

# CORPORATE GOVERNANCE REPORT

## Long-Established Corporate Governance Tradition

Corporate governance is a long-established tradition at Hysan. Central to this is a deeply-ingrained corporate governance culture emphasizing accountability, transparency and integrity. Our governance model aims to combine the best of family ownership and professional management. Over the years, governance systems and processes have been established, including the presence of a Senior Independent non-executive Director (taking the office of Independent non-executive Deputy Chairman), and the adoption of formal corporate governance guidelines. In this way, constructive relations between the Board, management, and the major shareholder family were further fostered. Our corporate governance culture is not limited to our Board of Directors; its reach spans beyond senior management and cultivates a culture and system of team work across the Company.

Our corporate governance culture and governance system has positioned the Company to be able to respond quickly and effectively to challenges that may arise. Unfortunately, our preparedness was called upon last year when we were saddened by the unexpected passing of our Chairman and Acting Chief Executive Officer.

The Board immediately adopted effective transitional measures and consistent with our goal of transparency, communicated these measures to the market. Sir David AKERS-JONES, then Independent non-executive Deputy Chairman, assumed the role of Acting Chairman. A Special Board Committee comprising Anthony Hsien Pin LEE, Chien LEE, and Dr. Deanna Ruth Tak Yung RUDGARD, was formed to assist him in overseeing the day-to-day management of the Company. The duties and responsibilities of the late Chairman, in his capacity as Acting Chief Executive Officer, were delegated to members of senior management, achieving a balance between maintaining internal control and operational effectiveness.

In the meantime, the Board was further strengthened by the addition of four new Non-executive Directors of diverse backgrounds.

Sir David AKERS-JONES was appointed Independent non-executive Chairman in January 2010. He has been a member of the Board since 1989, becoming Independent non-executive Deputy Chairman in 2001 and Acting Chairman in 2009, and ultimately Chairman of the Board. Over his long tenure on the Board, Sir David has acquired an intimate knowledge of the Company and its governance processes from working alongside his predecessor and the other members of the Board. This facilitated a smooth and seamless leadership transition.

Gerry Lui Fai YIM, Executive Director, was appointed Chief Executive Officer effective March 2010. The Company has conducted an open search for a Chief Executive Officer for some time. As part of the Company's strategic planning process, Gerry Lui Fai YIM was recruited by the late Chairman, Peter Ting Chang LEE, as Executive Director, with a plan that he ultimately assumes the role of Chief Executive Officer. The late Chairman's unexpected passing accelerated this process.

In this report, we shall explain how our corporate governance culture and governance system assisted us in handling the challenges of the past year, highlighting the steps we have implemented so far.

Further disclosure with respect to internal controls and risk management, and executive compensation were made in the following reports:

- Internal Controls and Risk Management Report (pages 39-41)
- Directors' Remuneration and Interests Report (pages 71-78)



EVOLUTION OF HYSAN'S LONG-ESTABLISHED CORPORATE GOVERNANCE SYSTEM

## Statement of Compliance with The Code on Corporate Governance Practices

Hysan meets the requirements of the Code Provisions contained in the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except that its Emoluments Review Committee (established since 1987) has the responsibility of recommending the fees payable to the Chairman and determining compensation at executive Director-level only. The Board is of the view that, in light of the current organisational structure and the relatively simple nature of Hysan's business activities, the current arrangements are appropriate. The Board will continue to review this arrangement in light of the needs of the Group. The Company's Corporate Governance Guidelines provide that the roles of Chairman and Chief Executive Officer are separate and distinct. Sir David AKERS-JONES serves as the Independent non-executive Chairman. Gerry Lui Fai YIM was appointed Chief Executive Officer effective March 2010.

