

Remuneration Committee Report

Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2021. 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 incentive 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 Directors and senior management
- Review the remuneration packages of Executive Directors, Non-Executive Directors and senior management
- Review share incentive plans

Meeting Schedule

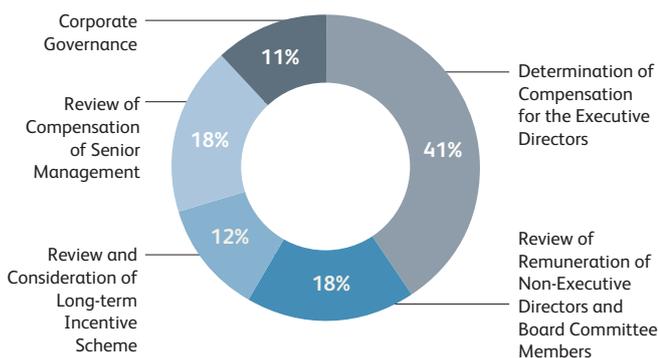
The Remuneration Committee generally meets at least once a year. The Executive Directors and management may be invited to Remuneration Committee meetings to present updates and/or answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding their own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

Roles and Authorities

The Remuneration Committee's main roles and authorities are to:

- Review the Group's framework and general policies for the remuneration of Executive Directors and members of senior management, as recommended by management, and make recommendations to the Board;
- Review and determine the remuneration of Executive Directors and senior management;
- Review the fees payable to Non-Executive Directors and Board Committee members prior to shareholders' approval at the AGM; and
- 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 on the Company.

Committee activities and agenda time during the year



Composition

The majority of the Committee is composed 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 2021 and 2022

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

Activities

In January 2021, the Remuneration Committee met to:

- Approve the Executive Director's 2021 compensation package and 2020 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; and
- Review the terms of reference of the Remuneration Committee.

In September 2021, the Committee also met to approve the 2021 compensation package for the newly appointed Executive Director, which took effect from 1 October 2021.

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In January 2022, the Remuneration Committee also held a meeting to:

- Approve the Executive Directors' 2022 compensation packages and 2021 performance-based bonuses;
- Review the fees for Non-Executive Directors and Board Committee members;
- Review and determine the compensation of senior management; and
- Review and consider the long-term incentive scheme.

Members' attendance records are disclosed in the table on page 55.

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 Directors, senior management and employees. At the same time, rewards must be aligned with shareholders' interests.

The following principles have been established:

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

Components Determining Factors

Fixed compensation	
Base salary and allowances	<ul style="list-style-type: none"> • Market trends: pay increments in line with general and real estate industry norms • Market benchmarks relevant to role and job scope • Company performance • 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.)
Variable compensation	
Performance bonus	<ul style="list-style-type: none"> • Company performance • 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.) • Actual bonus paid out ranges from 0–200 % of target bonus, which is set as a percentage of annual base salary
Share options	<ul style="list-style-type: none"> • Company performance • Individual performance and potential, as well as long-term contribution to the Company • Level of share options granted is based on a prescribed grant multiple of annual base salary

- 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; and
- The remuneration policy for Executive Directors and senior management shall be reviewed regularly, independent of executive management.

In January 2022, the Remuneration Committee held a meeting to consider the annual base salaries of Lee Irene Yun-Lien and Lui Kon Wai, and concluded that their 2022 annual fixed base salaries shall be HK\$8,240,000 and HK\$5,600,000 respectively.

Details of Directors' remuneration, including individual Executive Directors and senior management's emoluments for 2021, as well as changes in share options for Executive Directors 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 Director 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 shall be set by the Board (subject to shareholders' approval) and should be proportional to their commitment and contribution to the Company;
- Remuneration practices 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; and

- Non-Executive Directors shall not receive share options from the Company.

In 2021, Non-Executive Directors received no compensation from the Group other than 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\$3,139,000 during 2021.

Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. In January 2022, 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 Directors do not receive any director fees.

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

Notes:

1. Approved by shareholders at 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 2021 was 467 (2020: 489). 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 our 2021 Sustainability Report.

