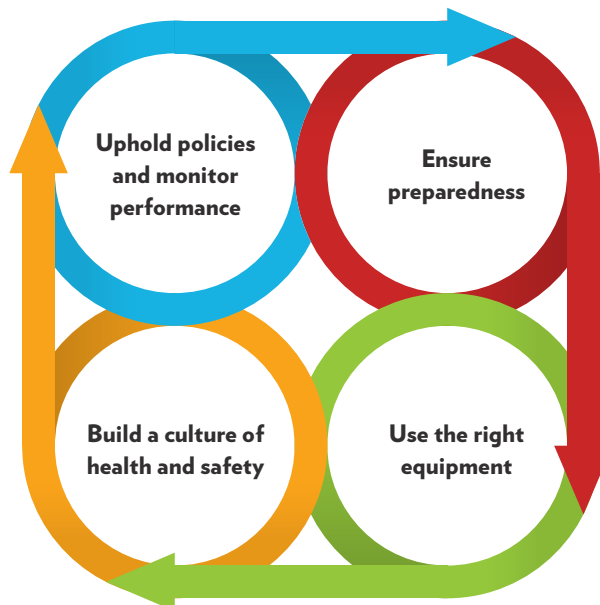


OVERALL APPROACH

- Conduct regular inspections and audits to ensure compliance
- Continue reviewing information technology ("IT") and safety policies to identify necessary updates

(To view health and safety performance data, please refer to page 50)

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



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

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

SAFETY RISK MANAGEMENT

The Trust believes that maintaining and supporting the safety and security of its stakeholders is a shared responsibility. In this regard, it enforces policies and procedures across business units to promote responsible operations. In its pursuit of excellence, HIT achieved ISO 45001 Occupational Health and Safety certification in 2019.

The Safety and Health committees, represented by senior executives and front-line supervisors, are responsible for overseeing the implementation of safety management systems and policies, such as the Safety and Health Policy and the Safety Management Plan. The committees convene regular meetings to analyse safety hazards and risks; determine prevention and mitigation measures to minimise the risk of accidents; and drive continual improvement. As a way to ensure the implementation of relevant policies, procedures and measures, the committees work with functional departments at terminals to ensure relevant policies are effectively enforced, and safety-related measures are properly communicated and implemented. For instance, the Trust carries out on-site safety inspections and annual safety audits to evaluate the efficiency, effectiveness and reliability of its safety management system. During 2020, there were no incidents of non-compliance concerning the health and safety impacts of products and services.

In addition to putting in place stringent governance and oversight mechanisms, the Trust strives to promote safety precautions and enhance workers' capability in case of an emergent crisis. HIT and YANTIAN organised drills with simulated accident scenarios for workers to practise emergency procedures and for operations teams to evaluate those procedures. As a way to continuously enhance employees' and workers' awareness of health and safety-related issues, the Trust provides specific training, drills and crisis exercises at HIT and YANTIAN. In the reporting year, 91 emergency drills were conducted for fire, gas and chemical leakage, and malfunction of heavy equipment.



Fire drill exercise conducted in HIT in 2020

OCCUPATIONAL HEALTH AND SAFETY

Cultivating a safe working environment is one of HPH Trust's key focuses. The Trust endeavours to integrate safety awareness and embed safety procedures into daily operations at HIT and YANTIAN through the following initiatives.

Set up suggestion boxes for stakeholders to provide recommendations that promote health and safety



Promote safety awareness through drills, workshops, e-Learning platform, posters and briefings



Support external contractor workers to identify potential safety hazards in the workplace



Convene occupational and safety training and activities based on the latest safety laws and regulations



Provide personal protective equipment

SUSTAINABILITY REPORT

Due to COVID-19, HPH Trust has been taking significant precautions to prevent the spread of disease and better protect its staff, external contractor workers, customers and the local community. Measures put in place at HIT and YANTIAN include:

- Minimising physical contact and allowing flexible working arrangements, such as remote working
- Recording body temperature at all terminal entrances and canteens
- Providing face masks to employees
- Requiring all parties to wear a face mask on company premises, the company bus and the terminal shuttle bus
- Closely monitoring any suspected or confirmed case within the operation of the Trust
- Conducting regular COVID-19 tests for staff and external contractor workers on board vessels
- Increasing the frequency of cleaning of public areas, rest rooms and air-conditioning systems
- Requiring high-risk staff from HIT to undergo medical surveillance for 14 days
- Inspecting quarantined containers at YANTIAN
- Assigning a dedicated rest area for YANTIAN ship crew to wait for COVID-19 test results

For an overview of HPH Trust's management approach in response to COVID-19, please refer to Responding to COVID-19 on page 38.

SAFETY PERFORMANCE

HPH Trust closely monitors its safety performance to identify and develop mitigation measures, in its quest for continuous improvement. In the reporting year, there were zero employee or external contractor worker fatalities. The Trust remains committed to achieving its goal of zero serious injuries and accidents.

	Overall	Employees	External Contractor Workers
Fatality rate	0%	0%	0%
No. of fatalities as a result of work-related injury	0	0	0
Injury rate: high-consequence work-related injuries (per 1 million working hours)	0.15	0.13	0.16
No. of high-consequence work-related injuries	3	1	2
Injury rate: recordable work-related injuries (per 1 million working hours)	2.46	2.01	2.71
No. of recordable work-related injuries	50	15	35
Number of hours worked	20,366,032	7,465,764	12,900,268

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

IT SYSTEM AND DATA SECURITY

The Trust is committed to achieving zero incidence of critical IT infrastructure being compromised, and zero loss of or unauthorised access to customer data. In addition to installing hardware and firewalls, the IT system integrates effective data-handling monitoring procedures to establish a strong system of control. Putting in place relevant policies and guidelines on systems and data security, the Trust aims to provide regular internal and external audits to ensure effective implementation. During the year, HIT and YANTIAN organised cyber security drills, so employees could practise their response to data-related emergencies and provide feedback on the emergency plan, for further improvement.

To keep customer data secure, the IT departments at HIT and YANTIAN have established and implemented an Information Security Policy and relevant guidelines for employees, partners and suppliers to follow. To further enhance data security practices, HIT and YANTIAN both obtained the ISO 27001 Information Security Management certification and conducted an annual review in 2020. The approach of the Trust successfully safeguarded all stored data in 2020, with no reported unauthorised data leaks.

GOING FORWARD

At the time of writing, the impact of the global pandemic continued to be felt where the Trust operates. HPH Trust is encouraged that its proven safety and security frameworks will continue to offer resilience and ensure its capability to weather the storm. The risks faced continue to evolve, and in some instances overlap, with the shift to more frequent online communications during the pandemic providing increased opportunity for cybercrime. As a responsible group of companies, the Trust will continuously work to raise the bar for health and safety standards, and will remain vigilant to the growing threats in relation to the cyber security and data protection.

THE ENVIRONMENT

Stakeholders, from customers to investors, regulators and governments, are increasingly concerned about the impact of climate change and the use of resources. Therefore, environmental stewardship is becoming an important issue for corporations, which have to manage stakeholder expectations as well as the impacts of their operations. At the same time, these impacts are directly affecting the port industry. The Trust is committed to operating responsibly and reducing its environmental footprint to minimise its impact while continuing to grow its business. Key to the Trust’s approach is monitoring, managing and evaluating its energy consumption, ambient air quality, greenhouse gas (“GHG”) emissions, water and waste.

WHY IT MATTERS

Climate change may impact energy consumption, fuel use and the global economy, which will affect how the port industry operates.

The operations of ports may lead to adverse impacts on the environment and accelerate climate change, which will pose risks to and affect the port industry.

HOW HPH TRUST RESPONDS

Through establishing sound environmental systems, investing in energy-efficient technologies, cleaner fuels and greener operating practices, the Trust is proactively collaborating with employees, business partners and the larger maritime community in building a greener future for all.

RELATED SDGs



ENVIRONMENTAL MANAGEMENT

HPH Trust’s commitment to environmental sustainability goes beyond regulatory compliance. A sound environmental management system covering HIT¹ and YANTIAN² is framed by respective environmental policies to deliver on commitments to minimise environmental impacts at each port. In addition, HIT and YANTIAN both achieved the ISO 14001 Environmental Management Systems Certification while YANTIAN has also adopted ISO 50001 Energy Management Systems – internationally recognised standards – as frameworks for managing their environmental performance. On a quarterly basis, the cross-department HPH Trust Environmental Steering Committee reviews environmental performance to ensure effective implementation of related policies and systems.

In light of its effort to promote environmental stewardship, HIT has been recognised as a Hong Kong Green Organisation by the Environmental Campaign Committee (“ECC”).



HIT has been recognised as a Hong Kong Green Organisation by ECC alongside the Environmental Protection Department for its green efforts since 2016.

¹ Please refer to hit.com.hk/en/Corporate-Social-Responsibility/Sustainability/Hit-Environmental-Policy.html.

² Please refer to yict.com.cn/page/policy.html?locale=en_US.

SUSTAINABILITY REPORT

ENERGY SAVING AND EMISSIONS REDUCTION

Managing energy consumption is integral to the business operations of HPH Trust, as the efficient use of energy contributes to operational efficiency and reduces GHG and air pollutants. HIT and YANTIAN both implemented a number of relevant measures in the reporting period.

In order to minimise emissions and their associated environmental impacts, HPH Trust strives to enhance its energy efficiency and to move towards operating low-carbon terminals. The Trust continues to adopt alternative technologies and practices to reduce its environmental footprint.

Reducing electricity and fuel consumptions helps to limit emissions and improve ambient air quality in the surrounding areas. The key emission sources of the Trust arise from diesel-powered machinery and vessel engines while at berth. To further enhance air quality, HPH Trust has become a pioneer in the container terminal industry in Hong Kong and Mainland China, investing in and advocating for the use of shore power and clean fuel with lower emissions.

Case study: application of shore power to improve air quality

The operating engines of vessels at berth create both air and noise pollution in the ports and surrounding areas. HPH Trust is one of the pioneers in the industry to deploy the green shore power technology that connects vessels to the power grid system. Through the application of shore power, the Trust is able to reduce GHG emissions such as carbon dioxide and sulphur dioxide.

The Trust is the largest coastal port operator in China in terms of shore power electricity supply and number of berths. In 2020, six sets of mobile shore power systems were deployed at YANTIAN covering 16 mega berths that provide energy for the world's largest container vessels.



In May, YANTIAN received the Outstanding Project Award presented by the Steering Group of Pollution Prevention and Control of Shenzhen Municipality. This award recognised YANTIAN's performance in reducing emissions through the Shore Power Project Phase IV.

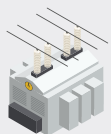
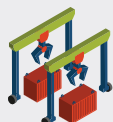
ENERGY SAVING AND EMISSIONS REDUCTION MEASURES

HIT



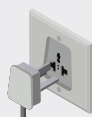
Replaced conventional lighting by LED lighting

Maintained eRTGC online rate above 90%



Phased out traditional diesel-powered RTGCs and replaced them with electric or hybrid power systems

Saved electricity in offices by adjusting the operational hours of air-conditioning systems and turning off electrical appliances when not in use



YANTIAN

Replaced diesel-driven vehicles and forklifts to electricity-driven types



Replaced conventional lighting by LED lighting

Advocated the use of low-sulphur diesel or shore power for berthed vessel



Established six sets of mobile shore power systems that covers 16 berths

The Trust monitors energy consumption across its operations to track progress against energy-saving and GHG emissions reduction targets set by HIT and YANTIAN, and to customise specific measures for achieving those targets.



TOTAL ENERGY CONSUMPTION
2,409,001 GJ



ENERGY INTENSITY
0.121 GJ PER TEU



GHG EMISSIONS
37.7%
DIRECT GHG EMISSIONS (SCOPE 1)²
62.3%
INDIRECT GHG EMISSIONS (SCOPE 2)³

Environmental Performance ¹		2020
Direct energy consumption and GHG emissions		
Natural gas	173,190,000	litre
Liquefied natural gas	5,858,886	kg
Petrol	301,948	litre
Diesel	35,092,819	litre
Liquid petroleum gas	231,102	kg
Indirect energy consumption and GHG emissions		
Purchased electricity	226,087,420	kWh
Energy consumption		
Direct energy consumption	1,595,086	GJ
Indirect energy consumption	813,915	GJ
Total energy consumption	2,409,001	GJ
Energy intensity	0.121	GJ per TEU
GHG emissions		
Direct GHG emissions (Scope 1)	108,302	tonne CO ₂ e
Indirect GHG emissions (Scope 2)	178,948	tonne CO ₂ e
Total GHG emissions	287,250	tonne CO₂e
Emission intensity	14.424	kg CO₂e per TEU

kg = kilogram, kWh = kilowatt hour, GJ = gigajoule, CO₂e = carbon dioxide equivalent

WATER MANAGEMENT

Through the journey of HPH Trust toward environmental stewardship, water management is recognised as one of the focus areas to address and respond to. From water withdrawal to discharge, the Trust places a strong emphasis on effective management of water quality, consumption and discharge.

Due to the nature of its operations, water is mainly consumed in building premises, washrooms and equipment maintenance areas. The Trust sources water from the municipality, and there is no significant issue or risk in relation to water supply. Regardless of the relatively low water risk, the Trust takes responsibility to proactively reduce freshwater consumption. For instance, YANTIAN has installed a water treatment system to collect and reuse rainwater and wastewater. In 2020, approximately 300 tonnes of rainwater was collected and reused for cleaning and irrigation purposes. In addition, the Trust regularly maintains water supply pipelines to prevent leakage. As the Trust continues to monitor water-related activities, it aims to progressively set up relevant targets and convey the water-saving message to its stakeholders as part of its management approach.

On the other hand, industrial wastewater is generated from the maintenance areas and the kitchen. It is then filtered by oil interceptors to create effluent, which is later treated by related systems such as dissolved air floatation system if necessary prior to discharge.

	2020	
Water Consumption	401,502	m ³

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

WASTE MANAGEMENT

Waste management is a key focus area of HPH Trust under the environment pillar. By adhering to its environmental policies to conserve resources and minimise waste to landfill, the Trust strives to classify its waste as the first step in improving its waste management system. In particular, HPH Trust identified and evaluated the associated impacts of scrap waste as part of its process to adopt ISO 14001. Recyclable non-hazardous materials – and hazardous materials including rubber tyres, waste oil, scrap metal, wire ropes, oil rags, and lead acid batteries – are separated, sorted, collected and treated by qualified companies. Through effective waste segregation and responsible consumption when conducting upstream and downstream activities, the Trust is putting in place specific mitigation measures to reduce waste generation and disposal.

¹ Figures shown include HIT and YANTIAN as per the reporting scope. The calculation of direct energy consumption and GHG emissions has been enhanced with the adoption of the following standards:

- HIT: Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)

- YANTIAN: Shenzhen: Guidance for quantification and reporting of the organisation's greenhouse gas emissions (SZDB/Z 69-2018), GHG Protocol Global Warming Potential Values (AR5) and China's Regional Grid Emission Factors for Purchased Electricity

² Scope 1 emissions are direct GHG emissions from sources controlled by HPH Trust, including natural gas, liquefied natural gas, petrol, diesel and liquid petroleum gas used on-site.

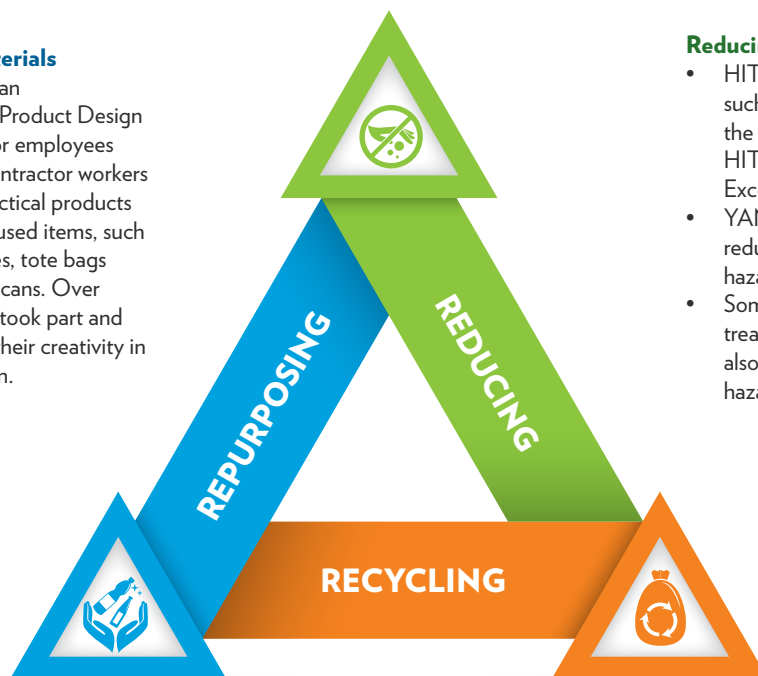
³ Scope 2 emissions are indirect GHG emissions generated from electricity purchased by HPH Trust.

SUSTAINABILITY REPORT

In its effort to reduce waste, HPH Trust has adopted the 3R principles (Reducing, Repurposing and Recycling).

Repurposing Materials

- HIT organised an Environmental Product Design Competition for employees and external contractor workers to innovate practical products using waste or used items, such as plastic bottles, tote bags and aluminium cans. Over 70 participants took part and demonstrated their creativity in this competition.



Reducing Waste Generated

- HIT organised waste reduction campaigns such as an ongoing “No Straw” activity in the staff canteen. These efforts have led HIT to achieve the Wastewise Certificate in Excellence Level issued by ECC.
- YANTIAN used a bale compressor to reduce the volume of compressible solid hazardous waste.
- Some used lubricants were filtered and treated for reuse. Furthermore, YANTIAN is also seeking alternative materials that are less hazardous.

Recycling Segregated Waste

- HIT launched recycling programmes to segregate recyclable materials, including paper, inkjet cartridges, metals, rechargeable batteries and waste oil, which are all handled by qualified contractors.
- HPH Trust appointed merchants to collect and recycle different types of waste, including scrap iron, waste wire rope and tyre.
- Over 4,900 kg of lead acid batteries were recycled in 2020.

Waste Generated in 2020		
Solid chemical waste		
Rags contaminated with waste oil	169,390	kg
Waste wire rope	1,720,080	kg
Scrap metal	360,300	kg
Other chemical waste		
Waste lead acid battery	4,909	kg
Waste oil	143,220	litre
Other waste		
Light bulb / Fluorescent light	660	kg
Office paper usage	33,579	kg
Tyres	326,402	kg

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

GOING FORWARD

HPH Trust will continue to pursue environmental sustainability through a multitude of means and actions. Further to the existing initiatives, the Trust envisions seeking innovative and collaborative solutions to strengthen environmental management and performance. The Trust aims to explore the use of hydrogen energy trucks to promote cleaner fuel and reduce emissions in its operations.

SUSTAINABILITY REPORT

COMMUNITY ENGAGEMENT

As a corporate citizen whose success is fundamentally linked to the well-being of the communities in which it operates, the Trust is committed to engaging the community and raising awareness of its three main areas: elderly care, youth education and the local environment. In the reporting period, the Trust continued to organise community activities and partner with local charities and non-governmental organisations.

CARING FOR ELDERLY CITIZENS

The staff volunteers in YANTIAN delivered seasonal greetings and gifts to the elderly residents of the Yantian District Social Welfare Centre before Chinese Senior's Day.



A team of HIT volunteers organised a mask donation programme for the elderly who were unable to access masks during COVID-19.

YANTIAN volunteers visited a local welfare centre to deliver greetings and festive gifts to the elderly residents. Volunteers also helped decorate their rooms with Chinese New Year lanterns and red banners.

In an effort to nurture young engineering talent and ensure a sustainable talent pipeline, HIT organised the Start Your Journey@Port Programme.



The HIT Children Scholarship recognises the outstanding academic performance and achievements in other learning experience of employees' children.

YANTIAN organised a campus recruitment event to provide local students with on-the-job experience in the port industry.



To promote the ideation of environmentally-friendly products, HIT organised an "Environmental Product Design Competition". Over 73 products were created with employees' support.

For the 12th consecutive year, YANTIAN participated in the Fingerling Release activity, which aims at preserving fish species and the aquatic environment. In 2020, over nine million fish and shrimp fingerlings were released into the surrounding waters.

SUPPORTING EDUCATION

To promote environmental awareness within the company, HIT organised two environmental quizzes to encourage staff to learn more and contribute to environmental protection.