| EXCEEDED<br>CODE<br>PROVISIONS | BEST PRACTICES IN CORPORATE GOVERNANCE IN PLACE AT HYSAN  |
|--------------------------------|---|
| ✓                              | The Board first established a formal Corporate Governance Policy* in 2004.  |
| ✓                              | Board independence from management and any major shareholder group - Sir David AKERS-JONES currently serves as Independent non-executive Chairman. Prior to that, he was designated Senior Independent non-executive Director (Independent non-executive Deputy Chairman). The Company has adopted a written position description of his roles. |
| ✓                              | The Board has established formal mandates and responsibilities* for itself, with a clear division of roles with management.   |
| ✓                              | The Board has established formal criteria and requirements* for non-executive Director appointments. Newly appointed Non-executive Directors are given formal letters of appointment.   |
| ✓                              | Board evaluation: The Chairman and Non-executive Directors meet at regularly scheduled sessions without the presence of management.   |
| ✓                              | Over one-third of the Board is represented by Independent non-executive Directors.  |
| ✓                              | All Corporate Governance Committees (Audit, Emoluments Review and Nomination) have at least a majority of Independent non-executive Directors. Terms of Reference* of each Corporate Governance Committee provide for in-camera meetings without management presence to further encourage objective and independent discussions and assessment. |
| ✓                              | The Group has a written Code of Ethics* applicable to all staff and Directors. Monitoring of the “whistle blowing” mechanism is performed by an external independent third party provider to further enhance independence. Such service provider reports directly to the Audit Committee.   |
| ✓                              | The Group has established a Code for Securities Dealing applicable to those employees likely to have access to unpublished price-sensitive information.   |
| ✓                              | The Group has established a Corporate Disclosure Policy* to guide its stakeholder communications and the determination of price sensitive information in order to ensure consistent and timely disclosure and fulfillment of the Group’s continuous disclosure obligations.   |
| ✓                              | The Group has established an Auditor’s Services Policy* to identify areas of conflicts and prohibit the engagement of auditors in such areas to ensure objectivity and independence.  |
| ✓                              | The Group has demonstrated its commitment to transparency in shareholder reporting by publishing a separate Corporate Governance Report since 2001. It also publishes the following reports:<br>(i) Audit Committee Report;<br>(ii) Directors’ Remuneration and Interests Report; and<br>(iii) Internal Controls and Risk Management Report.    |
| ✓                              | The Group has a formal Corporate Responsibility Policy and publishes a separate annual Corporate Responsibility Report.   |
| ✓                              | Since 2004, the Group has operated a new form of annual general meeting (“AGM”) that goes beyond discharging statutory business by including a detailed business review. All voting at AGMs have been conducted by poll since 2004.   |
| ✓                              | The Group has initiated and funded a programme inviting major nominee companies to proactively forward communication materials to the ultimate beneficial shareholders at the Group’s expense.  |
| ✓                              | In 2009, the Group published its annual results within 70 days, well within the required time period of four months from the end of accounting period.  |
| ✓                              | The Group continually enhances the use of its corporate website as a means of communication with shareholders. Principal corporate governance policies, guidelines, and terms of reference of the related committees are posted.  |

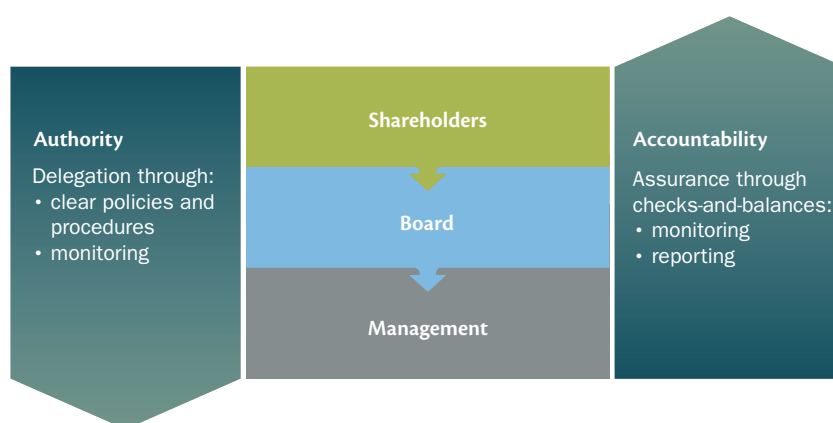
\* Detailed policies/terms of reference are available on the Company’s website: [www.hysan.com.hk](http://www.hysan.com.hk).

## 1. Our Corporate Governance Practices – Governance Model and Framework

### Governance Model

Hysan's governance model is based on an effective combination of family ownership and professional management. Our founding shareholder family remains a major shareholder today. We take the view that this element of family ownership can enable managers to take a long-term view in decision-making, balancing the need to produce short-term results or earnings targets. In general, family owners also have a more direct interest in the outcome of decisions made.

