

# CHAIRMAN'S OVERVIEW

We believe good corporate governance is the cornerstone to a successful and sustainable company.



## Dear Shareholders,

We believe good corporate governance is the cornerstone to a successful and sustainable company. As Chairman of the Board, I am committed to ensuring that HSH operates to the highest standards of corporate governance. HSH has a well-established framework of policies, processes and management systems throughout its operations, based on principles of integrity, equity and transparency to support its governance and sustainability efforts. The following pages outline our approach to governance.

In addition to the new projects and celebrations I mentioned in my letter, 2013 has been a year of change to the Board composition and new developments in the corporate governance area which I would highlight below:

## Board Composition

My role as Chairman is to ensure that HSH has a dynamic Board which works effectively and constructively in challenging the Executive Directors and management. This involves having Directors with the right range and balance of skills, expertise, experience and perspectives on the Board. We have made good progress in this area this year with the appointment of Dr. Rosanna Wong with effect from 1 February 2013, who brings with her a wealth of experience. Dr. Wong is also the first female Director of HSH. Mr. Robert Miller, after serving 12 years on the Board, resigned with effect from 1 January 2014, while Mr. Neil Galloway stood down from the Board on 13 September 2013. In Mr. Galloway's place, we are pleased to welcome Mr. Alan Clark who will join the Board on 30 March 2014. He joins us with a background rich in international hospitality. We have also started the process of identifying candidates with a view to filling the vacancy created by Mr. Miller's resignation.

After serving our Board for 14 years, Mr. Ian Boyce will resign as Non-Executive Director and the Deputy Chairman of the Company with effect from the close of the Annual General Meeting on 12 May 2014. Mr. Andrew Brandler will be proposed to be elected as a Non-Executive Director. Mr. Brandler will be a valuable addition to the Board with a wealth of knowledge in executive management from his many years of service to a listed utility company of Hong Kong, CLP Holdings Limited.

I would like to thank Mr. Miller, Mr. Boyce and Mr. Galloway for their years of service to the Company.

In selecting new Directors for the Board, while we recognise the benefits of diversity, including gender diversity, and will continue to ensure that this is taken into account when considering any particular appointment, the Company's policy remains that selection should be based on the best person for the role.

## Board Evaluation

I see Board evaluation as an area which is fundamental to improving Board effectiveness. For the first time, we conducted an in-house evaluation process coordinated by our Company Secretary. The process involved completion of a questionnaire by all Board members, and the output was discussed at our October 2013 Board meeting. I am also pleased to say that from the Board evaluation, it is evident that your Non-Executive Directors have a positive and constructive relationship with the Executive Directors. As a result of the Board evaluation, suggestions on additional presence of management and more strategic discussions at Board meetings and more regular contacts between Non-Executive Directors with management were implemented. The Board evaluation process was well received and our policy now is to undertake these evaluations every other year.

## Group Management Board

Our management board, the Group Management Committee, was retitled Group Management Board during the year. To address the Board's concern on resources to handle an increased number of new projects, two members of the Group Management Board were promoted to the role of Group Executives to assist the Executive Directors in managing the Company and its assets and projects.

## Corporate Governance Code

As we did last year, in our Corporate Governance Report, we are reporting against the Stock Exchange's Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules. 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.

It is pleasing to see the progress we have made this year in the governance area. However, we shall continue to review and seek further improvements in this area.



**The Hon. Sir Michael Kadoorie**

17 March 2014