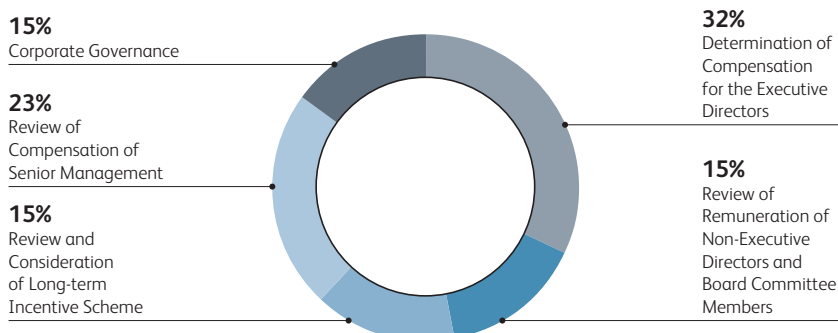


Remuneration Committee Report

Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2022. The primary roles of the Remuneration Committee are to advise the Board on the formulation of remuneration policy, 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 in the best interests of the Company and its Shareholders.

Committee activities and agenda time during the year



Composition in 2022	Fan Yan Hok Philip* (Chairman) Poon Chung Yin Joseph* Lee Tze Hau Michael * INED
Independence Weighting	66.7%
Meeting Schedule	<ul style="list-style-type: none"> • At least one meeting every year • One meeting in 2022
Highlights in 2022 and 2023	<ul style="list-style-type: none"> • Considered remuneration for Directors and senior management • Considered the Company's compensation structure and long-term incentive scheme • Reviewed its terms of reference

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 ("EDs") and members of senior management and make recommendations to the Board;
- Review and determine the remuneration of EDs and senior management as recommended by management;
- Review and make recommendations to the Board on the fees of NEDs, INEDs and Board Committee members prior to Shareholders' approval at the AGM; and
- Review matters related to share incentive plans (including matters related to share schemes under Chapter 17 of the Listing Rules), 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.

ACTIVITIES

The EDs 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.

In January 2022, the Remuneration Committee met to:

- Approve the EDs' 2022 compensation package and 2021 performance-based bonuses;
- Review the fees for NEDs, INEDs and Board Committee members;
- Review and determine the compensation of senior management; and
- Review and consider the long-term incentive scheme (including matters related to share schemes under Chapter 17 of the Listing Rules).

In February 2023, the Remuneration Committee also held a meeting to

- Approve the EDs' 2023 compensation packages and 2022 performance-based bonuses;
- Review the fees for NEDs, INEDs and Board Committee members;
- Review and determine the compensation packages of senior management;
- Review and consider the long-term incentive scheme (including matters related to share schemes under Chapter 17 of the Listing Rules); and
- Review and update the terms of reference of the Remuneration Committee.

Members' attendance records are disclosed in the table on page 67.

REMUNERATION POLICY

Our remuneration policy aims to maintain a proper balance between business performance and long-term sustainable growth, while being market competitive and in alignment with the Company's strategy, corporate culture and core values, performance as well as Shareholders' interests.

We recognise the importance of a transparent remuneration policy and practice, which is underpinned by three cornerstones:

1. Effective Corporate Governance

- No Director is involved in deciding their own remuneration;
- Compensation packages of EDs are reviewed and approved by the Remuneration Committee;
- Remuneration of NEDs and INEDs are approved by the Board upon the recommendation of the Remuneration Committee and subject to Shareholders' approval;
- Compensation packages of senior management and department heads are reviewed and approved by the Remuneration Committee; and
- Independent professional advice is to be sought where appropriate.

Remuneration Committee Report

2. Market Benchmarking

- Hong Kong property developers and companies listed on the main board of the Stock Exchange with property-related businesses were selected as comparators for benchmarking Director's fees and remuneration of EDs and senior management.

3. Performance-linked

- Remuneration packages and structures of EDs and senior management shall reflect a fair reward system for all participants, taking into account both quantitative and qualitative assessments of performance in the forms of financial and operational targets and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

Our approach is to provide a fair market level of remuneration to attract, retain and motivate high-quality EDs, senior management and employees. At the same time, rewards must be aligned with the Company's strategy, corporate culture and core values, performance as well as Shareholders' interests.

The following principles of remuneration for EDs and senior management have been established:

- Remuneration must be based on a fair reward system with an emphasis on performance according to the above-mentioned components;
- 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 and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values;
- Remuneration policy and practices shall be as transparent as possible and reviewed regularly, independent of executive management;
- Share option grantees shall develop significant personal shareholdings through executive share option schemes, in order to align their interests with those of the Shareholders; and
- Pay and employment conditions elsewhere in the Group shall be taken into account.

In reviewing and determining remuneration for EDs and senior management, the Remuneration Committee will take into account the following determining factors:

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, behavioural competencies 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, behavioural competencies and contribution, measured against annual financial and operational targets (turnover, expense ratio, EPS, portfolio year-end occupancy, achievement of key strategic initiatives, etc.)• Actual bonuses paid out range from 0–200% of target bonus, which is set as a percentage of the 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

In February 2023, 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 2023 annual fixed base salaries shall be HK\$8,240,000 and HK\$5,600,000 respectively.

Details of Directors' remuneration, including individual EDs and senior management's emoluments for 2022, as well as changes in share options for EDs during the year, are set out in notes 10, 11 and 36, respectively, to the consolidated financial statements.

Remuneration Policy for NEDs and INEDs

These are the key guiding principles of the remuneration for our NEDs and INEDs:

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent;
- Remuneration of NEDs and INEDs 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 the remuneration of the NEDs and INEDs;
- Remuneration shall be in the form of cash, payable semi-annually; and
- NEDs and INEDs shall not receive share options from the Company.