RAISING ENVIRONMENTAL AND SAFETY AWARENESS

SUSTAINABILITY REPORT

MEMBERSHIPS AND ASSOCIATIONS

HIT

British Chamber of Commerce in Hong Kong
Business Environment Council
Employers' Federation of Hong Kong
Hong Kong Container Terminal Operators Association
Hong Kong General Chamber of Commerce
Hong Kong Logistics Association
Hong Kong Maritime Museum Trust
The Sailors Home and Mission to Seafarers
The Chartered Institute of Logistics and Transport
The Merchant Service Club

YANTIAN

China Communications and Transportation Association
China Port Association
China Water Transportation Construction Association
Guangdong Port & Harbours Association
Industry Association, Guangdong Shenzhen Customs Brokers Association
Refrigeration Logistics Special Interest Committee of Guangdong Logistics
Shenzhen Association for Friendship with Foreign Countries
Shenzhen Association of Enterprises with Foreign Investment
Shenzhen Container Yard Association
Shenzhen Entry & Exit Inspection and Quarantine Association
Shenzhen Federation of Returned Overseas Chinese
Shenzhen Ports Association
Shenzhen Port Facility Security Association
Shenzhen Publishers Association
Shenzhen Society of Macroeconomics
Shenzhen Cross-border E-Commerce Association
Standardization Administration of the People's Republic of China (SAC)

GENERAL DISCLOSURES

GRI Standard 102: General Disclosures 2016

Disclosure	Description	Page, reference or additional comment
Organisational profile		
102-1	Name of the organisation	Hutchison Port Holdings Trust (“HPH Trust” or “Trust”)
102-2	Activities, brands, products and services	Pages 2-7
102-3	Location of headquarters	The place of business for the Trustee-Manager in Hong Kong is HIT in Kwai Tsing, Hong Kong
102-4	Location of operations	Pages 2-7
102-5	Ownership and legal form	Pages 2-3
102-6	Markets served	Pages 2-7
102-7	Scale of the organisation	Pages 2-7, 44
102-8	Information on employees and other workers	Pages 42, 44
102-9	Supply chain	Page 42
102-10	Significant changes to the organisation and its supply chain	No significant change
102-11	Precautionary principle and approach	Pages 37, 63-88
102-12	External initiatives	Page 56
102-13	Membership of associations	Page 56
Strategy		
102-14	Statement from the most senior decision-maker	Pages 10-11, 37
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Page 36
Governance		
102-18	Governance structure	Pages 37, 63-88
Stakeholder engagement		
102-40	List of stakeholder groups	Page 40
102-41	Collective bargaining agreements	Not applicable for HIT as the Hong Kong Employment Ordinance does not provide for collective bargaining agreements. 100% of local staff at YANTIAN are covered by collective negotiation
102-42	Identifying and selecting stakeholders	Page 40
102-43	Approach to stakeholder engagement	Page 40
102-44	Key topics and concerns raised	Page 40

SUSTAINABILITY REPORT

Disclosure	Description	Page, reference or additional comment
Reporting practice		
102-45	Entities included in the consolidated financial statements	Pages 91 - 149
102-46	Defining report content and topic boundaries	Page 39
102-47	List of material topics	Page 39
102-48	Restatements of information	There are no restatements of information
102-49	Changes in reporting	No significant changes
102-50	Reporting period	1 January to 31 December 2020
102-51	Date of most recent report	Annual Report 2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	ir@hphtrust.com
102-54	Claims of reporting in accordance with the GRI Standards	Page 36
102-55	GRI content index	Pages 57 - 60
102-56	External assurance	No external assurance was sought for this report

SPECIFIC DISCLOSURES

GRI Standard	Disclosure	Description	Page, reference or additional comment
RESPONSIBLE BUSINESS			
Topic: Anti-fraud and anti-bribery			
GRI 103: Management Approach 2016			Page 41
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Page 41
	205-3	Confirmed incidents of corruption and actions taken	Page 41
Topic: External contractor workers management			
GRI 103: Management Approach 2016			Page 42
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Page 42
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Page 42
Topic: Technology and operational efficiency			
GRI 103: Management Approach 2016			Pages 20-22, 42
Non-GRI		Measuring efficiency	Pages 20-22, 42
Non-GRI		Operational excellence awards or recognition	Pages 12-18, 42
Topic: Customer service			
GRI 103: Management Approach 2016			Page 43
Non-GRI		Customer complaints received	Page 43

GRI Standard	Disclosure	Description	Page, reference or additional comment
RESPONSIBLE EMPLOYER			
Topics: Employee engagement and well-being, Recruitment and retention			
GRI 103: Management Approach 2016			Pages 44 - 47
GRI 401:	401-1	New employee hires and turnover	Page 45
Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 44
Topic: Learning and development			
GRI 103: Management Approach 2016			Pages 45 - 46
	404-1	Average hours of training per employee	Page 45
GRI 404:	404-2	Programmes for updating employee skills and transition assistance programmes	Pages 45 - 46
Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	Page 44
SAFETY AND SECURITY			
Topic: Safety risk management			
GRI 103: Management Approach 2016			Pages 48 - 49
GRI 416:	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 49
Customer Health and Safety 2016			
Non-GRI		Emergency preparedness and response	Page 49
Non-GRI		Safety equipment provided	Pages 49 - 50
Topic: Occupational health and safety			
GRI 103: Management Approach 2016			Pages 48 - 49
	403-1	Occupational health and safety management system	Pages 48 - 50
	403-2	Hazard identification, risk assessment and incident investigation	Pages 48 - 50
	403-3	Occupational health services	Pages 48 - 50
GRI 403:	403-4	Worker participation, consultation and communication on occupational health and safety	Pages 48 - 50
Occupational Health and Safety 2018	403-5	Worker training on occupational health and safety	Pages 48 - 50
	403-6	Promotion of worker health	Pages 48 - 50
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 48 - 50
	403-9	Work-related injuries	Page 50
Topic: IT systems and data security			
GRI 103: Management Approach 2016			Page 50
GRI 418:	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 50
Customer Privacy 2016			
Non-GRI		Data security incidents	Page 50

SUSTAINABILITY REPORT

GRI Standard	Disclosure	Description	Page, reference or additional comment
ENVIRONMENT			
Topic: Energy consumption			
GRI 103: Management Approach 2016			Pages 51 - 52
GRI 302:	302-1	Energy consumption within the organisation	Page 53
Energy 2016	302-3	Energy intensity	Page 53
Topic: Ambient air quality			
GRI 103: Management Approach 2016			Pages 51 - 52
Non-GRI		Use of clean engines and fuels	Page 52
Topic: GHG emissions			
GRI 103: Management Approach 2016			Pages 51 - 52
	305-1	Direct (Scope 1) GHG emissions	Page 53
GRI 305:	305-2	Indirect (Scope 2) GHG emissions	Page 53
Emissions 2016	305-4	GHG emission intensity	Page 53
Topic: Water management			
GRI 303: Water	303-1	Interactions with water as a shared resource	Page 53
and Effluents	303-2	Management of water discharge-related impacts	Page 53
2018	303-5	Water consumption	Page 53
Topic: Waste management			
	306-1	Waste generation and significant waste-related impacts	Pages 53 - 54
GRI 306:	306-2	Management of significant waste-related impacts	Pages 53 - 54
Waste 2020	306-3	Waste generated	Page 54



HPH Trust is committed to engaging with its investors by delivering open, accurate and up-to-date communications. This is the cornerstone of the Trust's investor relations philosophy. Notwithstanding the physical distancing measures brought by the COVID-19 pandemic, HPH Trust strives to provide unitholders, potential investors and investment communities with adequate, accurate and timely disclosures on material corporate developments.

FINANCIAL RESULTS AND CORPORATE LITERATURE

HPH Trust recognises the importance of releasing material information in a timely manner. The Investor Relations team ensures all announcements relating to financial performance and strategic corporate developments are promptly disseminated via multiple channels, including hphtrust.com and the SGX online portal, SGXNet.

HPH Trust published its 2020 annual report in March 2021. Besides posting it on SGXNet and our corporate website, hphtrust.com, the Trust also distributed it through conventional methods, such as sending a CD-ROM to all unitholders, and providing printed copies on request.

Investors and stakeholders are encouraged to refer to hphtrust.com as their first point of reference. HPH Trust regularly updates the Investor Centre section of the website. It is an online repository for a wide range of information such as news releases, SGXNet announcements, financial results, presentation materials, annual report, historical unit prices and related charts, and other relevant corporate information. Interested parties can register for email alerts, so they receive newly posted announcements. In addition, unitholders can direct their enquiries and concerns to the HPH Trust Investor Relations team via the contact methods listed on hphtrust.com, especially the dedicated investor relations email or telephone line.

The Trustee-Manager periodically organises briefings for analysts, fund managers, equity stakeholder representatives and various other investor groups. The management team holds its Annual General Meeting following the release of its full-year results. In 2020, as a result of the physical distancing measures due to COVID-19, briefings and meetings were mostly conducted via electronic means.

The Annual General Meeting held on 8 June 2020 ("AGM") was conducted via "live" audio-visual webcast and "live" audio feed. During the AGM, the management team addressed all important and substantial questions received from unitholders prior to the meeting. Management believes that annual general meetings and other general meetings provide an excellent opportunity to interact with unitholders to share in-depth business developments and prospects. Unitholders are encouraged to join these meetings.

CONFERENCES, BRIEFINGS AND ROADSHOWS

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

In 2020, notwithstanding the COVID-19 pandemic, the management team continued to engage with different stakeholders, and there were around 200 participants from analysts and investors around the world in individual discussions and larger group events such as investor conferences. Most roadshows and key investor conferences were conducted online during the year, and the management team participated in events such as the Citigroup Global Shipping, Freight and Logistics Field Trip, the Goldman Sachs Greater China Corporate Day, the HSBC 4th Annual Asia Credit Conference and SGX Corporate Days.

RESEARCH COVERAGE

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

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

CORPORATE INFORMATION

TRUSTEE-MANAGER

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

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)

Executive Director

Mr. IP Sing Chi, BA

Non-executive Directors

Ms. Edith SHIH, BSE, MA, MA, EdM, Solicitor,

FCG (CS, CGP), FCS (CS, CGP) (PE)

Ms. TSIM Sin Ling, Ruth, MBA, FHKICPA

Independent Non-executive Director and Lead Independent Director

Mrs. SNG Sow-Mei (alias POON Sow Mei), BA, PPA(P)

Independent Non-executive Directors

Mr. CHAN Tze Leung, Robert, BSc (Econ), MBA, FHKIOD

Dr. FONG Chi Wai, Alex, BSS, MTM, MSGF, DBA, FCILT, FHKIOD, PhD

Mr. Graeme Allan JACK, BCom, CA (ANZ), FHKICPA

Mr. WONG Kwai Lam, BA, PhD

AUDIT COMMITTEE

Mr. Graeme Allan JACK (Chairman)

Mr. CHAN Tze Leung, Robert

Mrs. SNG Sow-Mei (alias POON Sow Mei)

REMUNERATION COMMITTEE

Mr. CHAN Tze Leung, Robert (Chairman)

Mr. FOK Kin Ning, Canning

Mrs. SNG Sow-Mei (alias POON Sow Mei)

REGISTERED OFFICE

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Telephone: (65) 6536 5355

Fax: (65) 6536 1360

COMPANY SECRETARY

Ms. KIM Yi Hwa

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Telephone: (65) 6536 5355

Fax: (65) 6536 1360

AUDITOR

PricewaterhouseCoopers LLP

7 Straits View

Level 12, Marina One, East Tower

Singapore 018936

Telephone: (65) 6236 3388

Fax: (65) 6236 3300

Partner-in-charge: Ms. Charlotte HSU Yuh Feng

Date of appointment: 3 February 2016

PRINCIPAL BANKERS

DBS Bank Ltd

Bank of China Ltd

China Construction Bank Corporation

Industrial and Commercial Bank of China Ltd

Standard Chartered Bank (Hong Kong) Ltd

The Hongkong and Shanghai Banking Corporation Ltd

CORPORATE DIRECTORY

Company Registration No.: 201100749W

Website: hphtrust.com

CORPORATE GOVERNANCE REPORT

HPH Trust is a business trust constituted under the Business Trusts Act, Chapter 31A of Singapore (“BTA”). Hutchison Port Holdings Management Pte. Limited (“Trustee-Manager”) as the trustee-manager of HPH Trust is responsible for managing the business of HPH Trust as defined in the deed of trust dated 25 February 2011 and as amended and supplemented by the first supplemental deed dated 28 April 2014 and the second supplemental deed dated 8 June 2020 (collectively, “Trust Deed”).

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

The Board sets out in this report the corporate governance principles and practices put in place for the financial year ended 31 December 2020 with reference to the BTA, the Business Trusts Regulations 2005 (“BTR”), the Code of Corporate Governance 2018 (“Code”) and the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST Listing Manual”).

HPH Trust has complied throughout the financial year ended 31 December 2020 with all the principles and provisions of the Code, where applicable. The reasons for deviations from the provisions of the Code are explained in this report.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1

Principal duties of the Board

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

The Board, led by the Chairman (Non-executive), Mr. Fok Kin Ning, Canning, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of HPH Trust, and supervises the management of HPH Trust (“Management”). Management is responsible for the day-to-day operations of the Group under the leadership of Mr. Lam Hing Man, Patrick, the Chief Executive Officer (“CEO”).

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

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

The Board has established an Audit Committee (“AC”) with clear terms of reference to assist it in discharging its responsibilities. In addition, the Board has also established a Remuneration Committee (“RC”) in February 2021 with clear terms of reference. Details and the terms of reference for the AC and RC are described in subsequent sections of this report. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

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

CORPORATE GOVERNANCE REPORT

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

- (a) matters in relation to the overall strategy and management of the Group;
- (b) material changes to the Group's capital or corporate structure;
- (c) matters involving financial reporting and distributions;
- (d) major investments, major capital projects, material transactions and transactions not in the ordinary course of business;
- (e) transactions between the Trustee-Manager for and on behalf of HPH Trust and any of its related parties; and
- (f) matters which require Board approval as specified under the SGX-ST Listing Manual, BTA or other relevant laws and regulations.

The Board held four Board meetings in 2020 with an average of approximately 97% Director attendance. The Company Secretary and the Deputy Company Secretary attended all board meetings held in 2020.

NAME OF DIRECTOR	ATTENDED / ELIGIBLE TO ATTEND
<u>Chairman and Non-executive Director</u>	
Mr. Fok Kin Ning, Canning	3/4
<u>Executive Director</u>	
Mr. Ip Sing Chi	4/4
<u>Non-executive Directors</u>	
Ms. Edith Shih	4/4
Ms. Tsim Sin Ling, Ruth	4/4
<u>Independent Non-executive Directors</u>	
Mr. Chan Tze Leung, Robert	4/4
Dr. Fong Chi Wai, Alex ⁽¹⁾	3/3
Mr. Graeme Allan Jack	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Kevin Anthony Westley ⁽²⁾	1/1
Mr. Wong Kwai Lam	4/4

(1) Appointed with effect from 11 February 2020

(2) Resigned with effect from 11 February 2020

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

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

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

CORPORATE GOVERNANCE REPORT

Access to information

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

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

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

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

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

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

Directors’ induction and training

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

During the year ended 31 December 2020, Dr. Fong Chi Wai, Alex was appointed as an independent non-executive director to succeed Mr. Kevin Anthony Westley. Dr. Fong is currently an independent non-executive director of TOM Group Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments), HK Electric Investments Limited and Glory Mark Hi-Tech (Holdings) Limited, the securities of which are listed on The Stock Exchange of Hong Kong Limited (“HKEx”). The Board is of the view¹ that given (i) both Singapore and Hong Kong are common law jurisdictions; (ii) the standards of corporate governance required by Singapore Exchange and HKEx are comparable; and (iii) Dr. Fong has relevant directorship experience in companies listed in HKEx, the mandatory training prescribed by Rule 210(5)(a) of the SGX-ST’s Listing Manual is not required.

The Trustee-Manager arranges and provides continuous professional development (“CPD”) training such as seminars, webcasts and relevant reading materials to Directors to help them keep abreast of the current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed entity director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also counts towards CPD training.

¹ Pursuant to Practice Note 4.2 of the SGX-ST Listing Manual, the Trustee-Manager is not required to have a nominating committee. Hence, for the purpose of Rule 210(5)(a) of the SGX-ST Listing Manual, the Board, undertaking the function of a nominating committee, has formed this view.

CORPORATE GOVERNANCE REPORT

The Directors are required to provide the Trustee-Manager with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2020 is summarised as follows:

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

(1) Appointed with effect from 11 February 2020

(2) Resigned with effect from 11 February 2020

The appointment and removal of the Company Secretary is subject to Board approval.

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

Board Composition and Guidance

Principle 2

As at 31 December 2020, the Board comprised nine Directors, of whom five were independent and non-executive.

Mr. Kevin Anthony Westley resigned as Independent Non-executive Director and Dr. Fong Chi Wai, Alex was appointed as Independent Non-executive Director with effect from 11 February 2020. Having considered the qualification, expertise and experience in the transportation and logistics industry of Dr. Fong, including his past positions as the Secretary to the Hong Kong Port and Maritime Board and the Hong Kong Logistics Development Council, the Board is of the view that Dr. Fong is an appropriate director for the Trustee-Manager. Dr. Fong has prior experience as a director of listed companies (for details, please refer to page 28 of the Annual Report). He is therefore not required to undergo further training under Rule 210(5)(a) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

Board appointment has been, and will continue to be, made based on merit and the contribution such appointment can bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the following principles:

- (a) The majority of Board members should be non-executive and independent Directors;
- (b) The chairman of the Board should be a non-executive Director;
- (c) The Board should comprise Directors with a wide range of commercial and management experience, which provides an appropriate balance of diversity of skills, experience, gender and industry knowledge; and
- (d) At least a majority of the Directors should be independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

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

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

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

Mrs. Sng Sow-Mei (alias Poon Sow Mei) is appointed as the Lead Independent Director. The Lead Independent Director provides feedback to the Chairman as appropriate should there be any issue coming to her attention from the periodic meetings among the Independent Non-executive Directors without the presence of the other Directors or Management.

Directors' Independence

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

The Board considers all of them to be independent in accordance with Rule 210(5) of the SGX-ST Listing Manual because none of them (i) have been employed by the Trustee-Manager or any of its related corporations for the current financial year or any of the past three financial years of the Trustee-Manager, (ii) have an immediate family member who is or has been in any of the past three financial years, employed by the Trustee-Manager or any of its related corporations and whose remuneration is determined by the Board.

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

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

CORPORATE GOVERNANCE REPORT

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

- (i) Mrs. Sng does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of CKI;
- (ii) she is not involved in the day-to-day management and operation of CKI;
- (iii) she does not own any shares of CKI;
- (iv) she exercises independent judgment as an independent non-executive director of CKI, in particular on interested person transactions and on internal audit control and management; and
- (v) CKI is in different businesses from HPH Trust.

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

In the case of Mr. Jack, notwithstanding that he is currently an independent non-executive director, chairman of the audit committee and a member of the remuneration committee and nomination committee of Hutchison China MediTech Limited (“China Med”), the shares of which are traded on the AIM, a market regulated by the London Stock Exchange, and in the form of American Depositary Shares on the NASDAQ Stock Market, the Directors noted that these roles should not interfere with his ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

- (i) Mr. Jack does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of China Med;
- (ii) he is not involved in the day-to-day management and operation of China Med;
- (iii) he does not own any shares in China Med and his wife is only a minority shareholder of China Med holding 3,000 American Depositary Shares, representing about 0.002% issued shares of China Med;
- (iv) he exercises independent judgment as an independent non-executive director of China Med, in particular on interested person transactions and on internal audit control and management; and
- (v) China Med is in different businesses from HPH Trust.

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

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

- (i) Dr. Fong does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of the Companies;
- (ii) he is not involved in the day-to-day management and operation of the Companies;
- (iii) he does not own any shares in the Companies;
- (iv) he exercises independent judgment as an independent non-executive director/a director of the Companies, in particular on interested person transactions and on internal audit control and management; and
- (v) the Companies are in different businesses from HPH Trust.

CORPORATE GOVERNANCE REPORT

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

In the case of Mr. Chan, notwithstanding that he is currently an independent non-executive director, a member of the audit committee and the remuneration committee of TOM Group Limited (“TOM”), the shares of which are listed in Hong Kong, the Directors noted that these roles should not interfere with his ability to exercise independent judgement in the interest of the unitholders of HPH Trust for the following reasons:

- (i) Mr. Chan does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of TOM;
- (ii) he is not involved in the day-to-day management and operation of TOM;
- (iii) he does not own any shares in TOM;
- (iv) he exercises independent judgement as an independent non-executive director of TOM, in particular on interested person transactions and on internal audit control and management; and
- (v) TOM is in different businesses from HPH Trust.

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

In the case of Mr. Wong, notwithstanding that he is currently an independent non-executive director, a member of the audit committee and the remuneration committee of CK Hutchison Holdings Limited (“CKHH”), the shares of which are listed in Hong Kong, the Directors noted that these roles should not interfere with his ability to exercise independent judgement in the interest of the unitholders of HPH Trust for the following reasons:

- (i) Mr. Wong does not have any relationship with the managing director(s), members of the management team, board of directors or substantial shareholder(s) of CKHH;
- (ii) he is not involved in the day-to-day management and operation of CKHH;
- (iii) he does not own any shares in CKHH;
- (iv) he exercises independent judgement as an independent non-executive director of CKHH, in particular on interested person transactions and on internal audit control and management; and
- (v) Hutchison Port Holdings Limited (“HPH”), a member of CKHH group, has entered into a Non-Compete Agreement with the Trustee-Manager pursuant to which there is a mutual non-compete undertaking between the two entities such that HPH undertakes not to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau and HPH Trust undertakes not to invest in, develop, operate and manage deep-water container ports in any part of the world outside of the Guangdong Province, Hong Kong and Macau, save that HPH may pursue any investment opportunity (including undertaking greenfield port development) declined by HPH Trust.

