

# Remuneration Committee Report

## Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2020. The primary roles of the Remuneration Committee are to advise the Board on formulating the remuneration policy for Directors and senior management, to determine remuneration and incentives packages for Directors and senior management, and to ensure that the remuneration packages are commensurate with the qualifications and competencies of the Directors and senior management and are appropriate to the best interests of the Company and its shareholders.

## Key responsibilities

- Review the Company's framework and general policies for the remuneration of Executive Director(s) and senior management
- Review the remuneration packages of Executive Director(s), Non-Executive Directors and senior management
- Review share incentive plans

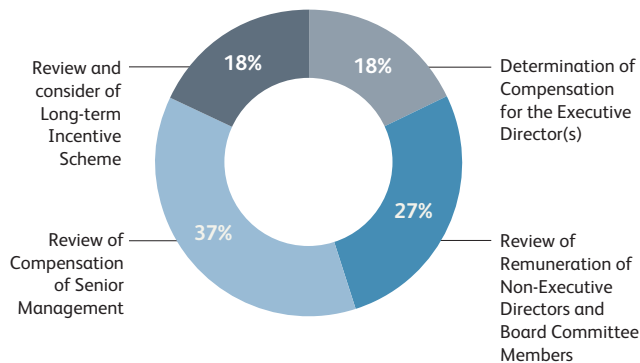
## Meeting Schedule

The Remuneration Committee generally meets at least once a year. The Executive Director(s) and management may be invited to Remuneration Committee meetings to present updates and/or answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding his own remuneration.

## Roles and Authorities

- Review the Company's framework and general policies for the remuneration of Executive Director(s) and members of senior management, as recommended by management, and make recommendations to the Board.
- Review and determine the remuneration of Executive Director(s) and senior management.
- Review the fees payable to Non-Executive Directors and Board Committee members prior to shareholders' approval at the AGM.
- Review new share incentive plans, changes to the key terms of pension plans, and the key terms of any new compensation and benefits plans that have a material financial, reputational and strategic impact.

## Remuneration Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee members

Fan Yan Hok Philip\* (Chairman)

Lee Tze Hau Michael

Poon Chung Yin Joseph\*

\* Independent Non-Executive Director

## Highlights in 2020 and 2021

- Considered remuneration for Directors and senior management
- Considered the compensation structure and long-term incentive scheme
- Reviewed the Terms of Reference

## Activities

In 2020, the Remuneration Committee held one meeting to:

- Approve the Executive Director's 2020 compensation package and 2019 performance-based bonus.
- Review the fees for Non-Executive Directors and Board Committee members.
- Review and determine the compensation of senior management.
- Review and consider the long-term incentive scheme.

In January 2021, the Remuneration Committee also held a meeting to:

- Approve the Executive Director's 2021 compensation package and 2020 performance-based bonus.

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- Review the fees for Non-Executive Directors and Board Committee members.
- Review and determine the compensation of senior management.
- Review and consider the long-term incentive scheme.
- Review the terms of reference of the Remuneration Committee.

Members' attendance records are disclosed in the table on page 41.

### Executive Director and Senior Management Remuneration Policy

The Group's remuneration policy aims to provide a fair market level of remuneration to attract, retain and motivate high quality Executive Director(s), senior management and employees. At the same time, awards must be aligned with shareholders' interests.

The following principles have been established:

- Remuneration packages and structure shall reflect a fair reward system for all participants with an emphasis on performance, comprising the following components:

Components	Determining Factors
<b>Fixed compensation</b>	
Base salary and allowances	<ul style="list-style-type: none"> <li>• Market trends: pay increments in line with general and real estate industry norms</li> <li>• Market benchmarks relevant to role and job scope</li> <li>• Company performance</li> <li>• Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, earnings per share ("EPS"), portfolio year-end occupancy, achievement of key strategic initiatives, etc.)</li> </ul>
<b>Variable compensation</b>	
Performance bonus	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, EPS, portfolio year-end occupancy, achievement of key strategic initiatives, etc.)</li> <li>• Actual bonus payout ranges from 0–200 % of target bonus, which is set as a percentage of annual base salary</li> </ul>
Share options	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Individual performance and potential, as well as long-term contribution to the Company</li> <li>• Level of share options granted is based on a prescribed grant multiple of annual base salary</li> </ul>