This family ownership model is combined with a commitment to apply the principle of meritocracy in human resources management across the Group. Recruitment of professional management staff from outside the controlling shareholder base ensures that a wide net is cast for talent. Gerry Lui Fai YIM, Executive Director, was appointed Chief Executive Officer effective March 2010. Appropriate checks-and-balances are also built into our governance structure. These include the presence of an Independent non-executive Chairman and the establishment of appropriate Board Committees. The roles and responsibilities of the Board, Independent non-executive Chairman, non-executive Directors, and Board Committees are clearly delineated.



### Governance Framework

There are many guidelines, policies, and procedures that support the governance framework at Hysan. The following constitute key components of Hysan's governance framework. They are posted on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk):

- Corporate Governance Guidelines
- Board of Directors Mandate
- Roles Requirements of Non-executive Directors
- Terms of Reference of various corporate governance-related Board Committees
- Code of Ethics for employees
- Auditor Services Policy
- Corporate Disclosure Policy

The Board reviews its corporate governance practices annually.

## 2. Our Corporate Governance Practices – The Board

### Board Leadership

The principle of Board independence from management and any major shareholder group is clearly established in our Corporate Governance Guidelines.

These guidelines provide for the roles of Chairman and Chief Executive Officer to be separate and distinct. Peter Ting Chang LEE served as the Chairman until 17 October 2009. Sir David AKERS-JONES served as Acting Chairman from 18 October 2009 until he was appointed Independent non-executive Chairman on 11 January 2010. Gerry Lui Fai YIM was appointed Chief Executive Officer effective March 2010.

Non-executive Directors play a key role in protecting shareholders' interests. They bring an external dimension to the Board, whilst complementing the skills and experience of the executive Directors, through their range of knowledge, experience and insight from other sectors.

The principal roles of the Independent non-executive Chairman and Non-executive Directors are set out below:

#### INDEPENDENT NON-EXECUTIVE CHAIRMAN

- Provide leadership to ensure that the Board works as a cohesive team;
- Chair Board meetings, including requiring appropriate briefing materials to be delivered in a timely fashion, stimulating constructive debate, providing adequate time for the discussion of issues, facilitating consensus, encouraging full participation by individual directors and ensuring that clarity regarding decisions is reached and duly recorded;
- Ensure that appropriate procedures are in place to allow the Board to work effectively and efficiently and to function independently;
- Maintain an effective and constructive relationship between the Board, management of the Company, and shareholders generally;
- Establish the agenda for Board meetings in consultation with the other directors of the Board;
- Chair general meetings of the Company;
- Ensure that the Board and its committees have the necessary resources to support their work;
- Ensure compliance with the corporate governance policies of the Board;
- Ensure that the Company maintains a culture of integrity and other corporate governance values; and
- Be a respected ambassador for the Company generally.

#### NON-EXECUTIVE DIRECTORS

Non-executive Directors have four key roles in addition to those applicable to all Directors:

- Strategy – constructively challenge, and thereby help develop proposals on strategy
- Performance – scrutinise performance of management in meeting agreed upon goals and objectives
- Risk – satisfy themselves about the integrity of financial information and the robustness of controls and systems of risk management
- People – determine appropriate levels of remuneration for Executive Directors and undertake in succession planning

For details, please refer to the Company's Corporate Governance Compliance Report at the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk)

### Skills, Balance and Independence

The Board continually reviews its composition and is actively engaged in succession planning issues with respect to both executive and non-executive roles.

Our non-executive Directors are drawn from diverse and complementary backgrounds.

(Directors' full biographies are set out on pages 46 to 48 and are also available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk)).

The Board has established "independence" standards as contained in the Corporate Governance Guidelines. It considers "independence" to be a matter of judgment and conscience. A Director is considered to be Independent only where he or she is free from any business or other relationship that might interfere with the exercise of his or her independent judgment.

The Board makes a determination concerning the "independence" of a Director each year at the time the Board approves Director nominees for inclusion in the AGM circular. If a Director joins the Board mid-year, the Board makes a determination on the new Director's independence at that time. Independent non-executive Directors are identified in our Annual and Interim Reports and other communications with shareholders.

The Board carried out a detailed review of director independence in March 2010. It concluded that each of the 6 Independent non-executive Directors is independent and will continually monitor and review whether there are relationships or circumstances which are likely to affect (or could appear to affect) independence.