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

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

CORPORATE GOVERNANCE REPORT

None of the above independent non-executive directors participates nor will they participate in any discussion of the Board in relation to any transaction with a company of whom he/ she is a director thereof or any matters that might give rise to a conflict of interests with such company and they shall abstain from voting on any such proposals at any meeting of the Board.

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

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

Chairman and CEO

Principle 3

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

The Chairman, Mr. Fok Kin Ning, Canning is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that the Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors, the Company Secretary and the Deputy Company Secretary. With the support of the Executive Director, the Company Secretary, the Deputy Company Secretary and Management, the Chairman seeks to ensure that all Directors are properly briefed on issues discussed at Board meetings and provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication and ongoing engagement with unitholders and other stakeholders, as outlined later in this report.

Mrs. Sng, the Lead Independent Director is appointed to provide leadership in situations where the Chairman has a conflict of interest. She is accessible to Unitholders in cases where they have concerns for which contact through normal channels of the Chairman, the CEO or the CFO has failed to resolve the issue or is inappropriate. Her contact details are available on HPH Trust's corporate website (hphtrust.com/corporate_governance.html).

The CEO is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the Group's businesses, the CEO attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group.

Working with the CFO, and the executive management team of each core business division, the CEO presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the CFO, the CEO ensures that the funding requirements of the businesses are met and closely monitors the operating and financial performance of the businesses against plans and budgets. The CEO maintains an ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. In addition, he is also responsible for building and maintaining an effective executive team to support him in his role.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4

As at 31 December 2020, the Board comprised nine Directors, including the Chairman, one Executive Director, two Non-executive Directors and five Independent Non-executive Directors. Biographical details of the Directors are set out on pages 26 to 30 of the Annual Report and on HPH Trust's corporate website.

Pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, the corporate governance provision stipulated in Rule 210(5)(e) of the SGX-ST Listing Manual, which relates to the establishment of one or more committees to perform the function of, among others, a nominating committee, does not apply to HPH Trust.

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

From time to time, new Directors may be identified by the Board for appointment, if necessary, to complement and expand the skill set, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural, educational background, the Board Diversity Policy, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.

If the Board determines that an additional or replacement Director is required, the Trustee-Manager will deploy multiple channels for identifying suitable director candidates, including referral from Directors, unitholders, management, advisors of the Trustee-Manager and external executive search firms. Dr. Fong Chi Wai, Alex was appointed to succeed Mr. Kevin Anthony Westley as Independent Non-executive Director of the Trustee-Manager with effect from 11 February 2020.

No alternate director is appointed to the Board.

Board Performance

Principle 5

Pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, provision 5.1 of the Code, which relates to recommendations by a nominating committee, does not apply to HPH Trust.

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

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

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6

Although pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, provision 6.1 of the Code which relates to the establishment of a remuneration committee does not apply to HPH Trust, a Remuneration Committee is set up in February 2021 to oversee the design and implementation of a formal and transparent procedure for developing policies on remuneration for all Directors and key management personnel. It reviews the remuneration policy from time to time and has the power to determine the framework for the remuneration and specific remuneration packages of individual Directors and key management personnel including the CEO. No Director will be involved in any decision relating to his or her own remuneration. The Remuneration Committee, where necessary, has access to independent professional advice on remuneration matters.

The Remuneration Committee comprises three members. The Committee is chaired by Mr. Chan Tze Leung, Robert, an Independent Non-executive Director, with Mr. Fok Kin Ning, Canning, a Non-executive Director, and Mrs. Sng Sow-Mei (alias Poon Sow Mei), an Independent Non-executive Director, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Code.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the business operations.

Level and Mix of Remuneration

Principle 7

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

The remuneration of the Board is determined by the Trustee-Manager with reference to the contribution, taking into account effort, time spent and responsibilities as well as remuneration benchmarks from other listed business trusts. The Directors are remunerated directly by the Trustee-Manager, not by HPH Trust.

The remuneration of the Trustee-Manager which is paid out of HPH Trust is provided for in the Trust Deed, fees paid to the Trustee-Manager for the financial year ended 31 December 2020 are set out on page 140 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8

Notwithstanding that the Directors are remunerated directly by the Trustee-Manager, and not the Trust, for the benefit of the unitholders, the table below sets out the remuneration of individual directors of the Trustee-Manager for the financial year ended 31 December 2020:

Name of directors	Directors' fees (USD)
FOK Kin Ning, Canning ⁽ⁱ⁾	60,000.00
Edith SHIH ⁽ⁱ⁾	60,000.00
IP Sing Chi ⁽ⁱⁱ⁾	60,000.00
TSIM Sin Ling, Ruth ⁽ⁱ⁾	60,000.00
CHAN Tze Leung Robert ^{(i) & (iii)}	80,000.00
FONG Chi Wai, Alex ^{(i) & (v)}	53,278.69
Graeme Allan JACK ^{(i) & (iv)}	90,000.00
SNG Sow-Mei ^{(i) & (iii)}	80,000.00
WONG Kwai Lam ⁽ⁱ⁾	60,000.00
Kevin Anthony WESTLEY ^{(i) & (vi)}	6,721.31
Total:	USD 610,000.00

Note:

- (i) Non-executive director
- (ii) Executive director
- (iii) Member of Audit Committee
- (iv) Chairman of Audit Committee
- (v) appointed with effect from 11 February 2020
- (vi) resigned with effect from 11 February 2020

The table below disclosed (a) the remuneration of the CEO and (b) in bands of S\$250,000, the remuneration of the top five key management personnel (other than the CEO) for the financial year ended 31 December 2020:

Key management personnel	Salary (%)	Variable (%)	Benefits (%)	Total (%)
S\$1,000,001 to S\$1,250,000				
Mr. Lam Hing Man, Patrick				
CEO Managing Director, YANTIAN	44%	55%	1%	100% ^{1 & 2}
S\$750,001 to S\$1,000,000				
Ms. Lee Tung Wan, Diana				
CFO and Investor Relations Officer Finance and Legal Director and Company Secretary, YANTIAN	55%	40%	5%	100% ²
Mr. Fung Kam Hung, Leonard				
Managing Director, HIT	58%	37%	5%	100% ²
S\$500,001 to S\$750,000				
Mr. Shum Kai Shing, Lawrence				
Managing Director, COSCO-HIT	60%	34%	6%	100% ²
Mr. Tang Hin Kee, Edward				
Operations Director General Manager - Operations, YANTIAN	63%	35%	2%	100% ²
Dr. Su Yu Nin, Eric				
Engineering Director General Manager - Engineering, YANTIAN	60%	35%	5%	100% ²

CORPORATE GOVERNANCE REPORT

Notes:

- 1 The total remuneration paid to the CEO was S\$1,178,000, most of which was paid by YANTIAN to Mr. Lam Hing Man, Patrick in relation to his role as Managing Director of YANTIAN and the remainder was paid by the Trustee-Manager (out of its own account).
- 2 Most of the aggregate compensation of the relevant key management personnel was paid by the relevant operating subsidiaries of the Group (i.e. YANTIAN to Mr. Lam Hing Man, Patrick in relation to his role as Managing Director of YANTIAN; Ms. Lee Tung Wan, Diana in relation to her role as Finance and Legal Director and Company Secretary of YANTIAN; Mr. Tang Hin Kee, Edward in relation to his role as General Manager – Operations of YANTIAN; Dr. Su Yu Nin, Eric in relation to his role as General Manager – Engineering of YANTIAN; HIT to Mr. Fung Kam Hung, Leonard in relation to his role as Managing Director of HIT and COSCO-HIT to Mr. Shum Kai Shing, Lawrence in relation to his role as Managing Director of COSCO-HIT), and the remainder of the aggregate compensation of each of the relevant key management personnel was paid by the Trustee-Manager (out of its own account). In 2020, the total remuneration paid to the above key executives (excluding the CEO) was S\$3,410,000.
- 3 Remuneration of key management personnel are paid in Hong Kong dollar (“HK\$”) while the table above reflects the remuneration translated in Singapore dollar (“S\$”) based on the 2020 average HK\$/S\$ exchange rate. Therefore, the remuneration set out in the table above are subject to currency exchange rates fluctuations.

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

There is no employee of the Trustee-Manager and the Group who is a substantial shareholder of the Trustee-Manager or a substantial unitholder of the Trust, an immediate family member of the Directors, the CEO or a substantial shareholder of the Trustee-Manager or a substantial unitholder of the Trust, and whose remuneration exceeded S\$100,000 during the financial year ended 31 December 2020.

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

The remuneration of the Trustee-Manager is provided for in the Trust Deed. The Trustee-Manager is entitled under the Trust Deed to management fees, acquisition fee, divestment fee and development fee based on pre-agreed mechanisms set out in the Trust Deed. Fees paid to the Trustee-Manager for the financial year ended 31 December 2020 are set out on page 140 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9

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

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

CORPORATE GOVERNANCE REPORT

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

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

Internal Control Environment and Systems

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

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

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

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

The Group maintains a centralised cash management system for its subsidiary operations. The Group's Finance Department oversees the Group's investment and lending activities and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

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

The Group also has established treasury policies covering specific aspects, such as bank account control and procedures, monitoring and compliance control for loan covenants, approval and reporting process for derivatives and hedging transactions.

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

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

CORPORATE GOVERNANCE REPORT

Review of Risk Management and Internal Controls Systems

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

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

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business unit as well as discussions and reviews by the Management, CEO and CFO and the Board, through the AC. More specifically, on a half-yearly basis, each core business unit is required to formally identify and assess the significant risks their business faces, whilst the CEO and CFO provide input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as confirmed by the CEO and CFO, form part of the risk management report for review and approval by the AC on a half-yearly basis. The AC, on behalf of the Board, reviews the report and provides input as appropriate so as to ensure effective risk management is in place.

The Board has received assurance from (i) the CEO and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of HPH Trust's operations and finances and (ii) the CEO and other relevant key management personnel that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment for the financial year ended 31 December 2020.

The Board, through the AC, has conducted a review of the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the financial year ended 31 December 2020. Based on such reviews and the work performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems addressing material financial, operational, compliance and information technology risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2020. Such review covered reviews on the Group's compliance with terms provided for in the right of first refusal agreement ("ROFR Agreement") and the non-compete agreement ("Non-Compete Agreement"), both dated 28 February 2011 and amended by the respective amendment agreement dated 22 December 2015, entered into between HPH and the Trustee-Manager, in its capacity as the trustee-manager of HPH Trust. Details of the ROFR Agreement and Non-Compete Agreement are set out in the "Statement of Policies and Practices" section on page 82 of the Annual Report. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 10

As at 31 December 2020, the AC comprised three Independent Non-executive Directors who possessed the relevant business, accounting and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of HPH Trust. It is chaired by Mr. Graeme Allan Jack with Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Chan Tze Leung, Robert as members.

The AC held four meetings in 2020 with 100% attendance.

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

In 2020, the AC performed the duties and responsibilities under its terms of reference and other duties of the Code.

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

The AC meets with the CEO and CFO and other senior management of the Group from time to time to review the half-yearly and full-year results and financial statements, and any formal financial performance-related announcements and other financial, internal control, corporate governance and risk management matters of the Group. It receives, considers and discusses the reports and presentations of Management, the Group's internal and external auditors, PricewaterhouseCoopers LLP ("PwC"), with a view to ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong and Singapore and comply with the applicable disclosure requirements of the BTA, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also meets at least four times a year with the Group's principal external auditor to consider their reports on the scope, strategy, progress and outcome of its independent review of the half-yearly financial information, its annual audit of the consolidated financial statements as well as to discuss other matters arising from their audit of the Group. In addition, the AC holds regular private meetings with the external auditor, the CFO and the internal auditor separately without the presence of Management. During these meetings, the following key audit matters as reported by the external auditor for the year ended 31 December 2020 were addressed as follows:

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

CORPORATE GOVERNANCE REPORT

To assist the Board in maintaining effective risk management and internal control systems, in 2020, the AC also reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the risk management report, the composite risk register, risk heat map as well as the Management presentation on their review with respect to the effectiveness of the risk management and internal control systems of the Group.

In addition, the AC reviewed, in conjunction with the Group's Internal Audit, the 2020 work plans and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal controls in the business operations of the Group. Further, it also considered the reports from the Legal Department on the Group's material litigation proceedings and compliance status on legal and regulatory requirements. These reviews and reports were taken into consideration by the AC when it made its recommendation to the Board for approval of the consolidated financial statements. During 2020, the AC also received periodic presentations on, and reviewed the compliance status of the Group with respect to the Code as well as other corporate governance topics including the Group's policies and practices on compliance with legal and regulatory requirements and ensured that any deviation from the Code was properly explained and disclosed in this report. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

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

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

External Auditor Fees For FY2020	HK\$'000	% of total fees
Total Audit Fees	13,672	93%
Total Non-Audit Fees	1,025	7%
Total Fees Paid	14,697	100%

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

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

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

Internal Audit

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

The General Manager of the Group's internal audit function, reporting directly to the chairman of AC, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. It has wide authority to access documents, records, properties and personnel of the Group. By applying risk assessment methodology and considering the dynamics of the Group's activities, internal audit derives its three-year risk-based audit plan for review by the AC. The audit plan is subject to continuous reassessment taking into account external and internal factors such as macro-economic and regulatory changes, business and operational changes, as well as audit and fraud findings which may affect the risk profile of the Group during the year.

CORPORATE GOVERNANCE REPORT

Internal audit is responsible for assessing the Group's risk management and internal control systems, formulating an impartial opinion on the systems, and reporting its findings to the AC, the CEO, the CFO and the senior management concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the Group's external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

The Internal Audit team including the Head of Internal Audit attained a combination of one or more professional qualifications in accountancy, internal audit, information systems audit, fraud examination, as well as having specialised knowledge in relevant areas like engineering. In addition, all the managerial grade staff have an average of over 20 years of experience in audit. The internal auditor carried out their audit work based on the Code of Ethics and International Standards for the Professional Practices for Internal Auditing issued by The Institute of Internal Auditors, which provide guidance for the professional conduct of internal auditing. Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, business ethics, the reviews of compliance and information technology controls as well as risk management system, recurring and surprise audits, fraud investigations and productivity efficiency reviews. During the course of their work, the internal audit function is given full access to any documents, records or personnel including access to the AC.

The internal audit function is also responsible for periodic fraud analyses and independent investigations. In accordance with the Group's Code of Conduct and Anti-Fraud and Anti-Bribery Policy, each business unit follows the stated escalation procedures to report to the CFO and the General Manager of Internal Audit of the Trustee-Manager any actual or suspected fraudulent activities within one working day should the amount involved exceed the de minimis threshold as agreed between the CFO and the CEO or the head of finance of each business unit. In addition, each business unit submits a summary of fraud incidents statistics to the CFO who reports the statistics to the General Manager of Internal Audit of the Trustee-Manager on a quarterly basis. These cases, together with those escalated through the whistleblowing channels, are recorded in the Trustee-Manager's centralised fraud incidents register under the custody of the General Manager of Internal Audit of the Trustee-Manager, and are independently assessed and investigated as appropriate. The General Manager of Internal Audit of the Trustee-Manager would promptly escalate any incidents of a material nature to the Chairman of the Audit Committee for his direction. Also, a summary of the fraud incidents and relevant statistics (including results of independent investigations and actions taken) is presented to the AC on a quarterly basis.

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

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

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

Legal and Regulatory

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

CORPORATE GOVERNANCE REPORT

UNITHOLDER RIGHTS AND ENGAGEMENT

Unitholder Rights and Conduct of General Meetings

Principle 11

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

All unitholders are entitled to attend the general meeting(s) of unitholders and are given the opportunity to participate effectively in the meeting(s). In accordance with the Trust Deed, individual or corporate unitholder (other than a unitholder who is a Relevant Intermediary with such meaning ascribed to it in the Companies Act, Chapter 50 of Singapore and apply with such modification and qualifications as may be necessary, to the units of HPH Trust) is allowed to appoint up to two proxies to attend and vote at the general meeting(s) on his or her behalf through proxy forms sent in advance. Unitholders who hold units through nominees such as custodian banks may vote through their nominee or custodian banks. Such unitholders may also, upon presentation of official letters issued by their nominees, attend the general meeting(s) as observers, subject to availability of seats. However, the Trust Deed does not allow for absentee voting at general meeting of unitholders. Since the authentication of unitholder identity information and other related security issues still remain a concern, the Trustee-Manager has decided, for the time being, not to implement voting in absentia by mail, email or fax.

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

Due to the outbreak of the COVID-19, the Annual General Meeting of the unitholders of HPH Trust ("Annual General Meeting") held on 8 June 2020 was convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended) ("COVID-19 Order"). The 2020 Annual General Meeting was attended by all Directors and the external auditors.

Voting at all general meetings are conducted by way of poll. Voting by proxy was used for the Annual General Meeting held on 8 June 2020 pursuant to the COVID-19 Order. Unitholders are informed of the rules of the Annual General Meeting and voting procedures under the Notice of Annual General Meeting dated 15 May 2020. Detailed results of the outcome are announced after the meeting via SGXNet.

The Company Secretary prepares minutes of unitholders' meetings. The minutes of the Annual General Meeting held on 8 June 2020 are announced via SGXNet and are available on HPH Trust's corporate website (hphtrust.com/download.html#agm).

HPH Trust's distribution policy is to distribute 100% of its Distributable Income. HPH Trust will make distributions on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

Engagement with Unitholders

Principle 12

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

CORPORATE GOVERNANCE REPORT

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

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

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

In respect of the Annual General Meeting held on 8 June 2020, HPH Trust adopted alternative arrangements pursuant to the COVID-19 Order.

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Group are served. For details, please refer to the Sustainability Report and Investor Relations section set out on pages 36 to 60 and page 61 of the Annual Report respectively. Information on the Group is also available at its corporate website (hphtrust.com).

DEALING IN SECURITIES

The Trustee-Manager has adopted its own internal codes of conduct to provide guidance to all officers of the Trustee-Manager with regard to dealings in units of HPH Trust ("Codes of Conduct") in compliance with Rule 1207(19) of the SGX-ST Listing Manual. Pursuant to the Codes of Conduct effective for the year 2020, the Directors, employees of the Trustee- Manager and executive staff of the Group are prohibited from dealing in the Units:

- (a) in the period commencing one month before the public announcement of HPH Trust's half-year and full-year results, and expiring on the date of announcement of the relevant results; and
- (b) at any time while in possession of price sensitive information.

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

In response to specific enquiries made, all Directors have confirmed that they have complied with the relevant Codes of Conduct in their securities transactions throughout 2020. Key officers may, as requested by the Trustee-Manager, be required to confirm annually that they have complied with and are not in breach of the provisions of the relevant Codes of Conduct.

