



Governance

Chairman's Overview

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Dear Shareholders,

HSH is committed to good corporate governance, which is central to the achievement of long term goals, for the benefit of our shareholders and other stakeholders. For our governance programme to be effective, controls are integrated across all operations and based on the principles of integrity, equity and transparency. Governance is an evolving concept, and we strive to continuously review our practices and actively seek to make improvements in this area.

Corporate governance practices are led by our Board and implemented by senior management and key functional management throughout the Group. Biographical details of our Board members and these individuals are set out on pages 100 to 103.

Our Corporate Governance Report is set out on pages 104 to 124. The Company is reporting against the Stock Exchange's Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules which, came into effect on 1 April 2012. Our Report also sets out our approach to corporate governance, how it has applied the main principles and whether it has complied with the relevant provisions. It also shows the structure of our Board and Board Committees, the roles that they play and how they operate. We also describe our management structure and demonstrate how good governance is an integral part of our everyday business.

As Chairman, promoting high standards of corporate governance is central to my role. We regularly review our governance practices and in 2012, among other improvements described in our Report, I would like to highlight that we have set up a Group Risk Committee to oversee risks across the Group and have a more structured approach to address risks identified, track risk mitigation and reporting as required. We have also introduced a Risk Management Report for the first time in our Annual Report which is set out on pages 125 to 130.

Our newly set up Nomination Committee, which I chair, is responsible for reviewing and making recommendations to the Board on the appointments of Directors. This Committee has reviewed the structure of the Board and noted the benefits of diversity in Board members. In June 2012 Mr. Robert Ng stepped down from the Board and on 22 January 2013, we announced the appointment of Dr. Rosanna Wong as a new Independent Non-Executive Director with effect from 1 February 2013, who brings with her a wealth of experience. Dr. Wong is also the first female Director of HSH.

Overall, I am pleased with the progress we have made this year in the governance area. However, we shall continue to strive to make further improvements in these areas.

A handwritten signature in blue ink, appearing to read 'Michael Kadoorie', with a stylized flourish at the end.

The Hon. Sir Michael Kadoorie

13 March 2013