### Best Corporate Governance Disclosure Gold Award 2001

*Organised by the Hong Kong Society of Accountants*

The judges commended Hysan on the extent and quality of disclosures in the annual report, despite it being a relatively smaller and less complex business with a family background – that such disclosures are a positive model of a developing corporate governance culture.



| INDEPENDENCE STATUS                              |            |             |                 |   |
|--|------------|-------------|-----------------|---|
| Name   | Management | Independent | Not Independent | March 2010 Review-Reason for Independence Status                |
| Peter Ting Chang LEE<br>(up to 17 October 2009)  | ✓          |             |                 |   |
| Sir David AKERS-JONES                            |            | ✓           |                 | No business or other relationships with the Group or management |
| Nicholas Charles ALLEN                           |            | ✓           |                 | No business or other relationships with the Group or management |
| Tom BEHRENS-SORENSEN<br>(up to 18 May 2009)      |            | ✓           |                 | No business or other relationships with the Group or management |
| Philip Yan Hok FAN                               |            | ✓           |                 | No business or other relationships with the Group or management |
| Fa-kuang HU                                      |            | ✓           |                 | No business or other relationships with the Group or management |
| Hans Michael JEBSEN                              |            |             | ✓               |   |
| Anthony Hsien Pin LEE                            |            |             | ✓               |   |
| Chien LEE  |            |             | ✓               |   |
| Michael Tze Hau LEE                              |            |             | ✓               |   |
| Joseph Chung Yin POON<br>(Note)                  |            | ✓           |                 | No business or other relationships with the Group or management |
| Dr. Deanna Ruth Tak Yung RUDGARD                 |            |             | ✓               |   |
| Ricky Tin For TSANG<br>(up to 29 September 2009) | ✓          |             |                 |   |
| Dr. Geoffrey Meou-tsen YEH                       |            | ✓           |                 | No business or other relationships with the Group or management |
| Gerry Lui Fai YIM                                | ✓          |             |                 |   |
| Wendy Wen Yee YUNG                               | ✓          |             |                 |   |

Note: Mr. Poon was formerly the managing director and deputy chief executive of Hang Seng Bank Limited ("Hang Seng"). Hang Seng is a connected person of the Company under the Listing Rules by virtue of its beneficial equity interest (24.64%) in a non-wholly owned subsidiary which holds the property of Lee Gardens Two. However, Hang Seng does not have a controlling interest in nor does it participate in the day-to-day operation of the relevant company and is connected to the Company only at the subsidiary level, and Mr. Poon's functions at Hang Seng did not involve him playing any direct role in Hang Seng's participation as a minority shareholder in the relevant company.

### The Board and Management

The roles of the Board and of management are separate and distinct. The Board's responsibility is, firstly, to formulate strategy and, secondly, to monitor and control operating and financial performance in pursuit of the Group's strategic objectives. On the other hand, the responsibility for the day-to-day management of the Group's business activities and the implementation of the Group's policies remain vested in management.

The Board and management fully appreciate their respective roles and are supportive of the development of a healthy corporate governance culture.

The roles of the Board are governed by a formal **Board of Directors Mandate** (Details are available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk)) which sets out the key responsibilities of the Board in fulfilling its stewardship roles.

### Directors of The Year Awards 2004, in the Listed Company (Main Board – Hang Seng Composite Index) Boards category

*Organised by The Hong Kong Institute of Directors*

“The Board of Hysan is well structured and composed of a diversity of backgrounds and skills. It is forward thinking with the firm belief of the concept of responsible business.”

“Hysan's strong commitment to shareholder value is supported by strategy, solid results and drive for consistent long-term returns, with a clear separation of public shareholders' interests from family interests.”

- Judges' Report



A detailed list of **Matters Reserved for Board Decisions** sets out the key matters that are to be retained for the decision of the full Board. These matters include: the extension of Group activities into new business areas; annual budgets; preliminary announcements of interim and final results; dividends; material banking facilities; material acquisitions and disposals; and connected transactions.

Where applicable, “materiality” thresholds are set at appropriate levels to ensure proper control while allowing for smooth day-to-day operations to be carried out by management. These thresholds are set out in a schedule that is subject to review periodically, at least once a year. It was last formally reviewed by the Board in March 2010.

6 Board meetings were held in 2009. Each meeting was structured to allow for open discussion.

The Board regularly receives presentations, including from non-Board management members, on significant issues or new opportunities for the Group. This facilitates the build-up of constructive relations and dialogue between the Board and the management team.