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 such schemes is to strengthen the connection between individual employees' and shareholders' interests. The power to grant options to Executive Directors is vested in the Remuneration Committee, with endorsement by all Independent Non-Executive Directors being required under the Listing Rules. The Chairman or the Chief Executive Officer may grant options 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 the ordinary shares of the Company may be granted to employees of the Company or any of its wholly-owned subsidiaries (including Executive Directors), as well as 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. The consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant, with full payment for the exercise price to be made upon the exercise of the relevant option.

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

The Company adopted the New Scheme 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. The terms of the New Scheme are substantially the same as those of the 2005 Scheme.

Under the New Scheme, options to subscribe to the ordinary shares of the Company may be granted to employees of the Company or any of its subsidiaries (including Executive Directors), as well as 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 from its shareholders in a general meeting to "refresh" the 10% limit under the New Scheme. In addition, the total number of shares that may be issued upon the exercise of all outstanding options granted but not yet 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 where such a grant would result in this 30% limit or the 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. The consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant, with full payment for the exercise price to be made upon the exercise of the relevant option.

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 first anniversary of the grant, with the shares becoming fully vested on the third anniversary. The size of the grant will be determined with reference to a base salary multiple and job performance metrics. The Board reviews the grant and vesting structures from time to time.

Movement of share options

During the year, a total of 1,607,000 share options were granted under the New Scheme. The 2005 Scheme 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 1,239,000 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 5,844,067 ordinary shares of the Company (including fully-vested share options exercisable into 3,376,718 ordinary shares of the Company) granted under the New Scheme remained outstanding, representing approximately 0.57% of the total number of issued shares of the Company; and
- 100,121,673 shares remained issuable under the New Scheme, representing approximately 9.68% of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2005 Scheme and the New Scheme (“the Schemes”) during the year are as follows:

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2021	Changes during the year			Balance as at 31.12.2021
					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)	31.3.2011	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	–	–	(1,667)	61,000
				1,272,667	–	–	(33,667)	1,239,000

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2021	Changes during the year			Balance as at 31.12.2021
					Granted	Exercised	Cancelled/ lapsed (Note b)	
New Scheme								
Executive Directors								
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	21.2.2021 – 20.2.2030	650,000	–	–	–	650,000
	26.2.2021	33.05 (Note e)	26.2.2022 – 25.2.2031	–	664,000	–	–	664,000
Lui Kon Wai (Note g)	29.3.2018	41.50	29.3.2019 – 28.3.2028	179,000	–	–	–	179,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	203,000	–	–	–	203,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	262,000	–	–	–	262,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	267,000	–	–	267,000
Eligible employees (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	(19,000)	106,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	(36,000)	208,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	315,000	–	–	(55,000)	260,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	555,000	–	–	(162,000)	393,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	690,000	–	(57,332) (Note d)	(134,668)	498,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	676,000	–	(65,000)	611,000
				4,766,067	1,607,000	(57,332)	(471,668)	5,844,067

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and becoming fully vested on the third anniversary. In this table, “exercise period” begins with the first anniversary of the date of grant.
- (b) These options lapsed during the year upon the resignations of certain eligible employees or the end of the period during which the options are exercisable.
- (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\$30.58.
- (e) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2021) was HK\$33.25.
- (f) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2021) was HK\$31.50.
- (g) Lui Kon Wai, currently Chief Operating Officer, was appointed as Executive Director with effect from 1 October 2021.

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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 three-year vesting period of the options.

The fair values of share options granted by the Company were determined using the Black-Scholes option pricing model (the "Model"), a commonly-used model for estimating 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 estimates. The value of an option is determined by different variables which are based on 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	31.3.2021	26.2.2021
Closing share price at the date of grant	HK\$30.40	HK\$33.05
Exercise price	HK\$30.40	HK\$33.05
Risk-free rate (Note a)	0.817 %	0.726 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.100 %	26.899 %
Expected dividend per annum (Note d)	HK\$1.408	HK\$1.388
Estimated fair values per share option	HK\$4.770	HK\$5.560

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 restrictions and behavioural considerations.

(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, 24 February 2022