- Remuneration packages shall be set at levels that ensure comparability and competitiveness with Hong Kong-based companies competing for a similar talent pool, with special emphasis on the real estate industry. Independent professional advice is to be sought where appropriate.
- The Remuneration Committee shall determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessments of performance, as well as the achievement of financial and operational key performance targets that align with the Group's long-term strategy.
- Remuneration policy and practice shall be as transparent as possible.
- Share option grantees shall develop significant personal shareholdings through executive share option schemes in order to align their interests with those of shareholders.
- Pay and employment conditions elsewhere in the Group shall be taken into account.
- The remuneration policy for Executive Director(s) and senior management shall be reviewed regularly, independent of executive management.

In January 2021, the Remuneration Committee held a meeting to consider the annual base salary of Lee Irene Yun-Lien and concluded that her 2021 annual fixed base salary shall be HK\$8,000,000.

Details of Directors' (including individual Executive Director(s)) and senior management's emoluments for 2020, as well as changes in share options for Executive Director(s) during the year, are set out in notes 11, 12 and 37, respectively, to the consolidated financial statements.

### Non-Executive Director Remuneration Policy

Key elements of our Non-Executive Directors' remuneration policy include the following:

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent.
- Remuneration of Non-Executive Directors (subject to shareholders' approval) shall be set by the Board and should be proportional to their commitment and contribution to the Company.
- Remuneration practice shall be consistent with recognized best practice standards for Non-Executive Directors' remuneration.

- Remuneration shall be in the form of cash fees, payable semi-annually.
- Non-Executive Directors shall not receive share options from the Company.

In 2020, Non-Executive Directors received no other compensation from the Group except for the fees disclosed below. None of the Non-Executive Directors received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

Non-Executive Directors (including Independent Non-Executive Directors) received fees totalling HK\$3,241,000 during 2020.

## Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. In January 2021, the Remuneration Committee duly considered a number of factors, including the level of responsibility, experience and abilities required of the Directors, the level of care and amount of time required, as well as the fees offered for similar positions in companies requiring the same talents, and agreed that the fees of the Non-Executive Directors shall remain at the same level.

The current fees for Non-Executive Directors and Board Committee members are set out below. Executive Director(s) do not receive any director fee(s).

	Per annum HK\$	
<b>Board of Directors</b>		
Non-Executive Director	280,000	(Note 1)
<b>Audit and Risk Management Committee</b>		
Chairman	180,000	(Note 1)
Member	108,000	(Note 1)
<b>Remuneration Committee</b>		
Chairman	75,000	(Note 1)
Member	45,000	(Note 1)
<b>Nomination Committee</b>		
Chairman	50,000	(Note 1)
Member	30,000	(Note 1)
<b>Sustainability Committee</b>		
Chairman	50,000	(Note 2)
Member	30,000	(Note 2)

Notes:

1. Approved by shareholders in the 2019 AGM and took effect on 1 June 2019.
2. Approved by the Board and took effect on 1 January 2020.

## Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives. The total number of employees as at 31 December 2020 was 489 (2019: 514). The Group's human resources practices are aligned with our corporate objectives in order to maximize shareholder value and achieve growth. Details of our human resources programmes, training and development are set out in the "Sustainability Report 2020".

## Long-term incentives: Share Option Schemes

The Company may grant options under executive share option schemes as adopted from time to time. The purpose of the schemes is to strengthen the connection between individual staff and shareholders' interests. The power to grant options to Executive Director(s) is vested in the Remuneration Committee and endorsement by all Independent Non-Executive Directors is required under the Listing Rules. The Chairman or the Chief Executive Officer may make grants to management staff below the Executive Director level.

## The 2005 Share Option Scheme (the "2005 Scheme")

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005 (the "2005 AGM"), which had a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

Under the 2005 Scheme, options to subscribe to ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Director(s)) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed the maximum number of shares permissible under the Listing Rules, being 10% of the total number of shares in issue as at the date of the 2005 AGM (being 104,996,365 shares).

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The maximum entitlement of each participant under the 2005 Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1 % of the total number of shares in issue as at the date of the 2005 AGM, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for the exercise price to be made on exercise of the relevant options.