Details of Directors' Board attendance records are as follow:

| DIRECTORS  | ATTENDANCE/<br>TOTAL BOARD MEETINGS |
|--|-------------------------------------|
| <b>Executive</b>                                       |                                     |
| Peter Ting Chang LEE (until 17 October 2009)           | 3/3                                 |
| Ricky Tin For TSANG (resigned on 29 September 2009)    | 3/3                                 |
| Wendy Wen Yee YUNG                                     | 6/6                                 |
| <b>Independent Non-executive</b>                       |                                     |
| Sir David AKERS-JONES                                  | 6/6                                 |
| Nicholas Charles ALLEN (appointed on 17 November 2009) | 1/1                                 |
| Tom BEHRENS-SORENSEN (resigned on 18 May 2009)         | 1/1                                 |
| Fa-kuang HU  | 3/6                                 |
| Dr. Geoffrey Meou-tsen YEH                             | 5/6                                 |
| <b>Non-executive</b>                                   |                                     |
| Hans Michael JEBSEN                                    | 5/6<br>(2 by alternate)             |
| Anthony Hsien Pin LEE                                  | 6/6<br>(1 by telephone conference)  |
| Chien LEE  | 5/6                                 |
| Dr. Deanna Ruth Tak Yung RUDGARD                       | 6/6<br>(1 by alternate)             |

### Director Appointments and Re-election

#### Requirements

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Board established the Nomination Committee and delegated to it the responsibility of recommending candidates to the full Board for consideration. The Board and the Nomination Committee review the skill sets of the Director candidates in light of the composition of the Board as a whole to provide for the best mix of skills and experience to guide the Company. There are formalised role requirements for Non-executive Directors (as set out above) who have four additional key roles in addition to those requirements applicable to all Directors (Details are available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk)).

During 2009 and to date, the full Board approved the appointments of (i) the four new non-executive Directors; and (ii) Gerry Lui Fai YIM as Executive Director and subsequently, Chief Executive Officer.

#### Term

Non-executive Directors are appointed for a term of 3 years. Non-executive Directors are required to submit their candidacy for re-election at the first AGM following their appointment. The Group's Articles of Association contain provisions regarding the rotation of Directors so that every Director will be subject to retirement by rotation at least once every 3 years. Retiring Directors are subject to re-election at the AGM at which he retires. There is no cumulative voting in Director elections. The election of each candidate is done through a separate resolution. Details of the Directors standing for re-election at the forthcoming AGM are set out in the accompanying Circular to Shareholders.

### Evaluation

Hysan evaluates the performance of the Company and members of management at meetings between the Chairman and Non-executive Directors without the presence of management.

### Supply of Information

#### Supply and Access to Information

The Board receives detailed quarterly reports from management in respect of their areas of responsibility. Appropriate key performance indicators are used to facilitate benchmarking and peer group comparison. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The Board recognizes the significance of providing timely and relevant information to non-executive Directors so as to enable them to discharge their duties effectively. Directors are also kept updated of any material developments from time to time through notifications and circulars detailing the relevant background and explanatory information. Directors also have access to non-Director members of management and staff where appropriate. Collectively, these processes ensure that the Board receives the answers and information it needs to fulfill its obligations.

#### Independent Advice

The Board recognises that there may be occasions when one or more Directors feel that it is necessary to obtain independent legal and/or financial advice for the purposes of fulfilling their obligations. Such advice may be obtained at the Company's expense and there is an agreed upon procedure to enable Directors to obtain such advice, as stated in our Corporate Governance Guidelines.

#### Induction and Update

Upon their appointment, Directors are advised on the legal and other duties and obligations they have as directors of a listed company. Newly appointed Directors receive a comprehensive induction package designed to provide a general understanding of the Group, its businesses, the operations of the Board and the main issues it faces, as well as an overview of the additional responsibilities of non-executive Directors. Discussion sessions with key members of management will also be held.

Through the course of their directorship, Directors are updated on any developments or changes affecting the Company and their obligations to it by way of notifications circulated to them from time to time where appropriate.

### Best Corporate Governance Disclosure Awards 2009: Non-Hang Seng Index (Large Market Capitalisation) Category - Gold Award

*Organised by the Hong Kong Institute of Certified Public Accountants*

“Hysan’s annual report 2008 gave readers a clear sense that the company had established a good corporate governance culture, demonstrating a successful combination of family ownership and professional management.”