CORPORATE GOVERNANCE REPORT

STATEMENT OF POLICIES AND PRACTICES

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

- (a) The trust property of HPH Trust is properly accounted for and the trust property is kept distinct from the property of the Trustee-Manager held in its own capacity. Different bank accounts are maintained for the Trustee-Manager in its capacity as trustee-manager of HPH Trust and the Trustee-Manager in its own capacity, and regular internal reviews are carried out to ascertain that all trust property has been fully accounted for.
- (b) The Management provides regular updates to the Board and the AC about potential projects that it is looking into on behalf of HPH Trust and the Board and the AC ensure that all such projects are within the permitted business scope under the Trust Deed. Prior to the carrying out of any significant business transaction, the Board, the AC and/or the Management will have careful regard to the provisions of the Trust Deed and when in doubt seek advice from professional advisers.
- (c) The Trustee-Manager is not involved in any other businesses other than managing HPH Trust. All potential conflicts, if they arise, will be identified by the Board and the Management and reviewed. In addition, the majority of the Board are Independent Directors of the Trustee-Manager who do not have management or business relationships with the Trustee-Manager and are independent from any substantial shareholder of the Trustee-Manager and are therefore able to examine independently and objectively, any potential conflicts between the interest of the Trustee-Manager in its own capacity and the interests of all unitholders of HPH Trust. In respect of matters in which a Director has an interest, direct or indirect, such interested Director will abstain from participating in the review and approval process with regard to the matter. There is (i) the Non-Compete Agreement pursuant to which HPH has undertaken not to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau and HPH Trust has undertaken not to invest in, develop, operate and manage deep-water container ports in any part of the world outside of the Guangdong Province, Hong Kong and Macau, save that HPH may pursue any investment opportunity (including undertaking greenfield port development) declined by HPH Trust; and (ii) the ROFR Agreement pursuant to which (aa) a right of first refusal has been granted by HPH to HPH Trust to acquire a port development project or a developed port falling within the investment mandate of HPH Trust and owned by HPH or its subsidiaries and (bb) a right of first refusal has been granted by the Trustee-Manager as the trustee-manager of HPH Trust to HPH to acquire a port development project or a developed port of HPH Trust, both on terms and conditions contained in the ROFR Agreement. The Trustee-Manager maintains a register of all opportunities/ transactions arising from the implementation of the Non-Compete Agreement and the ROFR Agreement. Also, the Trustee-Manager incorporates in its internal audit plan, a review of the implementation of the Non-Compete Agreement and the ROFR Agreement and the AC reviews the internal audit reports at least twice a year to ascertain that the terms of the Non-Compete Agreement and the ROFR Agreement have been complied with.
- (d) The Management identifies interested person transactions in relation to HPH Trust. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by HPH Trust and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into. The Trustee-Manager incorporates into its internal audit plan a review of all interested person transactions entered into by HPH Trust. The AC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with and conducts an annual review of all such transactions to determine if such transactions have been conducted on normal commercial terms and will not be prejudicial to the interests of HPH Trust and the unitholders. In addition, all such interested person transactions conducted and any contract entered into by the Trustee-Manager on behalf of HPH Trust with a related party of the Trustee-Manager or HPH Trust, shall comply with and be in accordance with all applicable requirements of the SGX-ST Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.
- (e) The expenses payable to the Trustee-Manager in its capacity as the trustee-manager of HPH Trust out of the Trust property are appropriate and in accordance with the Trust Deed, and regular internal reviews are carried out to ensure such expenses payable are in order. Fees and expenses paid to the Trustee-Manager out of HPH Trust property for the financial year ended 31 December 2020 are disclosed in note 29(i)(f) to the financial statements, on page 141 of the Annual Report.
- (f) The Trustee-Manager has engaged the services of and obtained advice from professional advisers and consultants from time to time, and has complied with the requirements of the BTA and the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The aggregate of transactions entered into with interested persons of HPH Trust during the financial year ended 31 December 2020 pursuant to Rule 907 of the SGX-ST Listing Manual are as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) of the SGX-ST Listing Manual	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) of the SGX-ST Listing Manual
		2020 HK\$'000	2020 HK\$'000
CK Hutchison Holdings Limited ("CKHH") and its subsidiaries and its associates	CKHH is the controlling unitholder of HPH Trust and controlling shareholder of the Trustee-Manager	309,625	NIL

MATERIAL CONTRACTS

There are no material contracts between HPH Trust and its subsidiaries involving the interests of the CEO, each Director or controlling unitholder¹ of HPH Trust, either still subsisting at the end of the financial year ended 31 December 2020, or if not then subsisting, entered into since the end of the previous financial year, other than, where applicable:

- (a) as disclosed on pages 305 to 330 of the IPO Prospectus²;
- (b) as disclosed in note 29 to the financial statements of the Annual Report; and
- (c) interested person transactions as listed in the Interested Person Transactions section of the Annual Report.

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

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

SUMMARY OF DISCLOSURES

Summary of Disclosures of Code of Corporate Governance 2018 (“Code”)

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

Board Matters	Remuneration Matters	Unitholder Rights and Engagement
<p>The Board’s Conduct of Affairs</p> <p>Principle 1</p> <p>Provision 1.1 Page 63</p> <p>Provision 1.2 Pages 65 and 66</p> <p>Provision 1.3 Page 64</p> <p>Provision 1.4 Pages 63, 72, 77 and 78</p> <p>Provision 1.5 Page 64</p> <p>Provision 1.6 Pages 64 and 65</p> <p>Provision 1.7 Pages 65 and 66</p> <p>Board Composition and Guidance</p> <p>Principle 2</p> <p>Provision 2.1 Pages 67 to 70</p> <p>Provision 2.2 Pages 66, 67 and 71</p> <p>Provision 2.3 Pages 66, 67 and 71</p> <p>Provision 2.4 Page 67</p> <p>Provision 2.5 Page 67</p> <p>Chairman and Chief Executive Officer</p> <p>Principle 3</p> <p>Provision 3.1 Page 70</p> <p>Provision 3.2 Page 70</p> <p>Provision 3.3 Page 70</p> <p>Board Membership</p> <p>Principle 4</p> <p>Provision 4.1 Page 71</p> <p>Provision 4.2 Page 71</p> <p>Provision 4.3 Page 71</p> <p>Provision 4.4 Pages 67 to 70</p> <p>Provision 4.5 Pages 26 to 30 and 65</p> <p>Board Performance</p> <p>Principle 5</p> <p>Provision 5.1 Page 71</p> <p>Provision 5.2 Page 71</p>	<p>Procedures for Developing Remuneration Policies</p> <p>Principle 6</p> <p>Provision 6.1 Page 72</p> <p>Provision 6.2 Page 72</p> <p>Provision 6.3 Page 72</p> <p>Provision 6.4 Page 72</p> <p>Level and Mix of Remuneration</p> <p>Principle 7</p> <p>Provision 7.1 Page 72</p> <p>Provision 7.2 Page 72</p> <p>Provision 7.3 Pages 72 and 74</p> <p>Disclosure on Remuneration</p> <p>Principle 8</p> <p>Provision 8.1 Pages 72 to 74</p> <p>Provision 8.2 Page 74</p> <p>Provision 8.3 Pages 72 to 74</p> <p style="background-color: black; color: white; text-align: center; padding: 5px;">Accountability and Audit</p> <p>Risk Management and Internal Controls</p> <p>Principle 9</p> <p>Provision 9.1 Page 74</p> <p>Provision 9.2 Page 76</p> <p>Audit Committee</p> <p>Principle 10</p> <p>Provision 10.1 Pages 77 to 79</p> <p>Provision 10.2 Page 77</p> <p>Provision 10.3 Page 78</p> <p>Provision 10.4 Pages 78 to 79</p> <p>Provision 10.5 Page 77</p>	<p>Unitholder Rights and Conduct of General Meetings</p> <p>Principle 11</p> <p>Provision 11.1 Page 80</p> <p>Provision 11.2 Page 80</p> <p>Provision 11.3 Page 80</p> <p>Provision 11.4 Page 80</p> <p>Provision 11.5 Page 80</p> <p>Provision 11.6 Page 80</p> <p>Engagement with Unitholders</p> <p>Principle 12</p> <p>Provision 12.1 Pages 80 and 81</p> <p>Provision 12.2 Pages 80 and 81</p> <p>Provision 12.3 Pages 80 and 81</p> <p style="background-color: black; color: white; text-align: center; padding: 5px;">Managing Stakeholders Relationships</p> <p>Engagement with Stakeholders</p> <p>Principle 13</p> <p>Provision 13.1 Pages 36 to 60, 61, and 81</p> <p>Provision 13.2 Pages 36 to 60, 61 and 81</p> <p>Provision 13.3 Pages 36 to 60, 61 and 81</p>

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REPORT OF THE TRUSTEE-MANAGER

The directors of Hutchison Port Holdings Management Pte. Limited, the trustee-manager of Hutchison Port Holdings Trust (“HPH Trust” or the “Trust” and the trustee-manager of HPH Trust, the “Trustee-Manager”) present their report to the unitholders of the Trust together with the audited financial statements of the Trust and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020.

Directors

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

Mr. Fok Kin Ning, Canning (Chairman)
Ms. Edith Shih
Mr. Ip Sing Chi
Ms. Tsim Sin Ling, Ruth
Mr. Chan Tze Leung, Robert
Dr. Fong Chi Wai, Alex (appointed with effect from 11 February 2020)
Mr. Graeme Allan Jack
Mrs. Sng Sow-Mei (alias Poon Sow Mei)
Mr. Wong Kwai Lam

Mr. Kevin Anthony Westley was a director of the Trustee-Manager during the year up to his resignation which took effect from 11 February 2020.

Arrangements to enable directors to acquire units and debentures

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

Directors’ interests in units or debentures

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

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2020	At 1.1.2020	At 31.12.2020	At 1.1.2020
Number of units held by:				
Mr. Fok Kin Ning, Canning	–	–	676,000	676,000
Ms. Edith Shih	–	–	626,440	626,440
Mr. Ip Sing Chi	–	–	–	–
Ms. Tsim Sin Ling, Ruth	–	–	–	–
Mr. Chan Tze Leung, Robert	400,000	400,000	–	–
Dr. Fong Chi Wai, Alex ⁽¹⁾	–	N.A.	–	N.A.
Mr. Graeme Allan Jack	–	–	–	–
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	–	–	1,000,000	1,000,000
Mr. Kevin Anthony Westley ⁽²⁾	N.A.	–	N.A.	250,000
Mr. Wong Kwai Lam	–	–	–	–

(1) Denotes unitholding at the date of appointment (11 February 2020) and end of the year

(2) Resigned with effect from 11 February 2020

There were no changes in any of the above mentioned interests in the Trust between the end of the financial year and 21 January 2021.

REPORT OF THE TRUSTEE-MANAGER

Options

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

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

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

Audit Committee

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

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

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

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

- the scope and the results of internal audit procedures with the internal auditor of the Trustee-Manager;
- with the independent auditor of the Trust, the audit plan of the Trust and the independent auditor's report in relation to significant accounting, tax and internal control matters of the Trust arising from the statutory audit;
- the assistance given by the officers of the Trustee-Manager to the independent auditor; and
- the statement of financial position and statement of changes in equity of the Trust and the consolidated financial statements of the Group for the year ended 31 December 2020 before their submission to the Board of Directors of the Trustee-Manager (the "Board"), as well as the independent auditor's report on the statement of financial position and statement of changes in equity of the Trust and the consolidated financial statements of the Group.

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

Board Opinion on the Adequacy of Internal Controls

The Board, through the Audit Committee, has conducted a review of the adequacy and effectiveness of the Group's systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the year ended 31 December 2020, and is of the opinion that the Group's internal control and risk management systems addressing material financial, operational, compliance and information technology risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2020. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

REPORT OF THE TRUSTEE-MANAGER

Independent auditor

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

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

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

8 February 2021

STATEMENT BY THE TRUSTEE-MANAGER

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

- (a) the financial records of the Group for the financial year have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group for the year ended 31 December 2020;
- (b) the consolidated income statement and consolidated statement of comprehensive income set out in the financial statements on pages 96 and 97 are drawn up so as to give a true and fair view of the results of the business of the Group for the year ended 31 December 2020;
- (c) the statements of financial position set out on pages 98 and 99 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Trust at 31 December 2020;
- (d) the statements of changes in equity set out on pages 101 to 103 are drawn up so as to give a true and fair view of the changes in equity of the Group and of the Trust for the year ended 31 December 2020;
- (e) the consolidated statement of cash flows set out on page 100 is drawn up so as to give a true and fair view of the cash flows of the Group for the year ended 31 December 2020; and
- (f) at the date of this statement, there are reasonable grounds to believe that the Trustee-Manager will be able to fulfill, out of the Trust's property, the Trust's debts as and when they fall due.

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

- (a) the fees or charges paid or payable out of the trust property of the Trust to the Trustee-Manager are in accordance with the Deed of Trust dated 25 February 2011 (as amended and supplemented by the first supplemental deed dated 28 April 2014 and the second supplemental deed dated 8 June 2020) constituting the Trust;
- (b) the interested person transactions entered into by the Group during the year are not detrimental to the interests of all the unitholders of the Trust as a whole based on the circumstances at the time of the relevant transactions; and
- (c) the Board of Directors of the Trustee-Manager is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

The Board of Directors has, on the date of this statement, authorised the above statements and the financial statements of the Group as at and for the year ended 31 December 2020 for issue.

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

Ip Sing Chi
Director

Tsim Sin Ling, Ruth
Director

8 February 2021

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

In accordance with Section 86(3) of the Business Trusts Act, Chapter 31A of Singapore, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

Lam Hing Man, Patrick
Chief Executive Officer

8 February 2021

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 2020 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 income statement of the Group for the year ended 31 December 2020;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of financial position of the Group as at 31 December 2020;
- the statement of financial position of the Trust as at 31 December 2020;
- the consolidated statement of cash flows of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the statement of changes in equity of the Trust for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

Our Audit Approach (Continued)

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 2020. 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>Goodwill and other operating assets</p> <p><i>Refer to notes 3(a), 3(b), 3(c) and 14(b) to the financial statements.</i></p> <p>The Group has a significant amount of goodwill and other operating assets arising primarily from the acquisition of deep-water container ports in Shenzhen and Hong Kong in 2011.</p> <p>Goodwill is subject to impairment tests annually and whenever there is an indication of impairment, while other operating assets are subject to impairment tests when there is an indication of impairment.</p> <p>For the purpose of the Group's impairment assessments, impairment was assessed using value-in-use-models for deep-water container ports in Shenzhen and Hong Kong, which are the cash-generating units ("CGUs") of the Group.</p> <p>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>Based on the results of these impairment assessments conducted by the Group, the Group determined that there is no impairment of goodwill and other operating assets. This conclusion was based on recoverable amounts, calculated under the value-in-use models, which exceeded the carrying values of CGUs as at 31 December 2020.</p> <p>The significant assumptions are disclosed in note 14(b) to the financial statements.</p>	<p>We have performed the following procedures to evaluate the Group's impairment assessments:</p> <ul style="list-style-type: none">Assessed the appropriateness of the valuation methodology used;Assessed the reasonableness of key assumptions based on our knowledge of the business and industry and with the involvement of our valuation specialists;Considered the potential impact of reasonably possible changes on the key assumptions; andTested source data to supporting evidence on a sample basis, such as approved budgets and available market data and considered the reasonableness of these budgets. <p>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

Our Audit Approach (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p><i>Refer to notes 3(e) and 4 to the financial statements.</i></p> <p>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>For the year ended 31 December 2020, revenue from container handling services amounting to HK\$10,417 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>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 rate 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>We have performed the following procedures in relation to the accuracy of net revenue recognised and accrued:</p> <ul style="list-style-type: none">• Understood, evaluated and tested the key controls over the tariff applied in container handling services.• We selected a sample of transactions and:<ul style="list-style-type: none">○ Agreed the applied tariff to the respective terms in the contracts or latest correspondence with customers where the tariff has been estimated by management.○ Agreed throughput handled, used in the calculation of tariffs, to the operating system recording throughput.○ Tested revenue calculations and agreed the revenue recognised to the underlying accounting records.• Checked to bank advices or credit notes on a sample basis for the net settlement and reviewed aged items for any disputed amounts. <p>We found the judgement made by management in estimating tariff in the revenue recognised and accrued to be supportable and reasonable based on available evidence.</p>

Other Information

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

Responsibilities of Trustee-Manager for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Hutchison Port Holdings Trust

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 8 February 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue and other income	4	10,705,840	11,120,922
Cost of services rendered		(3,568,543)	(3,881,596)
Staff costs		(256,252)	(287,994)
Depreciation and amortisation		(3,054,011)	(3,079,672)
Other operating income		193,165	96,354
Other operating expenses		(513,339)	(537,087)
Total operating expenses		<u>(7,198,980)</u>	<u>(7,689,995)</u>
Operating profit	5	3,506,860	3,430,927
Interest and other finance costs	6	(766,274)	(1,075,228)
Share of profits less losses after tax of associated companies		(83,470)	(92,296)
Share of profits less losses after tax of joint ventures		73,404	38,338
Profit before tax		<u>2,730,520</u>	<u>2,301,741</u>
Tax	7	(717,976)	(479,988)
Profit for the year		2,012,544	1,821,753
Allocated as: Profit attributable to non-controlling interests		<u>(1,181,100)</u>	<u>(1,293,542)</u>
Profit attributable to unitholders of HPH Trust	9	<u>831,444</u>	<u>528,211</u>
		HK cents	HK cents
Earnings per unit attributable to unitholders of HPH Trust	9	<u>9.54</u>	<u>6.06</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	2,012,544	1,821,753
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	143,405	31,118
Investments		
Valuation losses taken to reserves	(60,350)	(91,587)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts		
Fair value losses recognised directly in reserves	(175,680)	(35,634)
Costs of hedging		
Changes in fair value of currency basis spread	19,309	(8,259)
Share of other comprehensive income/(loss) of associated companies	24,103	(11,345)
Share of other comprehensive income/(loss) of joint ventures	2,382	(910)
Currency translation differences	352,674	(115,447)
Total other comprehensive income/(loss) for the year	305,843	(232,064)
Total comprehensive income for the year	2,318,387	1,589,689
Allocated as:		
Attributable to non-controlling interests	(1,354,640)	(1,240,768)
Attributable to unitholders of HPH Trust	963,747	348,921

Note:

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Fixed assets	10	22,838,954	23,789,534
Projects under development	11	478,216	648,058
Leasehold land and land use rights	12	35,843,729	37,046,989
Railway usage rights	13	11,056	10,813
Customer relationships	14(a)	5,167,566	5,501,771
Goodwill	14(b)	11,270,044	11,270,044
Associated companies	15	1,032,598	952,533
Joint ventures	16	2,593,147	2,656,680
Other non-current assets	17	428,144	560,682
Pension assets	23	85,714	–
Deferred tax assets	18	19,329	24,997
		<u>79,768,497</u>	<u>82,462,101</u>
Current assets			
Cash and bank balances	19	7,766,588	7,040,166
Trade and other receivables	20	3,033,587	3,056,031
Inventories		99,347	102,354
		<u>10,899,522</u>	<u>10,198,551</u>
Current liabilities			
Trade and other payables	21	5,517,651	5,783,133
Bank and other debts	22	3,990,570	4,097,271
Current tax liabilities		278,640	473,874
		<u>9,786,861</u>	<u>10,354,278</u>
Net current assets/(liabilities)		<u>1,112,661</u>	<u>(155,727)</u>
Total assets less current liabilities		<u>80,881,158</u>	<u>82,306,374</u>
Non-current liabilities			
Bank and other debts	22	25,328,173	26,459,077
Pension obligations	23	–	41,747
Deferred tax liabilities	18	9,535,985	9,918,159
Other non-current liabilities	24	413,065	324,068
		<u>35,277,223</u>	<u>36,743,051</u>
Net assets		<u>45,603,935</u>	<u>45,563,323</u>
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(42,551,797)	(42,702,921)
Net assets attributable to unitholders of HPH Trust		<u>26,002,042</u>	<u>25,850,918</u>
Non-controlling interests		19,601,893	19,712,405
Total equity		<u>45,603,935</u>	<u>45,563,323</u>

STATEMENT OF FINANCIAL POSITION OF HUTCHISON PORT HOLDINGS TRUST

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current asset			
Investment in a subsidiary company	26	24,246,758	25,088,891
Current assets			
Cash and bank balances	19	3,674	2,530
Trade and other receivables	20	1,159	1,961
		4,833	4,491
Current liability			
Trade and other payables	21	22,260	16,836
Net current liabilities			
		(17,427)	(12,345)
Total assets less current liabilities			
		24,229,331	25,076,546
EQUITY			
Units in issue	25	68,553,839	68,553,839
Reserves		(44,324,508)	(43,477,293)
Total equity			
		24,229,331	25,076,546

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Operating activities			
Cash generated from operations	27(a)	6,608,816	6,369,406
Interest and other finance costs paid		(738,356)	(999,498)
Tax paid		(1,285,691)	(735,243)
Net cash from operating activities		4,584,769	4,634,665
Investing activities			
Loan to an associated company		(99,900)	(133,200)
Purchase of fixed assets and projects under development		(463,652)	(581,362)
Proceeds on disposal of fixed assets		24,890	15,733
Dividends received from investments		33,492	25,749
Dividends received from associated companies and joint ventures		142,765	102,472
Interest received		84,883	147,819
Repayment of loan by a joint venture		1,600	1,600
Restricted deposit released		42,000	–
Net cash used in investing activities		(233,922)	(421,189)
Financing activities			
New borrowings		3,870,750	6,210,000
Repayment of borrowings		(5,159,270)	(7,219,040)
Upfront debt transaction costs and facilities fees of borrowings		–	(40,834)
Principal elements of lease payments		(12,697)	(4,379)
Payment to acquire additional interest in a subsidiary company		(9,800)	–
Distributions to unitholders of HPH Trust		(810,132)	(1,261,367)
Dividends to non-controlling interests		(1,461,276)	(1,424,044)
Net cash used in financing activities		(3,582,425)	(3,739,664)
Net changes in cash and cash equivalents		768,422	473,812
Cash and cash equivalents at beginning of the year		6,998,166	6,524,354
Cash and cash equivalents at end of the year	19	7,766,588	6,998,166

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Units in issue	Exchange and other reserves	Revaluation reserve	Hedging reserve	Costs of hedging reserve	Pension reserve	Accumulated losses	Attributable to unitholders	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group										
At 1 January 2020	68,553,839	(212,690)	(243,102)	(102,792)	(38,361)	213,107	(42,319,083)	25,850,918	19,712,405	45,563,323
Profit for the year	-	-	-	-	-	-	831,444	831,444	1,181,100	2,012,544
Other comprehensive income/(loss):										
Remeasurement of defined benefit plans	-	-	-	-	-	143,405	-	143,405	-	143,405
Investments:										
Valuation losses taken to reserves	-	-	(60,350)	-	-	-	-	(60,350)	-	(60,350)
Cash flow hedges arising from cross currency interest rate swap contracts and interest rate swap contracts										
Fair value losses recognised directly in reserves	-	-	-	(175,680)	-	-	-	(175,680)	-	(175,680)
Costs of hedging										
Changes in fair value of currency basis spread	-	-	-	-	19,309	-	-	19,309	-	19,309
Share of other comprehensive income of associated companies	-	17,804	-	-	-	-	-	17,804	6,299	24,103
Share of other comprehensive income of joint ventures	-	2,382	-	-	-	-	-	2,382	-	2,382
Currency translation differences	-	185,433	-	-	-	-	-	185,433	167,241	352,674
Total other comprehensive income/(loss)	-	205,619	(60,350)	(175,680)	19,309	143,405	-	132,303	173,540	305,843
Total comprehensive income/(loss)	-	205,619	(60,350)	(175,680)	19,309	143,405	831,444	963,747	1,354,640	2,318,387
Transferred (from)/to reserve	-	172	-	-	-	-	(172)	-	-	-
Transactions with owners:										
Relating to purchase of non-controlling interests	-	(2,491)	-	-	-	-	-	(2,491)	4,747	2,256
Distributions	-	-	-	-	-	-	(810,132)	(810,132)	-	(810,132)
Dividends	-	-	-	-	-	-	-	-	(1,469,899)	(1,469,899)
At 31 December 2020	68,553,839	(9,390)	(303,452)	(278,472)	(19,052)	356,512	(42,297,943)	26,002,042	19,601,893	45,603,935

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

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

STATEMENT OF CHANGES IN EQUITY OF HUTCHISON PORT HOLDINGS TRUST

For the year ended 31 December 2020

	Units in issue HK\$'000	Accumulated losses HK\$'000	Attributable to unitholders HK\$'000
Trust			
At 1 January 2020	68,553,839	(43,477,293)	25,076,546
Loss and total comprehensive loss for the year	–	(37,083)	(37,083)
Transactions with owners:			
Distributions	–	(810,132)	(810,132)
At 31 December 2020	<u>68,553,839</u>	<u>(44,324,508)</u>	<u>24,229,331</u>
At 1 January 2019	68,553,839	(42,179,274)	26,374,565
Loss and total comprehensive loss for the year	–	(36,652)	(36,652)
Transactions with owners:			
Distributions	–	(1,261,367)	(1,261,367)
At 31 December 2019	<u>68,553,839</u>	<u>(43,477,293)</u>	<u>25,076,546</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

2 Basis of preparation and significant accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention except for investments and derivative financial instruments which are stated at fair value, as explained in the significant accounting policies set out in Note 2.

