

Supplementary information of Disclosure on Remuneration pursuant to the “Guideline on a Sound Remuneration System” issued by the Hong Kong Monetary Authority

Governance Structure of the Remuneration System

The Remuneration Committee is established with specific terms of reference and its membership consists of an independent non-executive director and a non-executive director. The Remuneration Committee meets at least once a year to review and make recommendations to the Board of Directors (the “Board”) of the Company on the overall remuneration policy and structure, specific remuneration packages and compensation arrangement relating to the appointment of Senior Management and Key Personnel, and on the formulation of the remuneration policy applicable to all employees of the Company. All remuneration actions and decisions made by the Remuneration Committee are reported to the Board for ratification.

The Board and the Remuneration Committee provide oversight of the overall remuneration administration of the Company to ensure consistency with its culture, strategy, risk tolerance and control environment. The Remuneration Committee reviews the remuneration policy and system periodically or whenever necessary to ensure the Company’s effective human resources management.

For the purpose of this disclosure, the Senior Management and Key Personnel mentioned in this section are defined according to the “Guideline on a Sound Remuneration System” issued by the HKMA. Senior Management comprises Chief Executive Officer and Alternate Chief Executive Officers, who are responsible for the oversight of the company-wide strategy and activities or those of the major business lines. Key Personnel including Chief Risk Officer, Head of Finance and Heads of Business Departments, are senior executives whose duties or activities in the course of their employment involve the assumption of material risk or the taking on material exposures on behalf of the Company.

Design and Structure of the Remuneration Process

The remuneration system of the Company is designed to motivate employee behaviour that supports the Company’s overall business goals and objectives, long-term financial soundness and effective risk management. It aims to create long-term value for the Company and to align the remuneration of employees with the Company’s profitability and time horizon of risks.

The remuneration package comprises fixed salary and variable remuneration. The objective is to ensure the package is competitive in the market so as to attract, retain and motivate the right talents. The proportion of variable remuneration shall vary according to the staff’s roles and responsibilities, as well as performance.

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Fixed remuneration refers to base salary, fixed allowances and year-end guaranteed pay (if applicable). Variable remuneration, mainly cash bonus payment, is awarded based on the overall performance of the Company, the relevant business unit and the individual staff member, taking into consideration of the full range of current and potential short-term and longer-term risks connected with the activities of staff which may affect the performance of the Company.

Performance Management and Consideration of Relevant Risks in the Remuneration Process

Performance of individual staff member is assessed against a number of pre-defined and measurable performance goals. The goals are determined according to the job responsibilities and areas of contribution covering both financial and non-financial factors. Financial factors include quantitative measures such as profit, revenue, business turnover or volume. Non-financial factors include criteria such as strict adherence to the code of conduct, internal control policies, compliance requirement and risk management standard. The non-financial factors constitute a significant part of an employee’s overall performance measurement. The size and allocation of variable remuneration take into account the full range of current and potential risks associated with the functions and activities conducted by the relevant employee.

The overall and balanced quality of staff performance is therefore measured and determined not only by financial achievements but also non-financial indicators which form an integral part of the performance management system.

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Remuneration Awarded to Senior Management and Key Personnel

	<i>2014</i>	<i>2013</i>
Number of Senior Management	<u>3</u>	<u>2</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed remuneration (see note below)		
Cash	4,224	2,158
Variable remuneration		
Cash	<u>3,260</u>	<u>1,585</u>
Number of Key Personnel	<u>2</u>	<u>4</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed remuneration (see note below)		
Cash	2,872	1,917
Variable remuneration		
Cash	<u>1,370</u>	<u>705</u>

Note: The fixed remuneration included employer’s contribution to provident fund.

Senior Management and Key Personnel were awarded sign-on bonus with a total of HK\$1,837,000 in 2013. No Senior Management and Key Personnel was awarded sign-on bonus in 2014. No Senior Management and Key Personnel was awarded guaranteed bonus, deferred variable remuneration or severance payment in 2014 and 2013.