In 2022, NEDs and INEDs received no compensation from the Group other than the Directors fees disclosed below. None of the NEDs and INEDs received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

NEDs and INEDs received fees totalling HK\$3,392,000 during 2022.

Director Fee Levels

Director fees are subject to Shareholders' approval at general meetings. In February 2023, 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 talent and agreed that the Director fees shall be maintained at the same level.

The current fees for the NEDs, INEDs and Board Committee members are set out below. EDs do not receive any Director fees.

	Current Fee Per annum HK\$	
Board of Directors		
NED and INED	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.

Remuneration Committee Report

Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives and adhering to Hysan's corporate culture and core values. The total number of employees as at 31 December 2022 was 486 (2021: 467). The Group's human resources practices are aligned with our corporate objectives in order to maximize Shareholder value and achieve sustainable growth. Details of our human resources programmes, training and development are set out in our 2022 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 EDs is vested in the Remuneration Committee, with endorsement by all INEDs being required under the Listing Rules. The Chairman may grant options to management staff below the ED 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 EDs), 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, representing approximately 10% of the total number of issued shares of the Company as at the date of this Annual Report).

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 higher 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 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 EDs), 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, representing approximately 10% of the total number of issued shares of the Company as at the date of this Annual Report). 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 higher 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 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

Since the 2005 Scheme had expired on 9 May 2015, no option was available for grant under the 2005 Scheme as at 1 January 2022 and 31 December 2022 respectively. No option was granted under the 2005 Scheme during the year.

The number of options available for grant under the New Scheme as at 1 January 2022 and 31 December 2022 were 100,121,673 and 98,048,673 respectively.

The number of ordinary shares of the Company that may be issued in respect of options granted under the New Scheme during the year is 2,084,000 (representing approximately 0.20% of the weighted average number of ordinary shares of the Company in issue during the year).

As at 31 December 2022:

- share options exercisable into a total of 1,082,000 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.11% of the total number of issued shares of the Company;
- share options exercisable into a total of 7,917,067 ordinary shares of the Company (including fully-vested share options exercisable into 4,342,381 ordinary shares of the Company) granted under the New Scheme remained outstanding, representing approximately 0.77% of the total number of issued shares of the Company; and
- 98,048,673 shares remained issuable under the New Scheme, representing approximately 9.55% of the total number of issued shares of the Company.

Remuneration Committee Report

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 1.1.2022	Changes during the year			Balance as at 31.12.2022
					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
Other employee participants								
	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	61,000	–	–	–	61,000
				1,239,000	–	–	(157,000)	1,082,000
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	26.2.2022 – 25.2.2031	664,000	–	–	–	664,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	–	819,000	–	–	819,000
		(Note c)						
Lui Kon Wai	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	31.3.2022 – 30.3.2031	267,000	–	–	–	267,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	–	400,000	–	–	400,000
		(Note c)						
Other employee participants								
	31.3.2016	33.05	31.3.2017 – 30.3.2026	106,000	–	–	–	106,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	208,667	–	–	–	208,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	260,000	–	–	–	260,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	393,000	–	–	–	393,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	498,000	–	–	–	498,000
	31.3.2021	30.40	31.3.2022 – 30.3.2031	611,000	–	–	(6,000)	605,000
	31.3.2022	23.36	31.3.2023 – 30.3.2032	–	865,000	–	(5,000)	860,000
		(Note d)						
				5,844,067	2,084,000	–	(11,000)	7,917,067

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. “Exercise period” accordingly begins with the first anniversary of the date of grant.

(b) Options lapsed during the year in accordance with the rules of the Schemes.

(c) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2022) was HK\$23.10.

(d) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2022) was HK\$23.30.

During the year, a total of 1,609,000 share options were granted to Directors and senior managers (as defined under Chapter 17 of the Listing Rules and disclosed on page 53 in this Annual Report) (“Senior Managers”) of the Company under the New Scheme.

In considering the grant of such share options, the Remuneration Committee took into account various factors, including the Group’s satisfactory performance during the previous financial year, each grantee’s experience and potential, length of service, performance during the previous financial year and past contribution to the Group. The vesting of such share options is not subject to any performance target and/or clawback mechanism.

The Remuneration Committee was of the view that the grants were appropriate and no performance target and/or clawback mechanism was necessary as (i) the main purpose of the grants were to recognize the satisfactory performance and contributions made by the grantees before the grant, (ii) the exercise price of the share options represents a certain premium over the market price of the Shares preceding the date of grant, (iii) the share options would have a vesting period of three years in equal proportions, and (iv) it was the Company’s customary practice to grant share options without any performance target and/or clawback mechanism.

The Remuneration Committee was also of the view the grants aligned with the purpose of the New Scheme. The grantees, as Directors and Senior Managers, had contributed directly and significantly to the overall operations and long-term and sustainable growth of the Group by their leadership and management experience. The grants could align the interests of the grantees with that of the Company and its Shareholders and encourage the grantees to continue to contribute to the future development of the Group to enhance the value of the Company and its shares.

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 36 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	31.3.2022	28.2.2022
Closing share price at the date of grant	HK\$22.900	HK\$23.000
Exercise price	HK\$23.360	HK\$23.250
Risk-free rate (Note a)	2.010 %	1.451 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.636 %	27.722 %
Expected dividend per annum (Note d)	HK\$1.426	HK\$1.426
Estimated fair values per share option	HK\$3.400	HK\$3.370

Notes:

- 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.
- 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.
- 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.
- 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)
Poon Chung Yin Joseph
Lee Tze Hau Michael

Hong Kong, 17 February 2023