### The 2015 Share Option Scheme (the "New Scheme")

The Company adopted the New Scheme (together with the 2005 Scheme, both are referred to as the "Schemes") at its AGM held on 15 May 2015 (the "2015 AGM"), which has a term of 10 years and will expire on 14 May 2025. Terms of the New Scheme are substantially the same as those under the 2005 Scheme.

Under the New Scheme, options to subscribe to ordinary shares of the Company may be granted to employees of the Company or any subsidiaries (including Executive Director(s)) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed the maximum number of shares permissible under the Listing Rules, currently being 10 % of the total number of shares in issue as at the date of the 2015 AGM (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in a general meeting for "refreshing" the 10 % limit under the New Scheme. The limit on the total number of shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30 % of the shares in issue from time to time (or the maximum number of shares permissible under the Listing Rules). No options may be granted if such a grant would result in such 30 % limit or maximum permissible limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1 % of the total number of shares in issue as at the date of the 2015 AGM, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for the exercise price to be made on exercise of the relevant options.

### Grant and vesting structures

Under the Company's current policy, grants are to be made on a periodic basis. The exercise period is 10 years. The vesting period is three years in equal proportions starting from the 1st anniversary and shares will become fully vested on the 3rd anniversary of the grant. The size of the grant will be determined with reference to a base salary multiple and job performance grades. The Board reviews the grant and vesting structures from time to time.

### Movement of share options

During the year, a total of 1,602,000 shares options were granted under the New Scheme. The 2005 Scheme had expired on 9 May 2015 and no further option has been granted under the 2005 Scheme.

As at the date of this Annual Report:

- share options exercisable into a total of 1,272,667 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.12 % of the total number of issued shares of the Company;
- share options exercisable into a total of 4,744,067 ordinary shares of the Company granted (including fully-vested share options exercisable into 2,036,853 ordinary shares of the Company) under the New Scheme remained outstanding, representing approximately 0.46 % of the total number of issued shares of the Company; and
- 101,279,005 shares are issuable under the New Scheme, representing approximately 9.74 % of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the Schemes during the year are as follows:

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
Eligible employees (Note c)	31.3.2010	22.45	31.3.2011 – 30.3.2020	50,000	–	(50,000) (Note d)	–	–
	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	–	32,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	–	62,667
				1,322,667	–	(50,000)	–	1,272,667
Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
New Scheme								
Executive Director								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73 (Note e)	21.2.2021 – 20.2.2030	–	650,000	–	–	650,000
Eligible employees (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	–	125,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	–	244,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	496,000	–	–	(2,000)	494,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	762,000	–	–	(4,000)	758,000
	31.3.2020	25.20 (Note f)	31.3.2021 – 30.3.2030	–	952,000	–	–	952,000
				3,170,067	1,602,000	–	(6,000)	4,766,067

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.
- (b) The options lapsed during the year upon the resignations of certain eligible employees.
- (c) Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$28.40.
- (e) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 20 February 2020) was HK\$29.55.
- (f) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2020) was HK\$23.85.

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Apart from the above, the Company has not granted any share options under the Schemes to any other persons during the year that are required to be disclosed under Rule 17.07 of the Listing Rules.

Particulars of the Schemes are set out in note 37 to the consolidated financial statements.

### Value of share options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the year is to be expensed through the Group's statement of profit or loss over the 3-year vesting period of the options.

The fair values of share options granted by the Company were determined by using the Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	31.3.2020	21.2.2020
Closing share price at the date of grant	HK\$25.200	HK\$29.250
Exercise price	HK\$25.200	HK\$29.730
Risk free rate (Note a)	0.528 %	1.172 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	18.518 %	18.013 %
Expected dividend per annum (Note d)	HK\$1.384	HK\$1.384
Estimated fair values per share option	HK\$2.060	HK\$2.520

Notes:

- (a) Risk free rate: the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.
- (b) Expected life of option: the period of five years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.
- (c) Expected volatility: the approximate historical volatility of the closing prices of the shares of the Company over the past five years immediately before the date of grant.
- (d) Expected dividend per annum: the approximate average annual cash dividend over the past five financial years.

Members of the Remuneration Committee

**Fan Yan Hok Philip** (Chairman)

**Lee Tze Hau Michael**

**Poon Chung Yin Joseph**

Hong Kong, 25 February 2021