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

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

Adoption of standards and amendments to existing standards

The Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for annual period beginning 1 January 2020. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group’s results or financial position.

The amendments to HKFRS 7, HKFRS 9 and HKAS 39 “Interest Rate Benchmark Reform” effective from 1 January 2020 provide temporarily relief from applying hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continued to be recorded in the income statement. The reliefs will cease to apply when the uncertainties arising from interest rate benchmark reform are no longer present.

Benchmark interest rates such as the London Interbank Offered Rate (“LIBOR”) are a core component of global financial markets. Retail and commercial loans, corporate debt, derivatives markets and many other financial markets, and bilateral contracts, all rely on these benchmark interest rates for pricing contracts and for hedging interest rate and other risks. However, reform works are underway in multiple jurisdictions to transition from benchmark interest rates to alternative risk free rates. Regulatory authorities and public and private sector working groups in several jurisdictions, including the International Swaps and Derivatives Association (“ISDA”), have been discussing alternative benchmark rates to replace the IBORs. These reforms are expected to cause at least some interest rate benchmarks to perform differently to the way that they do currently or to disappear. As a result, there is uncertainty as to when and how replacement may occur with respect to the relevant hedged item and hedging instrument and such uncertainty may impact the hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Adoption of standards and amendments to existing standards (Continued)

The Group's derivative instruments are governed by ISDA's Master Agreement. ISDA is currently reviewing its standardised contracts in the light of IBOR reforms. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fallback clauses with its derivative counterparties. No derivative instruments have been modified as at 31 December 2020.

Where the Group considers necessary the Group will engage with lenders to include appropriate fallback provisions in its bank liabilities with maturities after 2021 and expects that the hedging instrument will be modified as outlined above.

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. To determine whether the designated forecast transaction is no longer expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of IBOR reform. The Group will cease to apply the amendments to its assessment of the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the amendments when the uncertainty arising from IBOR reform about the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

Early adoption of amendments to existing standards

The Group has early adopted Amendments to HKFRS 16 Leases on COVID-19-related rent concessions for the annual period beginning 1 January 2020. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment does not affect lessors. The effect of the early adoption of this amendment was not material to the Group'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 were in issue and relevant to the Group but not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16 ⁽¹⁾	Interest Rate Benchmark Reform – Phase 2
Annual Improvements to HKFRSs 2018 – 2020 ⁽²⁾	Improvements to HKFRSs
Amendments to HKFRS 3 ⁽²⁾	Business Combinations
Amendments to HKAS 16 ⁽²⁾	Property, Plant and Equipment
Amendments to HKAS 37 ⁽²⁾	Provisions, Contingent Liabilities and Contingent Assets
Amendments to HKAS 1 ⁽³⁾	Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date
Amendments to HKFRS 10 and HKAS 28 ⁽⁴⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2021

(2) Effective for annual periods beginning 1 January 2022

(3) Effective for annual periods beginning 1 January 2023

(4) New effective date to be determined

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

Standards and amendments which are not yet effective (Continued)

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

(a) Basis of consolidation

The consolidated financial statements of the Group for the year ended 31 December 2020 include all its direct and indirect subsidiary companies and also incorporate the interest in associated companies, joint operations and joint ventures on the basis set out in Notes 2(c) and 2(d) below. Results of subsidiary companies, associated companies and joint ventures acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2020 or up to the dates of disposal as the case may be. The acquisition of subsidiary companies is accounted for using the acquisition method.

(b) Subsidiary companies

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

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

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

(c) Associated companies

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

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

(d) Joint arrangements

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(d) Joint arrangements (Continued)

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

(e) Fixed assets

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

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

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

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

(f) Projects under development

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

(g) Leasehold land and land use rights

The acquisition costs and upfront payments made for leasehold land and land use rights are presented on the statement of financial position as leasehold land and land use rights. The prepaid lease payments are right-of-use assets. The balance are expensed in the income statement on a straight-line basis over the period of the lease/rights.

(h) Customer relationships

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

(i) Goodwill

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

Goodwill is subject to impairment test annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(i) Goodwill (Continued)

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

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

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

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

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(j) Railway usage rights

Railway usage rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over the period of operation of approximately 45 years.

(k) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

(l) Investments

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(m) Financial assets at amortised cost

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

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement based on lifetime ECL.

(o) Inventories

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

(p) Cash and cash equivalents

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

(q) Borrowings and borrowing costs

The borrowings are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(r) Trade and other payables

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

(s) Provisions

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

(t) Asset impairment

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(t) Asset impairment (Continued)

Impairment of other assets

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

(u) Derivative financial instruments and hedging activities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(v) Pension plans

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

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

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

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

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

(w) Foreign exchange

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

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

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

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

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

All other exchange differences are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(x) Distributions to the Trust's unitholders

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

(y) Leases

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

(i) Assets leased to the Group

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

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

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

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

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

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

(ii) Assets leased out by the Group

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation and significant accounting policies (Continued)

(z) Revenue and other income recognition

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

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

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

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

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

Revenue is recognised over time:

- (i) for ports and related services, transportation and logistics solutions along with the progress when service is rendered; and
- (ii) for management and service fee income, and system development and support fees along with the progress when service is rendered.

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

3 Critical accounting estimates and judgements

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

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

(a) Long lived assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(a) Long lived assets (Continued)

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

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

(b) Goodwill

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

Key assumptions are made with respect to the expected growth in revenues and cost of services rendered, timing of future capital expenditures, terminal growth rates and selection of discount rate, which approximately reflect the risks involved. The growth in revenues will be affected by the growth in both the volume of containers handled and tariff. The volume of containers handled will be impacted by economic and global market conditions, structural changes within the shipping line industry and influenced by the performance and growth of regional and international trading economies. If key export markets for local exporters experience an economic downturn or recession, export volumes may decrease. The growth of tariff depends on the Group's overall competitiveness, which is determined by a number of factors, such as geographical reach and connectivity, operating efficiency, berth availability, mega-vessel handling capability, technology offerings, transportation and logistics network and ancillary services and facilities.

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

(c) Customer relationships

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

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(c) Customer relationships (Continued)

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

(d) Depreciation

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

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

(e) Accrual of net revenue

Revenue is accrued at period end with reference to the throughput handled and the terms of agreements for container handling service. Consequently, recognition of revenue is based on the volume of services rendered as well as the latest tariff agreed with customers or best estimated by management. This estimate is based on the latest tariff and other industry considerations as appropriate. If the actual revenue differs from the estimated accrual, this will have an impact on revenue in future periods.

(f) Pension costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and judgements (Continued)

(g) Tax

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

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

4 Revenue and other income and segment information

(a) Revenue and other income

	2020 HK\$'000	2019 HK\$'000
Revenue		
Rendering of port and related services	10,416,924	10,749,188
Rendering of transportation and logistics solutions	169,654	179,805
Management and service fee income	35,537	35,512
System development and support fees	6,831	12,232
Others	1,255	1,287
	<u>10,630,201</u>	<u>10,978,024</u>
Other income		
Interest income	75,639	142,898
	<u>10,705,840</u>	<u>11,120,922</u>

(b) Segment information

The chief operating decision maker has been determined to be the executive committee of HPH Trust (the "Executive Committee"). The Executive Committee reviews the internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

HPH Trust is principally engaged in investing in, developing, operating and managing deep-water container ports and port ancillary services and therefore management considers that HPH Trust operates in one single business segment at two geographical locations.

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue and other income and segment information (Continued)

(b) Segment information (Continued)

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

	Revenue and other income		Non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,266,758	3,521,848	21,941,598	23,065,225
Mainland China	7,439,082	7,599,074	57,826,899	59,396,876
	10,705,840	11,120,922	79,768,497	82,462,101

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2020	2019
	HK\$'000	HK\$'000
<u>Crediting</u>		
Dividend income from River Ports Economic Benefits (Note 17)	30,640	22,610
Net gain on disposal of fixed assets	15,556	–
Wage, salary and other subsidies (Note)	85,533	–
<u>Charging</u>		
Auditor's remuneration		
- audit services	13,672	15,530
- non-audit services	1,025	1,917
Amortisation		
- leasehold land and land use rights	1,291,938	1,292,151
- railway usage rights	507	512
- customer relationships	334,205	334,207
Depreciation of fixed assets	1,415,340	1,446,946
Depreciation of right-of-use assets within fixed assets	12,021	5,856
Net loss on disposal of fixed assets	–	3,205
Short-term lease costs for		
- office premises and port facilities	66,456	66,539
Staff costs (including amount charged within cost of services rendered)		
- Wages, salaries and other benefits	1,276,564	1,365,152
- Pension costs	70,740	119,556
Net exchange loss	1,593	6,827

Note:

Mainly benefits received from government under COVID-19 related employment support scheme recognised in other operating income.

NOTES TO THE FINANCIAL STATEMENTS

6 Interest and other finance costs

	2020 HK\$'000	2019 HK\$'000
Bank loans and overdrafts	478,528	741,451
Guaranteed notes	237,794	269,728
Loans from non-controlling interests	3,105	3,140
Lease liabilities	1,561	969
Other finance costs	45,286	59,940
Fair value gain on interest rate swaps	(3,647)	(56,672)
Less: fair value adjustment to bank and other debts under fair value hedge	3,647	56,672
	<u>766,274</u>	<u>1,075,228</u>

7 Tax

	2020 HK\$'000	2019 HK\$'000
Current tax	1,094,385	858,836
Deferred tax (Note 18)	(376,409)	(378,848)
	<u>717,976</u>	<u>479,988</u>

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

	2020 HK\$'000	2019 HK\$'000
Profit before tax excluding share of profits less losses after tax of joint ventures and associated companies	2,740,586	2,355,699
Tax calculated at weighted average tax rate of 26.8% (2019: 28.4%)	733,854	669,415
Tax exemption in China	(169,214)	(399,431)
Income not subject to tax	(25,010)	(5,296)
Expenses not deductible for tax purposes	93,007	101,692
Withholding tax on unremitted earnings	112,182	119,295
Utilisation of previously unrecognised tax losses	(2)	(3,148)
Overprovision in prior year	(32,587)	(7,009)
Tax losses not recognised	4,057	4,108
Others	1,689	362
Total tax	<u>717,976</u>	<u>479,988</u>

NOTES TO THE FINANCIAL STATEMENTS

8 Distributions

	2020 HK\$'000	2019 HK\$'000
For the period from 1 July 2018 to 31 December 2018		
Distribution of 8.48 HK cents per unit	–	738,701
For the period from 1 January 2019 to 30 June 2019		
Distribution of 6.00 HK cents per unit	–	522,666
For the period from 1 July 2019 to 31 December 2019		
Distribution of 5.00 HK cents per unit	435,555	–
For the period from 1 January 2020 to 30 June 2020		
Distribution of 4.30 HK cents per unit	374,577	–
	<u>810,132</u>	<u>1,261,367</u>

On 8 February 2021, the Board of Directors of the Trustee-Manager approved the distribution of 7.70 HK cents per unit for the financial result from 1 July 2020 to 31 December 2020 (2019: 5.00 HK cents per unit) amounting to HK\$670.7 million (2019: HK\$435.5 million) and payable on 26 March 2021. This distribution is not reflected in these financial statements and will be recognised in equity in the financial year ending 31 December 2021.

9 Earnings per unit

The calculation of earnings per unit is based on profit attributable to unitholders of HPH Trust of HK\$831,444,000 for the year ended 31 December 2020 (2019: HK\$528,211,000) and on 8,711,101,022 units in issue (2019: 8,711,101,022 units in issue).

Diluted earnings per unit is the same as the basic earnings per unit for the years ended 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

10 Fixed assets

Group	Properties HK\$'000	Container handling equipment HK\$'000	Barges HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
2020					
Opening net book amount	16,027,154	7,243,590	13,006	505,784	23,789,534
Additions	5,013	806	–	2,087	7,906
Transfer from projects under development (Note 11)	60,202	181,937	–	42,867	285,006
Depreciation	(625,491)	(717,786)	(2,519)	(81,565)	(1,427,361)
Disposals	(529)	(598)	(7,984)	(223)	(9,334)
Currency translation differences	150,003	35,351	–	7,849	193,203
Closing net book amount	15,616,352	6,743,300	2,503	476,799	22,838,954
At 31 December 2020					
Cost	21,251,873	13,279,433	10,608	1,065,111	35,607,025
Accumulated depreciation	(5,635,521)	(6,536,133)	(8,105)	(588,312)	(12,768,071)
Net book amount	15,616,352	6,743,300	2,503	476,799	22,838,954
2019					
Opening net book amount	16,530,486	7,569,965	36,025	493,077	24,629,553
Additions	59,881	50,253	511	3,169	113,814
Transfer from projects under development (Note 11)	112,285	374,690	–	106,986	593,961
Depreciation	(614,394)	(736,346)	(7,955)	(94,107)	(1,452,802)
Disposals	(2,171)	(1,010)	(15,575)	(182)	(18,938)
Currency translation differences	(58,933)	(13,962)	–	(3,159)	(76,054)
Closing net book amount	16,027,154	7,243,590	13,006	505,784	23,789,534
At 31 December 2019					
Cost	20,993,619	13,145,813	22,317	1,019,069	35,180,818
Accumulated depreciation	(4,966,465)	(5,902,223)	(9,311)	(513,285)	(11,391,284)
Net book amount	16,027,154	7,243,590	13,006	505,784	23,789,534

Note:

The Group has the right to control the use of certain assets included in properties, container handling equipment and other fixed assets for a period of time through lease arrangements. Lease arrangements with terms of 2 to 6 years are negotiated on an individual basis and contain a wide range of terms and conditions. During the year ended 31 December 2020, additions to the right-of-use assets under other fixed assets were HK\$1,067,000.

As at 31 December 2020, the carrying amount of right-of-use assets included in fixed assets is as follows:

	2020 HK\$'000	2019 HK\$'000
Properties	22,582	32,450
Container handling equipment	3,195	4,182
Other fixed assets	912	576
	26,689	37,208

NOTES TO THE FINANCIAL STATEMENTS

10 Fixed assets (Continued)

Depreciation charge for right-of-use assets recognised in the consolidated income statement is as follows:

	2020 HK\$'000	2019 HK\$'000
Properties	10,232	3,720
Container handling equipment	1,217	1,851
Other fixed assets	572	285
	<u>12,021</u>	<u>5,856</u>

11 Projects under development

Group	2020 HK\$'000	2019 HK\$'000
At beginning of the year	648,058	996,397
Additions	109,418	245,795
Transfer to fixed assets (Note 10)	(285,006)	(593,961)
Currency translation differences	5,746	(173)
At end of the year	<u>478,216</u>	<u>648,058</u>

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

12 Leasehold land and land use rights

Group	2020 HK\$'000	2019 HK\$'000
Net book value		
At beginning of the year	37,046,989	38,373,329
Amortisation	(1,291,938)	(1,292,151)
Currency translation differences	88,678	(34,189)
At end of the year	<u>35,843,729</u>	<u>37,046,989</u>
Cost	48,319,007	48,209,865
Accumulated amortisation	<u>(12,475,278)</u>	<u>(11,162,876)</u>
	<u>35,843,729</u>	<u>37,046,989</u>

The net book value of land use rights, which are accounted for as right-of-use assets, was HK\$7,477,950,000 at 31 December 2020 (2019: HK\$7,760,978,000). The corresponding amortisation charge for the year was HK\$283,028,000 (2019: HK\$283,042,000).

NOTES TO THE FINANCIAL STATEMENTS

13 Railway usage rights

Group	2020 HK\$'000	2019 HK\$'000
Net book value		
At beginning of the year	10,813	11,619
Amortisation	(507)	(512)
Currency translation differences	750	(294)
At end of the year	<u>11,056</u>	<u>10,813</u>
Cost	16,357	14,735
Accumulated amortisation	(5,301)	(3,922)
	<u>11,056</u>	<u>10,813</u>

14 Intangible assets

(a) Customer relationships

Group	2020 HK\$'000	2019 HK\$'000
Net book value		
At beginning of the year	5,501,771	5,835,978
Amortisation	(334,205)	(334,207)
At end of the year	<u>5,167,566</u>	<u>5,501,771</u>
Cost	8,440,000	8,440,000
Accumulated amortisation	(3,272,434)	(2,938,229)
At end of the year	<u>5,167,566</u>	<u>5,501,771</u>

(b) Goodwill

The Group has one business segment and two geographical CGU to which goodwill is allocated as follows:

Group	2020 HK\$'000	2019 HK\$'000
Hong Kong	–	–
Mainland China	11,270,044	11,270,044
	<u>11,270,044</u>	<u>11,270,044</u>

Group	2020 HK\$'000	2019 HK\$'000
At beginning of the year	11,270,044	11,270,044
Impairment of goodwill (accumulated: HK\$30.4 billion)	–	–
At end of the year	<u>11,270,044</u>	<u>11,270,044</u>

NOTES TO THE FINANCIAL STATEMENTS

14 Intangible assets (Continued)

(b) Goodwill (Continued)

As in the prior year, management performed an impairment assessment based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a 5-year period and a further outlook for 5 years, which is considered appropriate in view of the long-term nature of the terminal business. Management determined that no further impairment of goodwill is required in 2020. The impairment methodology assumed terminal values and discount rates of 2%-3% (2019: 2%-3%) and 8%-10% (2019: 8%-10%) per annum, respectively. Terminal values are determined by considering both internal and external factors relating to the port operation and discount rates reflect specific risks relating to the relevant business.

The assumptions regarding the growth rates in revenue and cost of services rendered used in the current year's assessment of the Mainland China CGU were comparable to last year. For illustration purposes, a hypothetical 0.5% decrease in the revenue growth rate, a 0.5% increase in costs of services rendered and a 0.5% increase in the discount rate, with all other variables and assumptions held constant, would decrease the recoverable amount of the Hong Kong CGU, by HK\$1.7 billion, HK\$0.8 billion and HK\$1.2 billion respectively and of the Mainland China CGU, by HK\$1.6 billion, HK\$0.5 billion and HK\$2.2 billion, respectively.

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

15 Associated companies

Group	2020 HK\$'000	2019 HK\$'000
Share of net assets	425,698	486,333
Loan to an associated company	606,900	466,200
	<u>1,032,598</u>	<u>952,533</u>

A 5-year loan of RMB510,000,000, approximate to HK\$606,900,000 (2019: RMB420,000,000, approximate to HK\$466,200,000) provided to an associated company is unsecured, interest bearing at a fixed rate of 4.0% per annum and repayable in August 2023. The carrying amount of the loan to an associated company approximates its fair value.