- Judges’ Report



### 3. Our Corporate Governance Practices – Board Committees

In order to provide effective oversight and leadership and pursuant to its Corporate Governance Guidelines, the Board has established 3 governance-related Board Committees. Like the Board, each Committee has access to independent advice and counsel as required and each is supported by the Company Secretary. The terms of reference of these Committees are available on the Company's website.

#### Audit Committee

##### Composition and Meetings Schedule

The Audit Committee is currently comprised of Nicholas Charles ALLEN (Chairman), Chien LEE and Dr. Geoffrey Meou-tsen YEH, with an overall majority of Independent non-executive Directors. Prior to the appointment of Nicholas Charles ALLEN, Sir David AKERS-JONES served as Chairman until November 2009. All members have experience in reviewing or analysing audited financial statements of public companies or major organizations. Nicholas Charles ALLEN (Chairman) is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing and accounting, which he developed while working with the "Big Four" international firms. The Audit Committee meets no less than twice a year. At the invitation of the Audit Committee, meetings are also attended by members of management, including the Head of Finance Department.

##### Roles and Authority

Hysan believes a clear appreciation of the separate roles of management, the external auditors and Audit Committee members is crucial to the effective functioning of an audit committee. Management of Hysan is responsible for selecting appropriate accounting policies and the preparation of the financial statements. The external auditors are responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls, to the extent that they consider necessary to support their audit report. The Audit Committee, as the delegate of the full Board, is responsible for overseeing the entire process.



Each year, the AGM provides an opportunity for face-to-face communication with shareholders.

The Audit Committee also has the responsibility of reviewing the Group's "whistle-blowing" procedures allowing employees to raise concerns, in confidence or anonymously, about possible breaches of the Group's Code of Ethics and to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

#### **Activities and Report in 2009 and to date**

Full details of the activities of the Audit Committee are set out on pages 79 and 80 of the "Audit Committee Report". 2 Audit Committee meetings were held in 2009. Sir David AKERS-JONES attended all the meetings while Chien LEE attended one and Tom BEHRENS-SORENSEN also attended one before his resignation.

#### **Emoluments Review Committee**

##### **Composition and Meetings Schedule**

The Group established an Emoluments Review Committee in 1987 to review executive Director compensation. The current Emoluments Review Committee is chaired by Sir David AKERS-JONES, Independent non-executive Chairman, with Fa-kuang HU and Dr. Geoffrey Meou-tsen YEH (both Independent non-executive Directors) completing the Committee's membership. The Emoluments Review Committee generally meets at least once every year.

##### **Roles and Authority**

Management makes recommendations to the Committee on Hysan's framework for, and cost of, the remuneration of executive Directors and the Committee then reviews these recommendations. The Committee also reviews the remuneration of the Chairman prior to such remuneration being submitted for approval at the AGM. No Director or any of his or her associates is involved in deciding his or her own remuneration.

#### **Activities and Report in 2009 and to date**

Full details of the activities of the Emoluments Review Committee are set out on pages 71 to 78 of the "Directors' Remuneration and Interests Report". The Committee held one meeting in March 2009 attended by Sir David AKERS-JONES and Dr. Geoffrey Meou-tsen YEH to consider Executive Director compensation.

#### **Nomination Committee**

##### **Composition and Meetings Schedule**

The Board established a Nomination Committee in 2005. Peter Ting Chang LEE was Chairman of the Committee until October 2009. The Nomination Committee is currently chaired by Sir David AKERS-JONES, Independent non-executive Chairman, and its other member is Dr. Geoffrey Meou-tsen YEH. The Nomination Committee meets when it is considered necessary.

##### **Roles and Authority**

The Nomination Committee is responsible for nominating candidates, for Board approval, to fill Board vacancies as and when they arise and for evaluating the balance of skills, knowledge and experience of the Board. It is clearly set out in the terms of reference of the Committee that the Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession of the chairmanship.

#### **Activities and Report in 2009**

The Committee made a recommendation to the Board for the appointment of Gerry Lui Fai YIM as new Executive Director.

## 4. Our Corporate Governance Practices – Shareholders

The Board and management fully recognise the significance and importance of having a governance framework that protects shareholder rights and their exercise of the same. At the same time, we aim to continually improve our communications with shareholders and to obtain their feedback.

