



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

## **ANNUAL GENERAL MEETING TO BE HELD ON 19 APRIL 2021 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

Hutchison Port Holdings Management Pte. Limited, as trustee-manager (the “**Trustee-Manager**”) of Hutchison Port Holdings Trust (“**HPH Trust**” or the “**Trust**”), would like to thank unitholders of HPH Trust (“**Unitholders**”) for submitting their questions in advance of our Annual General Meeting (“**AGM**”) which will be held by way of electronic means on Monday, 19 April 2021 at 11:00 a.m. (Singapore time).

We have endeavored to address all substantial and relevant questions. As there were several overlapping questions received, and to avoid repetition, we have summarised and answered each question only once. Please refer to our responses below.

### **Question 1**

**What is the outlook of the business of HPH Trust? What is the forecast growth for the next 5 years?**

#### **The Trustee-Manager’s Response:**

After a significant upturn in volume in the second half of 2020, the momentum continued in the first quarter of 2021. During the period, volume of Yantian International Container Terminals (“**YANTIAN**”) increased by over 40%, and the volume of the Hong Kong operations in Kwai Tsing (“**Kwai Tsing**”) increased by 4%. Total throughput in the first quarter of 2021 had surpassed pre-pandemic level in 2019 by more than 10%. The increase was due to e-commerce cargoes shifted from transport by air to sea, and the growth in personal protective equipment and home upgrading consumption.

Businesswise, YANTIAN is tapping into the e-commerce market as well as focusing on promotion of import cargoes. Kwai Tsing continues to build barge-to-vessel transshipment for hinterland cargoes. With the Hong Kong Seaport Alliance (the “**HKSPA**”), formed by Hongkong International Terminals Limited, COSCO-HIT Terminals (Hong Kong) Limited, Asia Container Terminals Limited and Modern Terminals Limited, approved by the Competition Commission of Hong Kong in October 2020, HKSPA will focus on seizing business opportunities and delivering greater efficiency.

All of the above will allow HPH Trust to continue to grow its business in the next 5 years.

### **Question 2**

**What is HPH Trust doing to counteract the effect of US-China trade tensions?**

#### **The Trustee-Manager’s Response:**

The US-China trade tension has been ongoing for three years since 2018. Impact on the Hong Kong business of HPH Trust has been minimal as Kwai Tsing is a transshipment hub.

YANTIAN, which focuses on US exports, had some impact as its US export volume dropped 9% in 2019. However, its overall volume in 2019 only dropped 1% as efforts were put in building empty and transshipment volume.

During the pandemic, US exports grew again with a year-on-year increase of 5% in 2020 and 78% in the first quarter of 2021. China has again proven to be the manufacturing base of the world, being the fastest to resume factory operations during the pandemic.

Going forward, other than cementing the current US exports position, YANTIAN will diversify to build on the increasing imports trend, tap into the e-commerce market and develop non-US markets.

### **Question 3**

**What is the outlook for distribution and return on investments (“ROI”) to Unitholders in the years ahead?**

#### *The Trustee-Manager’s Response:*

Management has been exploring ways to improve operating profit, which should be reflected in ROI and eventually in distribution per unit (“DPU”). In 2020, despite the pandemic, HPH Trust managed to generate a turnaround in its profitability performance due to: (i) a rebound in exports demand in the second half of 2020, (ii) cost saving initiatives, in particular from the HKSPA, and (iii) lower finance costs.

As a result, HPH Trust distributed HK12 cents for 2020, which exceeded its original guidance of HK8 – 11 cents, achieving a yield of 8%.

In the years ahead, HPH Trust is expected to continue to improve its operating results, and strive for stable and sustainable distributions to Unitholders.

### **Question 4**

**With the 5-year HK\$1 billion annual debt repayment plan coming to an end in 2021, what is HPH Trust’s plan on debt repayment going forward?**

#### *The Trustee-Manager’s Response:*

The Board of Directors of HPH Trust (the “**Board**”) persists to maintain a healthy financial position. For debt management, HPH Trust embarked on a 5-year HK\$1 billion annual debt repayment plan from 2017 to 2021.

As of 31 December 2020, HPH Trust had a total debt of HK\$29.4 billion. Apart from the HK\$1 billion annual debt repayment, in view of the uncertainties in our business due to the pandemic and US-China trade tension, it also took a more prudent approach to repay additional debt.

Going forward, HPH Trust expects to continue the HK\$1 billion annual debt repayment after 2021 to manage our debt exposure. Debt repayment is one of the means which increases the value of equity. At the same time, HPH Trust will strive to maintain sustainable distributions to Unitholders.