Details of the principal associated companies at 31 December 2020 and 2019 are as follows:

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

(1) Audited by PricewaterhouseCoopers network firms

There is no associated company as at 31 December 2020, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

15 Associated companies (Continued)

Set out below is the Group's share of the year's total comprehensive loss from its associated companies:

	2020 HK\$'000	2019 HK\$'000
Profits less losses after tax	(83,470)	(92,296)
Other comprehensive income/(loss)	24,103	(11,345)
Total comprehensive loss	<u>(59,367)</u>	<u>(103,641)</u>

16 Joint ventures

Group	2020 HK\$'000	2019 HK\$'000
Share of net assets	3,398,797	3,460,730
Loans to joint ventures	124,350	125,950
Less: accumulated impairment	(930,000)	(930,000)
	<u>2,593,147</u>	<u>2,656,680</u>

Note:

A loan of HK\$120,000,000 provided to a joint venture is interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.1% per annum. Another loan provided to a joint venture of HK\$4,350,000 is interest free. Both of the loans provided to joint ventures are unsecured and not expected to be repayable within one year. The carrying amounts of the loans to joint ventures approximate fair value.

Details of principal joint ventures at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Effective interest held
COSCO-HIT Terminals (Hong Kong) Limited ⁽¹⁾	Hong Kong	Development and operation of a container terminal	50.00%
Asia Container Terminals Limited ⁽¹⁾	Hong Kong	Development and operation of a container terminal	40.00%
Beijing Leading Edge Container Services Company Limited	China	Provision of logistics services	50.00%
Mercury Sky Group Limited ⁽²⁾	British Virgin Islands	Investment holding	50.00%
Shenzhen Leading Edge Port Services Co. Ltd. ⁽¹⁾	China	Provision of port agency services	49.00%
Yantian Port International Information Company Limited	China	Provision of electronic port community system	28.21%

(1) Audited by PricewaterhouseCoopers network firms

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

There is no joint venture as at 31 December 2020, which in the opinion of the directors of the Trustee-Manager, is individually material to the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

16 Joint ventures (Continued)

Set out below is the Group's share of the year's total comprehensive income from its joint ventures:

	2020 HK\$'000	2019 HK\$'000
Profits less losses after tax	73,404	38,338
Other comprehensive income/(loss)	2,382	(910)
Total comprehensive income	<u>75,786</u>	<u>37,428</u>

17 Other non-current assets

Group	2020 HK\$'000	2019 HK\$'000
Investments		
Listed equity security	32,063	38,813
River Ports Economic Benefits (Note)	285,000	338,600
Prepayment for fixed assets	37,236	67,515
Other receivables and prepayments	73,845	85,004
Cash flow hedges		
Cross currency interest rate swaps	–	30,750
	<u>428,144</u>	<u>560,682</u>

Note:

The River Ports Economic Benefits represent the economic interest and benefits of the river ports in Nanhai and Jiangmen, China (together the "River Ports"), including all dividends and any other distributions or other monies payable to a related company or any of its subsidiary companies in its capacity as a shareholder of the relevant holding company of the River Ports arising from the profits attributable to the business of the River Ports and all sale or disposal proceeds derived from such businesses, assets, rights and/or liabilities constituting any part of the business of the River Ports as agreed with a related company and any of its subsidiary companies. The movement is due to change in fair value.

18 Deferred tax

Group	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	(19,329)	(24,997)
Deferred tax liabilities	9,535,985	9,918,159
Net deferred tax liabilities	<u>9,516,656</u>	<u>9,893,162</u>

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax (Continued)

The movements in deferred tax (assets)/liabilities during the year are as follows:

	Unused tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Fair value adjustments arising from acquisitions HK\$'000	Withholding tax on unremitted earnings HK\$'000	Others HK\$'000	Total HK\$'000
2020						
At 1 January 2020	(29,616)	579,921	9,012,692	337,037	(6,872)	9,893,162
Tax charged/(credited) to income statement	10,181	(32,874)	(360,023)	6,286	21	(376,409)
Other temporary differences	(14)	(41)	–	–	(42)	(97)
At 31 December 2020	(19,449)	547,006	8,652,669	343,323	(6,893)	9,516,656
2019						
At 1 January 2019	(23,702)	608,718	9,372,998	321,166	(6,852)	10,272,328
Tax (credited)/charged to income statement	(5,940)	(28,808)	(360,306)	16,222	(16)	(378,848)
Other temporary differences	26	11	–	(351)	(4)	(318)
At 31 December 2019	(29,616)	579,921	9,012,692	337,037	(6,872)	9,893,162

Notes:

- (a) The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred taxes relate to the same fiscal authority.
- (b) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profit is probable. The Group has unrecognised tax losses of HK\$135,329,000 at 31 December 2020 to carry forward against future taxable income. Of these, HK\$104,103,000 can be carried forward indefinitely. The remaining HK\$31,226,000 expires in the following years:

	2020 HK\$'000	2019 HK\$'000
In the first year	4,878	–
In the second year	5,267	–
In the third year	10,318	–
In the fourth year	–	–
In the fifth year	10,763	30,494
	<u>31,226</u>	<u>30,494</u>

- (c) Deferred tax liabilities are calculated in full on temporary differences under the liabilities method using the tax rate of the countries in which the Group operated. The temporary differences are for accelerated depreciation allowances, fair value adjustments arising from acquisitions and withholding taxes arising from unremitted earnings.
- (d) Deferred tax assets and liabilities are expected to be recovered or settled mostly after more than twelve months.

NOTES TO THE FINANCIAL STATEMENTS

19 Cash and bank balances

Group	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents		
Cash at bank and on hand	1,441,119	451,449
Short-term bank deposits	6,325,469	6,546,717
	<u>7,766,588</u>	<u>6,998,166</u>
Restricted deposit (Note)	–	42,000
Cash and bank balances	<u>7,766,588</u>	<u>7,040,166</u>
Trust	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents		
Cash at bank and on hand	3,674	2,530

Note:

At 31 December 2019, a deposit of HK\$42,000,000 was placed by a subsidiary company of the Group as a collateral for a secured bank loan entered into in 2016. No deposit was pledged as security for bank and other debts as at 31 December 2020 upon repayment of the secured bank loan during the year.

Cash and bank balances are denominated in the following currencies:

Group	2020 Percentage	2019 Percentage
Hong Kong dollar	56%	39%
Renminbi	14%	12%
United States dollar	30%	49%
	<u>100%</u>	<u>100%</u>
Trust	2020 Percentage	2019 Percentage
Hong Kong dollar	46%	26%
United States dollar	7%	15%
Singapore dollar	47%	59%
	<u>100%</u>	<u>100%</u>

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

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables

Group	2020	2019
	HK\$'000	HK\$'000
Trade receivables (Note a)	2,623,127	2,585,212
Less: loss allowance provision	(51,043)	(51,261)
	<u>2,572,084</u>	<u>2,533,951</u>
Other receivables and prepayments	278,422	332,208
Amount due from a related company (Note b)	–	20
Amounts due from an associated company (Note b)	26,863	21,705
Amounts due from joint ventures (Note b)	156,218	168,147
	<u>3,033,587</u>	<u>3,056,031</u>
Trust	2020	2019
	HK\$'000	HK\$'000
Other receivables and prepayments	389	250
Amounts due from subsidiary companies (Note b)	770	1,711
	<u>1,159</u>	<u>1,961</u>

Trade and other receivables are denominated in the following currencies:

Group	2020	2019
	Percentage	Percentage
Hong Kong dollar	46%	47%
Renminbi	39%	33%
United States dollar	15%	20%
	<u>100%</u>	<u>100%</u>
Trust	2020	2019
	Percentage	Percentage
Singapore dollar	<u>100%</u>	<u>100%</u>

Trade receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses where it is deemed that a receivable may not be fully recoverable. The carrying amounts of these assets approximate their fair values.

Notes:

- (a) At 1 January 2019, trade receivables of the Group amount to HK\$2,518,572,000.
- (b) The amounts due from a related company, an associated company and joint ventures of the Group; and amounts due from subsidiary companies of the Trust are unsecured, interest free and have no fixed terms of repayment.
- (c) At 31 December 2020, trade receivables of the Group amounting to HK\$51,043,000 (2019: HK\$51,261,000) were impaired and provided for. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables (Continued)

Notes (Continued):

(c) (Continued)

Movements on the loss allowance provision for trade receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	51,261	51,255
Additions	–	5
Write back	(234)	–
Currency translation differences	16	1
At end of the year	<u>51,043</u>	<u>51,261</u>

The additions to and write back of loss allowance provision for trade receivables have been included in the income statement.

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

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

21 Trade and other payables

Group	2020 HK\$'000	2019 HK\$'000
Trade payables, other payables and accruals	5,131,248	5,441,035
Loans from non-controlling interests (Note a)	148,936	155,392
Lease liabilities	14,294	11,705
Derivative financial instruments		
Interest rate swaps under fair value hedge (Note 24)	–	3,647
Interest rate swaps under cash flow hedge (Note 24)	23,817	–
Amounts due to related companies (Note b)	109,407	91,059
Amounts due to associated companies (Note b)	2,908	3,959
Amounts due to joint ventures (Note b)	87,041	76,336
	<u>5,517,651</u>	<u>5,783,133</u>
Trust	2020	2019
	HK\$'000	HK\$'000
Trade payables, other payables and accruals	5,956	4,021
Amounts due to:		
- a related company (Note b)	12,320	12,810
- subsidiary companies (Note b)	3,984	5
	<u>22,260</u>	<u>16,836</u>

NOTES TO THE FINANCIAL STATEMENTS

21 Trade and other payables (Continued)

Trade and other payables are denominated in the following currencies:

Group	2020 Percentage	2019 Percentage
Hong Kong dollar	65%	66%
Renminbi	33%	34%
United States dollar	2%	–
	100%	100%

Trust	2020 Percentage	2019 Percentage
Hong Kong dollar	18%	–
United States dollar	55%	76%
Singapore dollar	27%	24%
	100%	100%

At 31 December 2020, the carrying amounts of trade and other payables of the Group and of the Trust approximate their fair values.

Notes:

- (a) The loans from non-controlling interests of the Group are unsecured, interest free except for the amount of HK\$30,380,000 and RMB70,000,000, approximate to HK\$83,300,000 (2019: approximate to HK\$77,700,000) which bear interest at Hong Kong Dollar Prime Rate and fixed rate of 2.0% per annum, respectively, and have no fixed terms of repayment and repayable in one year, respectively.
- (b) Amounts due to related companies, associated companies and joint ventures of the Group; and amounts due to a related company and subsidiary companies of the Trust are unsecured, interest free and have no fixed terms of repayment.

22 Bank and other debts

Group	Current portion HK\$'000	Non-current portion HK\$'000	Total HK\$'000
Unsecured bank loans	3,992,000	17,628,000	21,620,000
Guaranteed notes	–	7,800,000	7,800,000
Total principal amount of bank and other debts	3,992,000	25,428,000	29,420,000
Unamortised loan facilities fees and discounts related to debts	(1,430)	(99,827)	(101,257)
At 31 December 2020	3,990,570	25,328,173	29,318,743
Unsecured bank loans	192,000	18,731,350	18,923,350
Secured bank loan	10,545	44,955	55,500
Guaranteed notes	3,900,000	7,800,000	11,700,000
Total principal amount of bank and other debts	4,102,545	26,576,305	30,678,850
Unamortised loan facilities fees and discounts related to debts	(1,627)	(117,228)	(118,855)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	(3,647)	–	(3,647)
At 31 December 2019	4,097,271	26,459,077	30,556,348

NOTES TO THE FINANCIAL STATEMENTS

22 Bank and other debts (Continued)

The carrying amounts of bank loans of the Group approximate their fair values as the bank loans bear floating interest rates and are repriced within one month at the prevailing market interest rates. The loans will be fully repayable from March 2021 to March 2025 (2019: repayable from March 2020 to June 2024).

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

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

The effective interest rate of the Group's bank and other debts at 31 December 2020 is 2.0% per annum (2019: 2.9% per annum).

Bank and other debts are denominated in the following currencies:

Group	2020 Percentage	2019 Percentage
Hong Kong dollar	15%	18%
United States dollar	85%	82%
	<u>100%</u>	<u>100%</u>

At 31 December 2019, leasehold land and land use rights of the Group totaling HK\$187,000,000 were pledged as security for a bank loan. No assets were pledged as security for bank and other debts as at 31 December 2020 upon repayment of the secured bank loan during the year.

23 Pension assets/(obligations)

Group	2020 HK\$'000	2019 HK\$'000
Defined benefit plans		
Pension assets/(obligations)	<u>85,714</u>	<u>(41,747)</u>

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's defined benefit plans in Hong Kong are a contributory final salary pension plan and a non-contributory guaranteed return defined contribution plan. The Group's plans were valued by Towers Watson Hong Kong Limited, qualified actuaries at 31 December 2020 and 31 December 2019 using the projected unit credit method to account for the pension accounting costs in accordance with HKAS 19 (2011) "Employee Benefits".

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

	2020 Percentage	2019 Percentage
Discount rate	0.30-0.60%	1.50%
Future salary increases	3.50%	4.00%
Interest credited on plan accounts	<u>5.00-6.00%</u>	<u>5.00-6.00%</u>

NOTES TO THE FINANCIAL STATEMENTS

23 Pension assets/(obligations) (Continued)

(a) Defined benefit plans (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Fair value of plan assets	1,599,377	1,405,698
Present value of defined benefit obligations	(1,513,663)	(1,447,445)
Net defined benefit assets/(liabilities)	<u>85,714</u>	<u>(41,747)</u>

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

	Defined benefits obligations HK\$'000	Fair value of plan assets HK\$'000	Net defined benefit (liabilities)/ assets HK\$'000
2020			
At 1 January	(1,447,445)	1,405,698	(41,747)
Net (charge)/credit to the income statement			
Current service cost	(50,533)	363	(50,170)
Interest (cost)/income	(21,058)	20,756	(302)
	<u>(71,591)</u>	<u>21,119</u>	<u>(50,472)</u>
Net (charge)/credit to other comprehensive income			
Remeasurements (loss)/gain:			
Actuarial (loss)/gain arising from:			
Experience adjustment	723	–	723
Financial assumptions	(93,751)	–	(93,751)
Demographic assumption	152	–	152
Return on plan assets excluding interest income	–	236,823	236,823
	<u>(92,876)</u>	<u>236,823</u>	<u>143,947</u>
Other			
Contributions paid by the employer	–	33,986	33,986
Contributions paid by the employee	(7,345)	7,345	–
Benefits paid	98,823	(98,823)	–
Net transfer	6,771	(6,771)	–
At 31 December	<u>(1,513,663)</u>	<u>1,599,377</u>	<u>85,714</u>

NOTES TO THE FINANCIAL STATEMENTS

23 Pension assets/(obligations) (Continued)

(a) Defined benefit plans (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

23 Pension assets/(obligations) (Continued)

(a) Defined benefit plans (Continued)

Fair value of the plan assets is analysed as follows:

	2020 Percentage	2019 Percentage
Equity Instruments		
Conglomerates and manufacturing	2%	2%
Construction and materials	0%	1%
Consumer markets	2%	2%
Energy and utilities	1%	1%
Financial institutions and units trust	52%	56%
Health and care	3%	2%
Insurance	1%	1%
Real estate	1%	1%
Information technology	7%	5%
Others	2%	2%
	71%	73%
Debt instruments		
Government (other than US)	7%	6%
Financial institutions	7%	7%
US Treasury	4%	2%
Others	7%	9%
	25%	24%
Cash and others	4%	3%
	100%	100%

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

	2020 Percentage	2019 Percentage
Aaa/AAA	17%	23%
Aa1/AA+	15%	18%
Aa2/AA	6%	4%
Aa3/AA-	8%	7%
A1/A+	14%	11%
A2/A	9%	11%
A3/A-	9%	6%
Baa1/BBB+	9%	7%
Baa2/BBB	3%	3%
Other lower grade	2%	4%
No investment grade	8%	6%
	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

23 Pension assets/(obligations) (Continued)

(a) Defined benefit plans (Continued)

The fair value of the above equity instruments and debt instruments is determined based on quoted market prices.

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed at 31 December 2019. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the pension plans of the Group to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the major defined benefit plans of the Group are detailed below.

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2020, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year ended 31 December 2020, forfeited contributions totalling HK\$859,000 (2019: HK\$1,028,000) were used to reduce the level of contributions of the year ended 31 December 2020 and no forfeited contribution was available at 31 December 2020 (2019: Nil) to reduce future year's contributions.

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 1.6%	Increase by 1.7%
Salary increase	0.25%	Increase by 0.2%	Decrease by 0.2%

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

The Group expects to make contributions of HK\$34,360,000 (2019: HK\$35,609,000) to the defined benefit plans during the next year.

The weighted average duration of the defined benefit obligation is 6.6 years as at 31 December 2020 (2019: 6.8 years).

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$20,268,000 (2019: HK\$68,596,000).

NOTES TO THE FINANCIAL STATEMENTS

24 Other non-current liabilities

Group	2020 HK\$'000	2019 HK\$'000
Derivative financial instruments:		
Fair value hedges		
Interest rate swaps	–	3,647
Cash flow hedges		
Cross currency interest rate swaps	256,930	120,033
Interest rate swaps	40,594	51,871
Less: current portion of interest rate swaps (Note 21)	(23,817)	(3,647)
Non-current portion of derivative financial instruments	273,707	171,904
Lease liabilities	15,783	29,017
Others	123,575	123,147
	<u>413,065</u>	<u>324,068</u>

25 Units in issue

Group and Trust	Number of units	HK\$'000
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>8,711,101,022</u>	<u>68,553,839</u>

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

26 Investment in a subsidiary company

Trust	2020 HK\$'000	2019 HK\$'000
Investment cost	10,000	10,000
Capital contribution	48,448,809	49,290,942
Less: accumulated impairment	(24,212,051)	(24,212,051)
	<u>24,246,758</u>	<u>25,088,891</u>

Pursuant to an investment agreement between HPH Trust and a wholly-owned subsidiary, HPHT Limited, dated 4 August 2011, HPH Trust made capital contributions of HK\$67,280,000,000 to HPHT Limited (“Capital Contribution”) through capitalising the amounts due from the subsidiary. HPH Trust has no right to require HPHT Limited to return any Capital Contribution. HPHT Limited may return to HPH Trust any Capital Contribution at any time in whole or in part. Accordingly, the capital contribution is accounted for as investment in a subsidiary company.

Details of subsidiary companies of the Group are disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to consolidated statement of cash flows

(a) Reconciliation of operating profit to cash generated from operations is as follows:

	2020 HK\$'000	2019 HK\$'000
Operating profit	3,506,860	3,430,927
Depreciation and amortisation	3,054,011	3,079,672
Net (gain)/loss on disposal of fixed assets	(15,556)	3,205
Dividend income	(33,492)	(25,749)
Interest income	(75,639)	(142,898)
Operating profit before working capital changes	6,436,184	6,345,157
Decrease in inventories	3,038	761
Increase in trade and other receivables	(10,158)	(38,544)
Movement in balances with associated companies and joint ventures	16,409	(60,284)
Increase in trade and other payables	147,399	98,938
Increase in pension obligations	15,944	23,378
Cash generated from operations	6,608,816	6,369,406

(b) Reconciliation of liabilities arising from financing activities is as follows:

	Dividend payable to non-controlling interests HK\$'000	Bank loans repayable not exceeding 1 year HK\$'000	Bank loans repayable more than 1 year HK\$'000	Guaranteed notes HK\$'000	Cross currency interest rate swaps contract and interest rate swap contracts held to hedge against foreign currency risks and fair value risks of Guaranteed notes and Bank loans HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2020	–	202,545	18,708,669	11,645,134	144,801	40,722	30,741,871
Cash flows (Note)	(1,461,276)	(202,560)	2,814,040	(3,900,000)	–	(12,697)	(2,762,493)
Foreign exchange adjustments	(8,623)	15	405	–	–	–	(8,203)
Fair value adjustments	–	–	–	3,647	–	–	3,647
Transfer between categories	–	3,986,050	(3,986,050)	–	–	–	–
Dividends to non-controlling interests	1,469,899	–	–	–	–	–	1,469,899
Increase in lease liabilities	–	–	–	–	–	491	491
Other non-cash movements	–	4,520	26,564	15,764	152,723	1,561	201,132
At 31 December 2020	–	3,990,570	17,563,628	7,764,545	297,524	30,077	29,646,344

Note: The total cash outflow for the leases in 2020 was HK\$60,260,000.