### **Communication with Shareholders**

#### **Accountability to Shareholders and Corporate Reporting**

Disciplined measurement of our performance is an important aspect of our strategy to achieve long-term success. Recognising that we are accountable to our stakeholders, reporting financial and non-financial results in a transparent fashion is critical. A number of formal communication channels are used to account to shareholders for the performance of the Group. These include the Annual Report and Accounts, Interim Report and Accounts and press releases/announcements.

Hysan's corporate website provides an additional channel for shareholders and other interested parties to access information about the Group. The Group's key corporate governance policies and supporting documents, including the terms of reference of the various Board Committees, as well as the Group's financial reports, press releases and announcements are available on the website. Since 2006, shareholders have been given the option of electing to receive corporate communications by electronic means. We continue to review how to better utilise the Company's website for the purposes of timely disclosure and to enhance transparency.

#### **Institutional Shareholders**

We are committed to maintaining a continuing open dialogue with institutional investors, fund managers and analysts as a means of developing their understanding of our strategy, operations, management and plans, and enabling them to raise any issues they may have. The Company has an ongoing programme of dialogue and meetings between executive Directors and institutional investors, fund managers and analysts. At these meetings, a wide range of relevant issues, including strategy, performance, management and governance, are discussed within the constraints of information already made public.

#### **Constructive Use of AGM**

The Board is equally interested in the concerns of private shareholders. The Company Secretary, on behalf of the Board, oversees communication with these investors. The Board recognises the significance of the constructive use of AGMs as a means to enter into a dialogue with private shareholders based on the mutual understanding of objectives. Individual shareholders can put questions to the Chairman at the AGM. The Chairmen of the various Board Committees, as provided under their respective terms of references, attend AGMs to respond to any shareholder questions on the activities of the Committees.

Since 2004, to enable shareholders to gain a better understanding of our business activities, we have included a "business review" session to our AGMs, in addition to the statutory part of the meeting. Topics covered at the last AGM included: Year 2008 business environment, business activities review and outlook. The Company values the contributions of its shareholders during the question and answer session following the statutory part of the meeting.



Regular media briefings is a component of the Group's communication programme to enhance transparency for the Group.

#### **Corporate Disclosure Policy**

We recognise the significance of consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information about Hysan. The Group's Corporate Disclosure Policy provides guidance for coordinating the disclosure of material information to investors, analysts and media as well as our processes for results announcements. This policy also identifies who may speak on Hysan's behalf, and outlines the responsibilities for communications with various stakeholders groups. (Details of the Corporate Disclosure Policy is available at the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk)).

#### **Shareholder Rights**

##### **Self-funded Programme to Proactively Forward Shareholder Communication Materials via Nominee Companies**

Shareholders must be furnished with sufficient and timely information concerning the Company and any material developments. There is currently no requirement in Hong Kong providing for mandatory forwarding of shareholder communication materials by nominee companies to beneficial shareholders. Since 2005, we have initiated and funded a programme inviting major nominee companies to proactively forward communication materials to shareholders at our expense. Coverage of the programme has more than doubled since its inception.

**Provision of Sufficient and Timely Information**

We recognise the significance of providing information to shareholders to enable them to make an informed assessment in voting. Copies of the Annual Report and financial statements and related papers were dispatched to shareholders over 30 days prior to the AGM (statutory requirement: 21 days). Comprehensive information on each resolution to be proposed was also provided.

**Voting**

We recognise shareholders' right in exercising control proportionate to their equity ownership and we support the principle of voting by poll. Since 2004, the Company has conducted all voting at AGM by poll. The poll is conducted by the Company's Registrars and scrutinised by the Group's auditors. Procedures for conducting a poll are included in the Circular to Shareholders accompanying the Notice of AGM and are again explained to the general meeting prior to the taking of the poll. Poll results are announced and posted on the websites of both the Stock Exchange and the Company.

**Relevant Provisions in Articles of Association and Hong Kong Law**

Under the Articles of Association of the Company and Hong Kong Companies Ordinance, shareholders holding not less than 5% of the paid up capital of the Company may convene an extraordinary general meeting by requisition stating the objects of the meeting, and deposit the signed requisition at the Company's registered office.

Hong Kong Companies Ordinance also provides for shareholder approval of decisions concerning fundamental corporate changes, including amendments to the Articles of Association, and extraordinary transactions, including the transfer of all or a substantial part of a company's assets.

There are no limitations imposed by Hong Kong law or the Articles of Association on the right of non-residents or foreign persons to hold or vote on the Company's shares other than those limitations that would generally apply to all shareholders.