### **Question 5**

**What is the optimal level of debt-to-equity or debt-to-EBITDA that the Board wishes to achieve?**

*The Trustee-Manager's Response:*

HPH Trust has been maintaining disciplined financial management, as evidenced by the HK\$1 billion annual debt repayment program, as well as the additional debt repayment in 2020.

As of 31 December 2020, HPH Trust's net-debt-to-equity ratio was 48%, and net-debt-to-EBITDA was 3.1. The Board is comfortable with the existing ratios and there are no specific targets that it wishes to achieve.

### **Question 6**

**Why are the operating cashflows and DPU declining since 2016?**

*The Trustee-Manager's Response:*

In the past few years, the port industry and HPH Trust have gone through challenges from:-

- (i) global and macroeconomic events, such as COVID-19, US-China trade conflict and Brexit;
- (ii) industry-specific events, including over-capacity and structural consolidation within the shipping industry; and
- (iii) from the financial market side, interest rate hikes.

These events brought uncertainties to the business of HPH Trust, which affected its profitability. Because of the challenging global environment, HPH Trust had the HK\$1 billion annual debt repayment plan since 2017, which affected its DPU level.

As mentioned in previous questions, HPH Trust had kept on exploring ways to improve its operating results. From 2019, it reverted its DPU declining trend. In 2020, HPH Trust managed to generate a turnaround in its performance with a higher level of DPU of HK12 cents even under the pandemic.

Going forward, HPH Trust will face the currently challenging global environment with resilience and agility, and strive to maintain sustainable distributions to Unitholders. Management will explore ways to improve the operating profit so as to target to increase distributions to Unitholders.

### **Question 7**

**Why share of profit less losses of associated companies at income statement recorded a loss in 2019 and 2020?**

*The Trustee-Manager's Response:*

It represents HPH Trust's share of profit or loss of the associated companies during the year. The major associated company of HPH Trust is Huizhou International Container Terminals Limited ("**HICT**"), with effective interest of around 41%.

HICT has two container berths, which is located an hour drive east of YANTIAN. HPH Trust acquired HICT in 2016. Being a start-up port, HPH Trust has been focusing on the business development of HICT with improving operating results since the acquisition.

Moving forward, HICT will focus to tap into the import market from the gradual establishment of timber industry in Huizhou. Moreover, Phase I petrochemical project of Exxon Mobil is expected to drive more plastic materials exports at HICT. Also, with the launch of YANTIAN-HICT Port Alliance, HICT is expected to serve as a support facility, providing additional handling capacity to YANTIAN.

### **Question 8**

**What is the scope of the authority to issue new units in HPH Trust? Is there a total number to be issued and what is the upper limit?**

*The Trustee-Manager's Response:*

The resolution no. 3 for the AGM (the "**Resolution 3**") relates to granting a general mandate to the Trustee-Manager to issue additional units in HPH Trust ("**Units**"). If Resolution 3 is passed by Unitholders, it will empower the Trustee-Manager to issue Units up to 50% of the total number of issued Units on behalf of HPH Trust, of which up to 20% may be issued other than on a pro-rata basis to existing Unitholders.

The percentage is calculated based on the total number of issued Units as at the date of passing of Resolution 3, i.e. at the date of the AGM, after adjusting for 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 Resolution 3; and any subsequent bonus issue, consolidation or subdivision of Units.

As of the date of the AGM, total number of issued Units should be 8,711,101,022. As a result, if Resolution 3 is passed, the Trustee-Manager could issue additional Units up to 4,355,550,511, subject to aforementioned adjustments.

This authority will remain valid until the earliest of the conclusion of the next AGM, the date by which next AGM is required by law to be held, or the date on which such authority is varied or revoked by HPH Trust in general meeting.

This is a common mandate often sought by listed companies or business trusts, to give flexibility and efficiency to raise capital. The Board currently has no intention to issue any new Units in accordance with this general mandate.

**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)

Ms Kim Yi Hwa  
Company Secretary  
18 April 2021

**ABOUT HPH TRUST**

HPH Trust is a container port business trust listed in Singapore.

HPH Trust owns interests in world class deep-water container port assets located in two of the world's busiest container port cities by throughput – Hong Kong and Shenzhen, the People's Republic of China ("**PRC**"). Other assets in the HPH Trust portfolio include the port in Huizhou, PRC, as well as certain port ancillary services and the economic benefits of river ports complementary to the deep-water container ports operated by HPH Trust.

The investment mandate of HPH Trust is principally to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau, one of the world's largest trading hubs by throughput.