Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

BT: Hutchison Port Holdings Trust
(Manager: Hutchison Port Holdings Management Pte. Limited)

Stock code: NS8U/ P7VU

Meeting details:
Date: 8 June 2020
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the Letter to unitholders, the trust celebrated Hongkong International Terminals ("HIT")'s 50th anniversary in 2019 and it also marked 25 years of operations at COSCO-HIT Terminals ("COSCO-HIT").

To celebrate these major milestones, the trust held a cocktail reception and quayside event for staff and customers.

For 2019, the trust has recommended a distributable payout of HK$958.2 million or distribution per unit of 11.0 HK cents. While it was not mentioned in the letter, the 2019 DPU was 35% lower than the 17.00 HK cents declared by the trust in 2018.

The distribution of the trust since its listing is shown below:

- FY2011: 37.70 HK cents (9.5 months from 16 Mar to 31 Dec)
- FY2012: 51.24 HK cents
- FY2013: 41.00 HK cents
- FY2014: 41.00 HK cents
- FY2015: 34.40 HK cents
- FY2016: 30.60 HK cents
- FY2017: 20.60 HK cents
- FY2018: 17.00 HK cents
- FY2019: 11.00 HK cents
  (Source: https://www.hphtrust.com/distribution.html)

When the trust was listed in March 2011, the IPO price was USD1.01. Today, the trust trades at ~USD0.115 per unit. Since its listing 9 years ago, the trust has lost 88% of its unit price. A price chart from Yahoo finance is shown below.



(Source: Yahoo Finance; retrieved on 27 May 2020)

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The board has stated it is accountable to unitholders for the long-term performance of HPH Trust and it is also responsible for directing the strategic objectives of HPH Trust and overseeing and monitoring managerial performance (page 62).

(i) **Has the board calculated the total unitholder return for the trust in the past 1 year, 3 years, 5 years and since its listing?**

(ii) **What is the board's assessment of the long-term performance of HPH Trust, especially from the view of a long-term unitholder?**

(iii) **Would the board share its assessment of the performance of the trustee-manager especially in the area of safeguarding interests of unitholders and enhancing unitholder value?** For example, the trust suffered impairment losses of HK$12,289 million in 2018 which included impairment losses of HK$9.7 billion and HK$1.7 billion against the goodwill allocated to the Mainland China CGU and Hong Kong CGU respectively and an additional HK$930 million in impairment losses for its Hong Kong joint ventures.

(iv) **Would the chairman share his assessment of the board in delivering long-term performance for unitholders?**

(v) **What guidance has the board given to the trustee-manager to balance the trust's growth and the need to generate fair returns to the capital providers, i.e. long term value creation and sustainable distributions to unitholders?**

(vi) **What is the trust's cost of capital? Can the trustee-manager demonstrate how its past investments and acquisitions have created long-term value for unitholders?**

Q2. In April 2020, the Hong Kong Seaport Alliance ("HKSPA") finalised berth and yard planning strategies that would allow the provision of enhanced services. The HKSPA was formed by HIT, COSCO-HIT, Asia Container Terminals Limited ("ACT") and Modern Terminals Limited ("MTL") to collaborate with one another to ensure the efficient management and operation of the 23 berths in Kwai Tsing.

The trust has disclosed that berths run by HKSPA members are now divided into three terminal zones, improving efficiency for shipping alliances and individual carriers. The new arrangement is set to reduce inter-terminal trucking at the port to enhance services and improve efficiency.

(i) **Can the trustee-manager help unitholders understand how this would improve the trust operationally and financially?**

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(ii) **How are revenue and costs allocated amongst the parties?**

(iii) **Given the HKSPA, how would the trust be making its investment decisions? For example, should HIT be upgrading its quay cranes or should one of the partners be doing it?**

Q3. The disclosure of remuneration of the CEO and the key management personnel can be found on page 71 of the annual report (reproduced below).

Disclosure on Remuneration

Principle 8

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

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

(Source: 2019 annual report)

In FY2019 when the trust achieved lower throughput, suffered revenue declines, cut its distribution by 35% and lost 30% of its market value, key management personnel ("KMPs" received variable bonuses of between 32% to 65% (see table above).

In FY2018 when the trust suffered impairment losses of HK$12,289 million and reported a net loss after tax attributable to unitholders of HK$11,551 million, KPMs received between 31% to 65% of bonuses (2018 annual report).

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(i) **Would the trustee-manager elaborate further on its policy on, and formal procedure for determining, executive remuneration?**

The trustee-manager has stated that KMPs participate in bonus arrangements which are determined in accordance with the performance of the group and of the individuals.

(ii) **What are the financial and non-financial key performance indicators used by the trustee-manager to assess the performance of the group and of the individuals?**

Given the performance of the trust in 2018 and 2019, the bonus component of the remuneration appears high and non-varying.

(iii) **Would the trustee-manager help unitholders understand the reasons for the high bonus component in both years?**

(iv) **Have the independent directors of the board reviewed how the remuneration packages motivate management to achieve sustained performance and value creation and that the performance-related remuneration align management to the interests of unitholders?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)