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to consolidated statement of cash flows (Continued)

(b) Reconciliation of liabilities arising from financing activities is as follows: (Continued)

	Dividend payable to non-controlling interests HK\$'000	Bank loans repayable not exceeding 1 year HK\$'000	Bank loans repayable more than 1 year HK\$'000	Guaranteed notes HK\$'000	Cross currency interest rate swaps contract and interest rate swap contracts held to hedge against foreign currency risks and fair value risks of Guaranteed notes and Bank loans HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2019	–	2,517,506	21,268,658	7,705,463	157,579	–	31,649,206
Cash flows (Note)	(1,424,044)	(2,519,040)	(2,398,775)	3,867,941	–	(4,379)	(2,478,297)
Foreign exchange adjustments	(9,114)	(80)	(1,500)	–	–	–	(10,694)
Fair value adjustments	–	–	–	56,672	–	–	56,672
Transfer between categories	–	202,545	(202,545)	–	–	–	–
Dividends to non-controlling interests	1,433,158	–	–	–	–	–	1,433,158
Increase in lease liabilities	–	–	–	–	–	44,132	44,132
Other non-cash movements	–	1,614	42,831	15,058	(12,778)	969	47,694
At 31 December 2019	–	202,545	18,708,669	11,645,134	144,801	40,722	30,741,871

Note: The total cash outflow for the leases in 2019 was HK\$74,791,000.

28 Commitments

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

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for	37,113	106,275
Authorised but not contracted for (Note)	458,928	881,479
	496,041	987,754

Note:

The capital commitments were budgeted amounts estimated for future capital expenditures of the Group. These estimates are subject to a rigorous authorisation process before the expenditure is committed.

NOTES TO THE FINANCIAL STATEMENTS

28 Commitments (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for	5,670	–
Authorised but not contracted for	35,534	79,746
	<u>41,204</u>	<u>79,746</u>

(c) The Group leases various offices premises and port facilities under non-cancellable leases expiring within two months to eleven months (2019: one month to ten months). The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The future minimum lease payments for leases not recognised in the financial statements are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	<u>357</u>	<u>602</u>

(d) At 31 December 2020, the Group has leased certain office premises and port facilities to third parties under non-cancellable operating leases. Aggregate minimum lease receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	69,973	36,532
Between one and two years	65,646	25,354
Between two and three years	65,793	18,597
Between three to four years	59,277	16,528
Between four to five years	12,400	8,525
	<u>273,089</u>	<u>105,536</u>

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties transactions

Significant transactions between the Group and related parties during the year that are carried out in the normal course of business are disclosed below. Outstanding balances with associated companies, joint ventures and Group companies are disclosed in Notes 15, 16, 20 and 21.

(i) Income from and expenses to related parties

	2020 HK\$'000	2019 HK\$'000
Income:		
Container handling fees received from joint ventures, an associated company and related companies (Note a)	26,012	36,772
Management, service and support fee received from related companies (Note b)	43,080	48,500
Transportation management services fee income from related companies (Note c)	38,105	38,215
Interest income from a joint venture and an associated company (Note d)	25,239	19,068
Expenses:		
Container handling charges paid to joint ventures, an associated company and related companies (Note e)	12,256	23,149
Lease rentals on premises and port facilities paid to a joint venture, an associated company and related companies (Note e)	16,451	35,419
Trustee-Manager management fees (Note f)		
- Base fee	24,593	24,618
- Acquisition fee	270	-
Global support services fees to a related company (Note g)	147,560	147,706
Information technology ("IT") support and maintenance service fees paid to a joint venture and related companies (Note h)	44,781	46,973

Notes:

- (a) Container handling fees received from joint ventures, an associated company and related companies were charged at terms pursuant to the relevant agreements.
- (b) Management, service and support fee received from related companies were charged at terms mutually agreed.
- (c) Revenue from related companies for the provision of transportation management services was charged at prices and terms mutually agreed.
- (d) A loan of HK\$120,000,000 provided to a joint venture is interest bearing at HIBOR plus 2.1% per annum. Another loan of RMB510,000,000, approximate to HK\$606,900,000 (2019: RMB420,000,000, approximate to HK\$466,200,000) provided to an associated company is unsecured and interest bearing at a fixed rate of 4.0% per annum.
- (e) Container handling charges and lease rentals paid to joint ventures, an associated company and related companies were charged at terms pursuant to relevant agreements.

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties transactions (Continued)

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

Notes (Continued):

- (f) The Trustee-Manager's management fees were charged in accordance with the Trust Deed.

The base fee was charged at a fixed fee of US\$2,500,000 (equivalent to HK\$19,500,000) per annum which is subject to increase each year from 2012 by such percentage representing the percentage increase in the Hong Kong Composite Consumer Price Index. The base fee for the year ended 31 December 2020 is payable in cash. As the December 2020 figure for the Hong Kong Composite Consumer Price Index is yet to be published as at the date of preparation of these financial statements, the adjustment to the base fee, if required, will be accounted for in the subsequent financial year.

Acquisition fee relates to the increase in equity interest of 9.7287% in Hutchison Inland Container Depots Limited. It was calculated based on 1.0% of the enterprise value (as defined in the Trust Deed) of such investments.

- (g) Global support services fees in respect of administration services, and licence for certain intellectual property rights were charged at prices and terms mutually agreed.
- (h) IT support and maintenance services fees in respect of the support and maintenance of IT systems paid to a joint venture and related companies were charged at prices and terms mutually agreed.

- (ii) Other transactions with related parties

During the year ended 31 December 2020, the Group acquired fixed assets from an associated company and a related company which were charged at prices and terms mutually agreed as below:

	2020 HK\$'000	2019 HK\$'000
Purchases of fixed assets from an associated company and a related company	7,238	7,082

- (iii) Joint Operating Alliance of the Kwai Tsing container terminals

Pursuant to the Hong Kong Seaport Joint Operating Alliance Agreement entered into by Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited, with effect from 1 April 2019, the parties collaborate with each other for the efficient management and operation of the 23 berths across Terminals 1, 2, 4, 5, 6, 7, 8 and 9 (together the "Combined Terminal Facilities") in Kwai Tsing. The revenue and costs from the management and operation of the facilities of the Combined Terminal Facilities are shared among the parties at a pre-agreed ratio.

- (iv) Key management compensation

Key management of the Group includes managing directors and key management of the deep-water container ports of the Group. The compensation paid or payable to key management for employee services is shown below:

	2020 HK\$'000	2019 HK\$'000
Salaries and employee benefits	22,726	27,890

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management

(a) Cash management and funding

The major financial instruments of the Group include liquid funds, investments, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risk management programme of the Group is designed to minimise the financial risks of the Group. These risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The Group generally obtains long-term financing to meet funding requirements. Management of the Group regularly and closely monitors its overall net debt position and reviews its funding costs and maturity profile to facilitate refinancing.

(b) Capital management

The Group's strategy involves adopting and maintaining an appropriate mix of debt and equity to ensure optimal returns to unitholders, while maintaining sufficient flexibility to implement growth strategies.

The Group may consider diversifying its sources of debt financing by accessing the debt capital markets through the issuance of bonds to optimise the debt maturity profile and to make adjustments to the capital structure in light of changes in economic conditions.

The Group has complied with all externally imposed capital requirements which include a leverage ratio.

At 31 December 2020, total equity amounted to HK\$45,603,935,000 (2019: HK\$45,563,323,000), and consolidated net debt, which represents cash less bank and other debts, of the Group was HK\$21,653,412,000 (2019: HK\$23,638,684,000).

(c) Credit exposure

The Group's holdings of cash and cash equivalents, cross currency interest rate swaps contracts and interest rate swaps contracts with financial institutions expose the Group to counterparty credit risk. The Group controls its credit risk to non-performance by its counterparties through regular review and monitoring of their credit ratings.

The receivables from customers and other counterparties also expose the Group to credit risk. The Group controls its credit risk by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

The ECL on trade receivables is calculated using a provision matrix where a provision rate applies based on its historical observed default rates, as adjusted by forward-looking information. On that basis, no material additional ECL was recognised as at 31 December 2020 and 2019.

(d) Interest rate exposure

The Group's main interest risk exposures relate to cash and cash equivalents, loans from non-controlling interests, bank and other debts. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates.

The impact of a hypothetical 5 basis points increase in market interest rate at the end of the reporting period would reduce the Group's profit and unitholders' equity by HK\$8,487,000 (2019: HK\$9,661,000).

The Group has entered into cross currency interest rate swap contracts and interest rate swap contracts to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(d) Interest rate exposure (Continued)

The effects of the interest rate swap contracts and cross currency interest rate swap contracts on the Group's financial position and performance are as follows:

	2020 HK\$'000	2019 HK\$'000
Carrying amount (liabilities)	(285,550)	(175,551)
Notional amount (Note)	11,700,000	11,700,000
Maturity date	March 2021 to March 2025	March 2020 to March 2023
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	150,553	67,424
Change in value of hedged item used to determine hedge effectiveness	(150,553)	(67,424)

Note:

The contractual notional amount of interest rate swaps held for hedging which is based on LIBOR is HK\$11,700,000,000 (2019: HK\$11,700,000,000).

(e) Foreign currency exposure

The Group has entered into cross currency interest rate swap contracts to hedge its foreign currency exposure in respect of bank borrowings denominated in United States dollars with principal amount equivalent to HK\$7,800 million (2019: HK\$7,800 million) to HK dollar borrowings.

The effects of the cross currency interest rate swap contracts on the Group's financial position and performance are as follows:

	2020 HK\$'000	2019 HK\$'000
Carrying amount (liabilities)	(256,930)	(89,283)
Notional amount	7,800,000	7,800,000
Maturity date	September 2022 to March 2023	September 2022 to March 2023
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	(53,431)	46,136
Change in value of hedged item used to determine hedge effectiveness	53,431	(46,136)

For overseas subsidiaries, associated companies and joint ventures, which consist of non-Hong Kong dollar assets, the Group generally monitors the development of the Group's cash flows and debt market and, when appropriate, would expect to refinance these businesses with local currency borrowings.

Currency risk as defined by HKFRS 7 arises on financial instruments denominated in a currency that is not the functional currency and being of a monetary nature. Differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(e) Foreign currency exposure (Continued)

The impact of a hypothetical 5% weakening of the HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year is set out as below.

	Hypothetical increase/ (decrease) in profit	
	2020 HK\$'000	2019 HK\$'000
Renminbi	11,477	(26,379)
United States dollar	(726,403)	(1,052,552)
Singapore dollar	(192)	(28)
Others	15	8
	<u>(715,103)</u>	<u>(1,078,951)</u>

(f) Liquidity exposure

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's and the Trust's financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date on which the Group and the Trust can be required to pay:

Group	Contractual maturities				
	Carrying amounts HK\$'000	Total undiscounted cash flows HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000	After 5 years HK\$'000
2020					
Trade and other payables	5,517,651	5,517,651	5,517,651	–	–
Bank and other debts	29,318,743	29,420,000	3,992,000	25,428,000	–
Other non-current liabilities	289,490	197,395	128,437	68,958	–
	<u>35,125,884</u>	<u>35,135,046</u>	<u>9,638,088</u>	<u>25,496,958</u>	<u>–</u>
2019					
Trade and other payables	5,783,133	5,783,133	5,783,133	–	–
Bank and other debts	30,556,348	30,678,850	4,102,545	26,576,305	–
Other non-current liabilities	200,921	128,657	57,875	70,782	–
	<u>36,540,402</u>	<u>36,590,640</u>	<u>9,943,553</u>	<u>26,647,087</u>	<u>–</u>

The table for the Group above excludes interest accruing and payable on certain of these liabilities which is estimated to be HK\$516,531,000 (2019: HK\$1,127,446,000) in "within 1 year" maturity band, HK\$765,902,000 (2019: HK\$4,778,601,000) in "within 2 to 5 years" maturity band, and after assuming the effect of interest rates with respect to variable rate financial liabilities remaining constant and no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(f) Liquidity exposure (Continued)

Trust	Contractual maturities			
	Carrying amounts HK\$'000	Total undiscounted cash flows HK\$'000	Within 1 year HK\$'000	Within 2 to 5 years HK\$'000
2020				
Trade and other payables	22,260	22,260	22,260	–
2019				
Trade and other payables	16,836	16,836	16,836	–

(g) Financial instruments by category

The following table shows the classification category and carrying amount as at 31 December 2020 and 31 December 2019 under HKFRS 9 for the Group's financial assets and financial liabilities:

	Note	Classification	2020 HK\$'000	2019 HK\$'000
Financial assets				
Listed equity security	17	FVOCI	32,063	38,813
River Ports Economic Benefits	17	FVOCI	285,000	338,600
Cross currency interest rate swaps	17	Fair value-hedges	–	30,750
Cash and cash equivalents	19	Amortised cost	7,766,588	7,040,166
Trade and other receivables	20	Amortised cost	3,033,587	3,056,031
			<u>11,117,238</u>	<u>10,504,360</u>
			2020 HK\$'000	2019 HK\$'000
Financial liabilities				
Bank and other debts	22	Amortised cost	29,318,743	30,556,348
Trade and other payables	21	Amortised cost	5,479,540	5,767,781
Lease liabilities	21,24	Amortised cost	30,077	40,722
Cross currency interest rate swaps	24	Fair value-hedges	256,930	120,033
Interest rate swaps	24	Fair value-hedges	40,594	55,518
			<u>35,125,884</u>	<u>36,540,402</u>
Representing :				
Financial assets measured at				
FVOCI			317,063	377,413
Amortised cost			10,800,175	10,096,197
Fair value-hedges			–	30,750
Financial liabilities measured at				
Amortised cost			34,828,360	36,364,851
Fair value-hedges			297,524	175,551

NOTES TO THE FINANCIAL STATEMENTS

30 Financial risk and capital management (Continued)

(h) Fair value estimation

The table below analyses recurring fair value measurements for financial assets/(liabilities). These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

	Note	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2020					
Listed equity security	17	32,063	–	–	32,063
River Ports Economic Benefits	17	–	–	285,000	285,000
Cash flow hedges					
Cross currency interest rate swaps	24	–	(256,930)	–	(256,930)
Interest rate swaps	24	–	(40,594)	–	(40,594)
		32,063	(297,524)	285,000	19,539
	Note	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2019					
Listed equity security	17	38,813	–	–	38,813
River Ports Economic Benefits	17	–	–	338,600	338,600
Cash flow hedges					
Cross currency interest rate swaps	17	–	30,750	–	30,750
Fair value hedges					
Interest rate swaps	24	–	(3,647)	–	(3,647)
Cash flow hedges					
Cross currency interest rate swaps	24	–	(120,033)	–	(120,033)
Interest rate swaps	24	–	(51,871)	–	(51,871)
		38,813	(144,801)	338,600	232,612

The fair value of the cross currency interest rate swaps and interest rate swaps included in level 2 category above are estimated using the present value of the estimated future cash flows based on observable yield curves. The fair value of financial instruments that are not traded in active market (level 3) is determined by discounted cash flow analysis with reference to inputs such as dividend stream.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

During the years ended 31 December 2020 and 2019, there were no transfers between the Level 1, Level 2 and Level 3 fair value measurements.

At 31 December 2020, the fair value of bank and other debts (Note 22) was HK\$29,611.2 million (31 December 2019: HK\$30,641.0 million). The carrying amounts of the remaining financial assets and financial liabilities approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group

(a) Details of principal subsidiary companies of the Group at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held	
				2020	2019
HPHT Limited ⁽¹⁾	Hong Kong	Investment holding	HK\$10,000,000	100%	100%
Giantfield Resources Limited ⁽²⁾	British Virgin Islands	Investment holding	2 ordinary shares of US\$1 each	100%	100%
HIT Investments Limited ⁽²⁾	British Virgin Islands	Investment holding	200 ordinary "A" shares of US\$1 each 800 non-voting preferred "B" shares of US\$1 each	100%	100%
Pearl Spirit Limited ⁽²⁾	British Virgin Islands	Investment holding	1 ordinary share of US\$1	100%	100%
Hongkong International Terminals Limited ⁽¹⁾	Hong Kong	Development and operation of container terminals	HK\$20	100%	100%
Yantian International Container Terminals Limited ⁽¹⁾	China	Development and operation of container terminals	HK\$2,400,000,000	56.41%	56.41%
Yantian International Container Terminals (Phase III) Limited ⁽¹⁾	China	Development and operation of container terminals	HK\$6,056,960,000	51.64%	51.64%
Shenzhen Pingyan Multimodal Company Limited ⁽¹⁾	China	Provision of various transportation services	RMB150,000,000	51.64%	51.64%
Shenzhen Yantian West Port Terminals Limited ⁽¹⁾	China	Development and operation of container terminals	RMB2,343,300,000	51.64%	51.64%
Hutchison Ports Yantian Limited ⁽¹⁾	Hong Kong	Investment holding	HK\$10,000,000	79.45%	79.45%
Watruss Limited ⁽¹⁾	British Virgin Islands	Investment holding	32 "A" shares of US\$1 each 593 "B" shares of US\$1 each	94.88%	94.88%
Sigma Enterprises Limited ⁽¹⁾	British Virgin Islands	Investment holding	2,005 "A" shares of US\$1 each 8,424 "B" shares of US\$1 each	79.45%	79.45%
Hutchison Ports Yantian Investments Limited ⁽²⁾	British Virgin Islands	Investment holding	200 ordinary shares of US\$1 each	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group (Continued)

(a) Details of principal subsidiary companies of the Group at 31 December 2020 and 2019 are as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/registered capital	Effective interest held	
				2020	2019
Birrong Limited ⁽²⁾	British Virgin Islands	Investment holding	10,000 ordinary shares of US\$1 each	100%	100%
Hutchison Shenzhen East Investments Limited ⁽²⁾	British Virgin Islands	Investment holding	1 ordinary share of US\$1	100%	100%

(1) Audited by PricewaterhouseCoopers network firms

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

Appointment of auditors

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

(b) Material non-controlling interests

Yantian International Container Terminals Limited, Yantian International Container Terminals (Phase III) Limited, Shenzhen Yantian West Port Terminals Limited, Wattrus Limited and Sigma Enterprises Limited are the subsidiary companies with non-controlling interests that are material to the Group.

Set out below is the summarised financial information for these subsidiary companies:

Summarised statement of financial position

	2020 HK\$'000	2019 HK\$'000
Non-current assets	62,140,996	63,729,101
Current assets	6,337,514	6,850,540
Total assets	68,478,510	70,579,641
Non-current liabilities	7,032,383	8,353,015
Current liabilities	3,419,464	3,856,242
Total liabilities	10,451,847	12,209,257

Summarised income statement

	2020 HK\$'000	2019 HK\$'000
Revenue and other income	7,217,320	7,359,662
Net profit for the year	2,676,749	2,909,678

NOTES TO THE FINANCIAL STATEMENTS

31 List of subsidiary companies of the Group (Continued)

(b) Material non-controlling interests (Continued)

Summarised statement of cash flows

	2020 HK\$'000	2019 HK\$'000
Net change in cash and cash equivalents	(526,870)	213,827
Dividends paid to non-controlling interests	1,461,276	1,424,044

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

32 Approval of the financial statements

The financial statements set out on pages 96 to 149 were approved by the Board of Directors of the Trustee-Manager for issue on 8 February 2021.

STATISTICS OF UNITHOLDINGS

As at 1 March 2021

There were 8,711,101,022 units (voting rights: 1 vote per unit) in issue as at 1 March 2021. There is only one class of units in HPH Trust. There were no treasury units held by HPH Trust.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	13	0.04	323	0.00
100 - 1,000	3,058	9.13	2,919,088	0.03
1,001 - 10,000	17,380	51.90	88,001,849	1.01
10,001 - 1,000,000	12,903	38.53	837,324,706	9.61
1,000,001 AND ABOVE	133	0.40	7,782,855,056	89.35
TOTAL	33,487	100.00	8,711,101,022	100.00

SUBSTANTIAL UNITHOLDERS

Based on Register of Substantial Unitholders as at 1 March 2021

Unitholders	Direct interest		Deemed interest	
	No. of Units	%	No. of Units	%
1. CK Hutchison Holdings Limited ⁽¹⁾	–	–	2,619,246,222	30.07
2. Hutchison Port Group Holdings Limited	2,406,227,022	27.62	–	–
3. CK Hutchison Global Investments Limited ⁽²⁾	–	–	2,406,227,022	27.62
4. PortCapital Limited	905,364,000	10.39	–	–
5. PSA International Pte Ltd ⁽³⁾	315,764,400	3.62	905,364,000	10.39
6. Temasek Holdings (Private) Limited ⁽⁴⁾	–	–	1,221,272,773	14.02

Notes:

- (1) CK Hutchison Holdings Limited ("CKHH"), through its wholly-owned subsidiary, CK Hutchison Global Investments Limited ("CKHGI"), is deemed to have the interest held by Hutchison Port Group Holdings Limited ("HPGH") in HPH Trust. CKHH, through its wholly-owned subsidiary, Cheung Kong (Holdings) Limited ("Cheung Kong"), has a deemed interest in 2.45% of the units in HPH Trust held by Cheung Kong's subsidiaries.
- (2) CKHGI, being the immediate holding company of HPGH, is deemed to have the same interest in HPH Trust as HPGH.
- (3) PortCapital Limited ("PortCapital") is a wholly-owned subsidiary of PSA International Pte Ltd ("PSA"). PSA is deemed interested in the HPH Trust units held by PortCapital.
- (4) PSA is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). Temasek is deemed interested in the HPH Trust units held by PortCapital and Temasek's various other subsidiaries and associated companies.

STATISTICS OF UNITHOLDINGS

As at 1 March 2021

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	HUTCHISON PORT GROUP HOLDINGS LIMITED	2,406,227,022	27.62
2	CITIBANK NOMINEES SINGAPORE PTE LTD	1,450,365,418	16.65
3	DBS NOMINEES (PRIVATE) LIMITED	919,734,290	10.56
4	PORTCAPITAL LIMITED	905,364,000	10.39
5	RAFFLES NOMINEES (PTE.) LIMITED	344,097,825	3.95
6	PSA INTERNATIONAL PTE LTD	330,814,600	3.80
7	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	227,505,549	2.61
8	HSBC (SINGAPORE) NOMINEES PTE LTD	206,489,505	2.37
9	DBSN SERVICES PTE. LTD.	192,092,484	2.21
10	OCBC SECURITIES PRIVATE LIMITED	127,289,831	1.46
11	DB NOMINEES (SINGAPORE) PTE LTD	57,446,773	0.66
12	BPSS NOMINEES SINGAPORE (PTE.) LTD.	47,767,735	0.55
13	UOB KAY HIAN PRIVATE LIMITED	44,161,439	0.51
14	PHILLIP SECURITIES PTE LTD	43,814,980	0.50
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	40,009,100	0.46
16	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	36,311,740	0.42
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	24,578,266	0.28
18	GOH KIA SENG	19,136,500	0.22
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	18,507,000	0.21
20	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	15,775,743	0.18
TOTAL		7,457,489,800	85.61

FREE FLOAT

Based on the information made available to the Trustee-Manager, as at 1 March 2021, approximately 55.88% of the units in HPH Trust were held in the hands of the public. Accordingly, HPH Trust complied with Rule 723 of the Listing Manual of the SGX-ST.

ADDITIONAL INFORMATION

	Total volume	Highest Price		Lowest Price	
	('000)	(US\$)	(S\$)	(US\$)	(S\$)
Unit performance in financial year 2020	3,145,169	0.205	0.270	0.082	0.121

NOTICE OF ANNUAL GENERAL MEETING

HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)

(Registration No.: 2011001)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the unitholders of Hutchison Port Holdings Trust (“**HPH Trust**” and unitholders of HPH Trust, “**Unitholders**”) will be convened and held by way of electronic means on Monday, 19 April 2021 at 11:00 a.m. (Singapore time) for the following purposes:

ORDINARY BUSINESS:

1. To receive and adopt the Report of the Trustee-Manager, Statement by the Trustee-Manager and the audited financial statements of HPH Trust for the year ended 31 December 2020 together with the Independent Auditor’s Report thereon. **(Ordinary Resolution 1)**
2. To re-appoint PricewaterhouseCoopers LLP as the Auditor of HPH Trust and to authorise the Directors of the Trustee-Manager to fix its remuneration. **(Ordinary Resolution 2)**

SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

3. General mandate to issue units in HPH Trust (“**Units**”)

That pursuant to Clause 6.1.1 of the deed of trust dated 25 February 2011, the first supplemental deed dated 28 April 2014 and the second supplemental deed dated 8 June 2020 (collectively, “**Trust Deed**”), Section 36 of the Business Trusts Act, Chapter 31A of Singapore (“**BTA**”), and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Trustee-Manager, on behalf of HPH Trust, be authorised and empowered to:

- (a) (i) issue Units, whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions whether for cash or otherwise and for such purposes and to such persons as the Trustee-Manager may in its absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Units pursuant to any Instrument made or granted by the Trustee-Manager while this Resolution was in force,

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (50.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro-rata basis to existing Unitholders shall not exceed twenty per centum (20.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by SGX-ST) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the percentage of issued Units shall be based on the number of issued Units (excluding treasury Units, if any) at the time of the passing of this Resolution, after adjusting for:
 - (a) new Units arising from the conversion or exercise of the Instruments which are issued and outstanding or subsisting at the time of the passing of this Resolution; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Trust Deed and the BTA; and

NOTICE OF ANNUAL GENERAL MEETING

HUTCHISON PORT HOLDINGS TRUST

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(Registration No.: 2011001)

- (4) unless revoked or varied by HPH Trust in a general meeting, such authority shall continue in force until (i) the conclusion of the next Annual General Meeting of the Unitholders or the date by which the next Annual General Meeting of the Unitholders is required by law to be held, whichever is the earlier; or (ii) in the case of Units to be issued pursuant to the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments. **(Ordinary Resolution 3)**

By Order of the Board
Hutchison Port Holdings Management Pte. Limited
(Incorporated in the Republic of Singapore with limited liability)
(as Trustee-Manager of Hutchison Port Holdings Trust)
(Company Registration No.: 201100749W)

KIM YI HWA

Company Secretary
Singapore, 29 March 2021

Explanatory Note:

Ordinary Resolution 3

The Ordinary Resolution 3 in item 3 above, if passed, will empower the Trustee-Manager from the date of this Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, or the date on which such authority is varied or revoked by HPH Trust in a general meeting of the Unitholders, whichever is the earliest, to issue Units, make or grant Instruments convertible into Units and to issue Units pursuant to such Instruments, up to a number not exceeding, in total, 50.0% of the issued Units, of which up to 20.0% may be issued other than on a pro-rata basis to existing Unitholders.

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the issued Units at the time the Ordinary Resolution 3 in item 3 above is passed, after adjusting for any new Units arising from the conversion or exercise of the Instruments which are issued and outstanding or subsisting at the time the Ordinary Resolution 3 is passed, and any subsequent bonus issue, consolidation or subdivision of Units.

Notes:

Pre-register and participate in the Annual General Meeting via “live” audio-visual webcast or “live” audio feed

1. The Annual General Meeting of HPH Trust (the “**Meeting**”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Notice may be accessed by electronic means via publication on SGXNet and HPH Trust’s website at <https://www.hphtrust.com/agm.html>.

To keep physical interactions and COVID-19 transmission risk to a minimum, there will not be any physical meeting. Unitholders will not be able to attend the Meeting in person. All Unitholders will be able to watch the proceedings of the Meeting through a “live” audio-visual webcast via their smartphone, tablet or computer, or listen to these proceedings through a “live” audio feed via telephone. In order to do so, Unitholders who wish to watch the “live” audio-visual webcast or listen to the “live” audio feed must pre-register during the period from 11:00 a.m. on 29 March 2021 to 11:00 a.m. on 17 April 2021, at this link: <https://smartagm.sg/hphtagm2021> (“**Pre-registration Website**”). Upon authentication of their status as Unitholders, authenticated Unitholders will receive email instructions on how to access the “live” audio-visual webcast and “live” audio feed of the proceedings of the Meeting by 18 April 2021. Authenticated Unitholders who do not receive an email by 11:00 a.m. on 18 April 2021, should contact the Unit Registrar at RSVP@boardroomlimited.com or on +65 6536 5355.

Unitholders may view the “live” audio-visual webcast or listen to the “live” audio feed of the Meeting proceedings in accordance with the email instructions. The “live” audio-visual webcast and the “live” audio feed will be opened for Unitholders to log in approximately 15 minutes prior to the commencement of the Meeting and the “live” audio-visual webcast can be accessed from any location with access to the internet via a smartphone, tablet or computer.

NOTICE OF ANNUAL GENERAL MEETING

HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)

(Registration No.: 2011001)

- The only way for Unitholders to exercise their voting rights at the Meeting is via proxy voting (see below). A Unitholder will not be able to vote through the “live” audio-visual webcast nor “live” audio feed and voting is only through the submission of a proxy form appointing the Chairman of the Meeting as proxy.

Voting by proxy

- Due to the current COVID-19 situation in Singapore, a Unitholder (whether individual or corporate) entitled to attend and vote at the Meeting who wishes to exercise his/her/its voting rights at the Meeting should appoint the Chairman of the Meeting as his/her/its proxy. A Unitholder (whether individual or corporate) must give specific instructions as to voting or abstentions from voting in respect of a resolution in the instrument appointing a proxy, failing which the Chairman of the Meeting as proxy for that resolution will be treated as invalid. The Chairman of the Meeting, as proxy, need not be a Unitholder.
- The accompanying proxy form for the Meeting may be accessed at HPH Trust’s website at <https://www.hphtrust.com/agm.html> or on the SGX website at <https://www.sgx.com/securities/company-announcements> and is also made available with this Notice of Meeting.
- The instrument appointing the Chairman of the Meeting as proxy must be deposited at the registered office of Hutchison Port Holdings Management Pte. Limited, the Trustee-Manager of HPH Trust at, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or sent by email to RSVP@boardroomlimited.com not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Investors who hold their Units through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore (including SRS investors) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective SRS Approved Banks) to submit their voting instructions by 5:00 p.m. on 7 April 2021 in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by 11:00 a.m. on 17 April 2021.

A Unitholder who wishes to submit an instrument of proxy must **complete and sign the proxy form**, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation, Unitholders are strongly encouraged to submit completed proxy forms electronically via email.

Submission of questions prior to the Meeting

- Unitholders may also submit questions related to the resolutions to be tabled for approval at the Meeting and these questions will be addressed prior to or during the Meeting. All questions must be submitted and received during the period from 11:00 a.m. on 29 March 2021 to 11:00 a.m. on 16 April 2021 via any of the following channels:
 - the Pre-registration Website at this link: <https://smartagm.sg/hphtagm2021>;
 - by email to agm_enquiry@hphtrust.com; or
 - by post to Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

Unitholders are reminded to provide their full names, CDP securities account number (if any), email address and contact number when submitting their questions.

- Only substantial and relevant questions received prior to the Meeting (as may be determined by HPH Trust in its sole discretion) will be addressed.

NOTICE OF ANNUAL GENERAL MEETING

HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)

(Registration No.: 2011001)

Access to all documents relating to the business of the Meeting

8. All documents and information relating to the business of the Meeting (including the Annual Report, this Notice of Meeting and the instrument appointing a proxy) have been published on SGXNet and HPH Trust's website at <https://www.hphtrust.com/agm.html>.

Key dates and deadlines

9. In summary, the key dates, timing and deadlines that Unitholders should note are set out in the table below:

KEY DATES (SINGAPORE TIME)	ACTIONS
11:00 a.m. on 29 March 2021	Unitholders may begin to: <ul style="list-style-type: none"> pre-register at the Pre-registration Website to view the "live" audio-visual webcast or to listen to the "live" audio feed of the Meeting proceedings; and/or submit questions relevant to the resolutions to be tabled at the Meeting via the Pre-registration Website or by email at agm_enquiry@hphtrust.com or by post to Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.
5:00 p.m. on 7 April 2021	Deadline for Unitholders who hold their Units through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore (including SRS investors) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy to approach their respective relevant intermediaries (including their respective SRS Approved Banks) to submit their voting instructions.
11:00 a.m. on 16 April 2021	Deadline for Unitholders to submit questions relevant to the resolutions to be tabled at the Meeting via the Pre-registration Website or by email at agm_enquiry@hphtrust.com or by post to Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.
11:00 a.m. on 17 April 2021	Deadline for: <ul style="list-style-type: none"> Unitholders to pre-register at the Pre-registration Website to view the "live" audio-visual webcast or to listen to the "live" audio feed of the Meeting proceedings; and proxy forms to be received by the Trustee-Manager for the Meeting.
18 April 2021	Authenticated Unitholders will receive email instructions on how to access the "live" audio-visual webcast and "live" audio feed of the proceedings of the Meeting (the " Confirmation Email "). Unitholders who do not receive a Confirmation Email by 11:00 a.m. on 18 April 2021 but have registered by the 17 April 2021 deadline should contact the Unit Registrar at RSVP@boardroomlimited.com or on +65 6536 5355.
11:00 a.m. on 19 April 2021	To access the "live" audio-visual webcast or "live" audio feed of the proceedings of the Meeting, please follow the instructions in the Confirmation Email. The "live" audio-visual webcast and the "live" audio feed will be opened for log in approximately 15 minutes prior to the commencement of the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)

(Registration No.: 2011001)

Personal data privacy:

By submitting an instrument appointing the Chairman of Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by HPH Trust, the Trustee-Manager (or its agents) for the purpose of the processing and administration of the appointment of the Chairman of the Meeting as proxy (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for HPH Trust, the Trustee-Manager (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines, and recording and transmitting images and voice recordings when broadcasting the proceedings of the Meeting through a "live" audio-visual webcast or "live" audio feed (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to HPH Trust, the Trustee-Manager (or its agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by HPH Trust, the Trustee-Manager (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify HPH Trust, the Trustee-Manager in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

HUTCHISON PORT HOLDINGS TRUST

(A business trust constituted on 25 February 2011 under the laws of the Republic of Singapore)
(Registration No.: 2011001)

HUTCHISON PORT HOLDINGS MANAGEMENT PTE. LIMITED

(Incorporated in the Republic of Singapore with limited liability)
Co. Reg. No.: 201100749W
(as trustee-manager of Hutchison Port Holdings Trust)

PROXY FORM

The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Form has been made available on SGXNet and Hutchison Port Holdings Trust's website and may be accessed at <https://www.hphtrust.com/agm.html>.

(Please see notes overleaf before completing this Form)

I/We, _____

holder of NRIC / Passport Number or Company Registration Number or UEN Number _____

of _____

being a unitholder/unitholders of Hutchison Port Holdings Trust ("**HPH Trust**"), hereby appoint

the Chairman of the Annual General Meeting as my/our proxy to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the unitholders of HPH Trust ("**Meeting**") to be convened and held by way of electronic means on Monday, 19 April 2021 at 11:00 a.m. (Singapore time) and at any adjournment thereof. I/We direct the Chairman of the Meeting to vote for or against or abstain from voting on the resolutions proposed at the Meeting as indicated hereunder.

(Unitholders of HPH Trust ("**Unitholders**") should specifically indicate in this Proxy Form how they wish to vote for or against or abstain from voting on the resolutions to be tabled at the Meeting, failing which the Chairman of the Meeting as proxy for that resolution will be treated as invalid.)

No.	Resolutions relating to:	No. of Votes For**	No. of Votes Against**	No. of Votes Abstain**
1	Adoption of the Report of the Trustee-Manager, Statement by the Trustee-Manager and the audited financial statements of HPH Trust for the year ended 31 December 2020 together with the Independent Auditor's Report thereon*			
2	Re-appointment of PricewaterhouseCoopers LLP as the Auditor of HPH Trust*			
3	Authority to issue new units in HPH Trust*			

* Please refer to the Notice of Annual General Meeting of HPH Trust dated 29 March 2021 for the full text of the resolution.

** If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the "Abstain" box for a particular resolution, you are directing your proxy not to vote on that resolution.

Dated this _____ day of _____ 2021

Total number of Units in:	No. of Units
(a) CDP Register	
(b) Register of Unitholders	

Signature(s) of unitholder(s)/Common Seal of corporate unitholder



IMPORTANT: PLEASE READ THE NOTES TO THE PROXY FORM BELOW

Notes to Proxy Form:

1. Please insert the total number of units in Hutchison Port Holdings Trust (“**HPH Trust**”, and units in HPH Trust, “**Units**”) held by you. If you have Units entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Unitholders of HPH Trust, you should insert that number of Units. If you have Units entered against your name in the said Depository Register and Units registered in your name in the Register of Unitholders, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Unitholders. If no number is inserted, the instrument appointing a proxy shall be deemed to relate to all the Units held by you.
2. The Meeting is being convened and will be held by electronic means. Please refer to the Notice of the Meeting dated 29 March 2021 for details of the alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via “live” audio-visual webcast or “live” audio-only stream), submission of Questions in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy. The Notice of the Meeting can be accessed at HPH Trust’s website at <https://www.hphtrust.com/agm.html>, and on the SGX website at <https://www.sgx.com/securities/company-announcements>.
3. Due to the current COVID-19 situation in Singapore, there will be no physical meeting. Unitholders will not be able to physically attend the Meeting. A Unitholder will not be able to vote through the “live” audio-visual webcast nor “live” audio-only stream and voting is only through the submission of a proxy form. If a Unitholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Meeting. The Chairman of the Meeting, as proxy, need not be a Unitholder. A Unitholder (whether individual or corporate) must give specific instructions as to voting or abstentions from voting, in respect of a resolution in the instrument appointing a proxy, failing which the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted either by post and deposited at the registered office of Hutchison Port Holdings Management Pte. Limited, the trustee-manager of HPH Trust (“**Trustee-Manager**”) at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or by email to RSVP@boardroomlimited.com, not less than forty-eight (48) hours before the time appointed for holding the Meeting. A Unitholder who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation, Unitholders are encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy, if submitted by post, must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
6. Where an instrument appointing the Chairman of the Meeting as proxy is submitted by email, it must be authorised in the following manner, failing which the instrument may be treated as invalid:
 - (a) by way of the affixation of an electronic signature by the appointor or his/her duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
 - (b) by way of the appointor or his/her duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 March 2021.

General:

The Trustee-Manager shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Trustee-Manager.

A	
AFAB	Anti-fraud and anti-bribery
AC or Audit Committee	Audit Committee of the Trustee-Manager
ACRA Code	Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities
ACT	Asia Container Terminals
APS	Asia Port Services Limited
B	
Board	Board of Directors
BTA	Business Trusts Act, Chapter 31A of Singapore
BTR	Business Trusts Regulations 2005
C	
Capital Contribution	Pursuant to an investment agreement entered between HPH Trust and a wholly-owned subsidiary, HPHT Limited, dated 4 August 2011, HPH Trust made capital contributions of HK\$67,280,000,000 to HPHT Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGI	The Chartered Governance Institute
CGU	Cash-generating units
China Med	Hutchison China MediTech Limited
CKHH	CK Hutchison Holdings Limited
CKI	CK Infrastructure Holdings Limited
Code	The Code of Corporate Governance 2018
Combined Terminal Facilities	23 berths across Terminals 1, 2, 4, 5, 6, 7, 8 and 9 in Kwai Tsing
COSCO-HIT	COSCO-HIT Terminals
COSCO SHIPPING Ports	COSCO SHIPPING Ports Limited
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPD	Continuous professional development
D	
DPU	Distribution per unit
E	
ECC	Environmental Campaign Committee
ECL	Expected credit loss
ERM	Enterprise Risk Management
eRO	Electronic Release Order
F	
FVOCI	Fair value through other comprehensive income

GLOSSARY

G	
Group	HPH Trust group of companies/ Hutchison Port Holdings Trust and its subsidiaries
GHG	Greenhouse gas
GRI	Global Reporting Initiative
H	
HIBOR	Hong Kong Interbank Offered Rate
HICT	Huizhou International Container Terminals
HIT	Hongkong International Terminals
HKAS	Hong Kong Accounting Standards
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	The Hong Kong Institute of Certified Public Accountants
HKICS	The Hong Kong Institute of Chartered Secretaries
HKMD	Hong Kong Marine Department
HKSPA	Hong Kong Seaport Alliance
HPH	Hutchison Port Holdings Limited
HPH Trust	Hutchison Port Holdings Trust
HTHKH	Hutchison Telecommunications Hong Kong Holdings Limited
Hutchison Logistics	HPH E.Commerce Limited
I	
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
ISO	International Organization for Standardization
IT	Information technology
J	
Jiangmen Terminal	Jiangmen International Container Terminals
L	
LNG	Liquefied natural gas
M	
Management	The management of HPH Trust
MTL	Modern Terminals Limited
N	
Nanhai Terminal	Nanhai International Container Terminals
NPAT	Net profit after tax
O	
ORSO	Occupational Retirement Schemes Ordinance

P	
PRD	Pearl River Delta
PwC	PricewaterhouseCoopers LLP
Q	
QC(s)	Quay crane(s)
R	
RCI	Remote Container Inspection
River Ports	Jiangmen Terminal and Nanhai Terminal
RMGC(s)	Rail-mounted gantry crane(s)
ROFR Agreement	Right of first refusal agreement
RTGC(s)	Rubber-tyred gantry crane(s)
S	
SDG(s)	Sustainable Development Goal(s)
SGX	Singapore Exchange
SGX-ST	Singapore Exchange Securities Trading Limited
SGX-ST Listing Manual	The Listing Manual of Singapore Exchange Securities Trading Limited
SHICD	Shenzhen Hutchison Inland Container Depots Co., Limited
T	
TEU(s)	Twenty-foot equivalent unit(s)
Trust	Hutchison Port Holdings Trust
Trust Deed	The deed of trust dated 25 February 2011 and as amended and supplemented by the first supplemental deed dated 28 April 2014 and the second supplemental deed dated 8 June 2020
Trustee-Manager	Hutchison Port Holdings Management Pte. Limited
Y	
Yantian	Yantian district in Shenzhen
YANTIAN	Yantian International Container Terminals



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